FACTORS AFFECTING FINANCIAL SUSTAINABILITY OF LOCAL NON-GOVERNMENTAL ORGANIZATION IN NAIROBI COUNTY, KENYA

BY

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MASTER OF SCIENCE IN COMMERCE

(FINANCE AND ACCOUNTING)

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SEPTEMBER 2023

DECLARATION

I declare that this dissertation is my original work and has not been previously published or submitted elsewhere for the award of a degree. I also declare that this contains no material written or published by other people except where due reference is made and the author duly acknowledged.

Alois Makau Mutua Reg. No**: 19/05933**

sign Date: **24/11/2023**

I do hereby confirm that I have examined the master's dissertation of

Alois Makau Mutua

And have approved it for examination

Signature ………………………………………………………… Date: .24/11/2023

Dr. Fred Sporta

ABSTRACT

The study's overarching goal was to identify the factors affecting financial sustainability of local non-governmental organization in Kenya. The specific objectives factors affecting financial sustainability of local non-governmental organization in Kenya. The benefactor relationship management, income divergence, financial managements and staff management skills. The NGO council's jurisdiction extends to 12 regions across Kenya. The study adopted stratified random sampling. According to Sekaran and Bougie (2019) sampling refers to process of selecting a group of participants from the target population to take part in a survey. Mugenda and Mugenda (2003) justified the sample of 10% where the sample frame is large (and exceeding a minimum sample size of 30 respondents). Therefore, the sample was made up of 114 NGOs, where one individual was picked to assist fill the questionnaires from each NGO. To gather primary data, self-administered structured questionnaires were employed. Cronbach's alpha coefficient was used in the study to determine dependability. An alpha coefficient of 0.75 or higher indicated that the gathered data is reliable as it has a relatively high internal consistency and can be generalized to reflect opinions of all respondents in the target population. Techniques for descriptive and inferential statistical analysis were both used. To guarantee that the study is conducted in compliance with the university's norms and regulations, the researcher adhered to the rules established by the KCAU University. Conclusions are that the NGOs have established networks with donors and communicate regularly for funding. Despite the NGOs having donor tracking systems they are unable to meet the conditions set by donors for funding like accountability of funding. The study concludes income divergence affect financial sustainability of NGOs to a great extent. Financial management affect financial sustainability NGOs in Kenya through various practices with compliance to NGO conditions being the main factor. The study concludes that that staff management skills is perceived to affect financial sustainability of NGOs in Kenya; the study further concludes that the management of local NGOs in Kenya are not experienced enough to hold their positions as per donor's required standards. Recommendations are that NGOs should lay emphasis on hiring management staff who are competent this is because competence of staff significantly affects the financial sustainability of NGOs. Therefore, NGOs should not only prepare strategic plans but also periodically review the strategic plans. Staff participation and proper communication in decision making should be highly encouraged in all NGOs. NGOs should adopt proper accounting knowledge and techniques as required by International accounting standards such as preparation of relevant financial reports supported by proper documentation.

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DEDICATION

I dedicate this work to my entire family and all others who have been instrumental in supporting in many ways. God bless you all.

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LIST OF ABBREVIATIONS/ACRYONMS

CSOs	**:**	Civil Society Organizations
NGOs	**:**	Non-Governmental Organizations
SPSS	:	Statistical Package for Social Science

DEFINITION OF TERMS

Benefactor RelationshipManagement: This refers to the strategic and systematic management of relationships with individuals, organizations, or entities that provide financial support or resources to the NGO. It involves cultivating and maintaining positive connections with donors, sponsors, and other supporters to ensure ongoing financial assistance and a mutually beneficial partnership (Abdul 2022).

Community Economic Empowerment: Refers to activities and initiatives undertaken by NGOs to enhancethe economic capabilities and self-reliance of the communities theyserve. This can include providing training, access to financial resources, skill development, and opportunities for incomegeneration, with the ultimate goal of improving the overall economic well-being of the community

Financial Management **:** Refers to the planning, organization, control, and monitoring of financial resources to achieve the organization's goals. It involves budgeting, financial reporting, risk management, and strategic allocation of funds to ensure efficient and effective use of resourceswhile maintaining financial stability (Kurilova, 2021)

Income Divergence **:** Refers to the variation or discrepancy in the sources of income for an NGO. It indicates the degree to which an NGO relies on a diverserange of funding sources rather than being heavily dependent on a single source. A well-diversified income base can enhance anNGO's financial stability and resilience (Kabene, 2021)

Staff Management : Refers to effective supervision, coordination, and development of the human resources within an NGO. It encompasses recruitment, training, performance evaluation, motivation, and leadership of theNGO's staff members. Effective staff management ensures that theorganization's workforce is capable, engaged, and aligned with its mission and objectives (Aboramadan, 2018).

Financial Sustainability : Refers to the ability of the organization to maintain its operations, fulfill its mission, and achieve its objectives over the long term. A sustainable NGO can effectively manage its resources, attract consistent funding, and adapt to changing circumstances while continuing to make a positive impact on its target beneficiaries (Jimmy-Akinpitan, 2023).

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Financial sustainability holds paramount importance for Non-Governmental Organizations (NGOs) globally, providing them with the necessary resources to navigate administrative costs efficiently and concentrate on their core missions. This enables NGOs to operate with greater autonomy, reducing their dependence on unpredictable and potentially restrictive donor funding. For instance, NGOs in the UK, such as Oxfam and Save the Children, have implemented diversified revenue streams, including charity shops, corporate partnerships, and individual donations. In the USA, organizations like the Bill and Melinda Gates Foundation leverage endowments, strategic investments, and partnerships to ensure a stable financial foundation, allowing them to pursue their philanthropic objectives with sustained impact. Financial sustainability not only fortifies NGOs against external uncertainties but also enhances their ability to drive positive change consistently (Khieng and Dahles, 2019). NGOs play a pivotal role in advancing international human rights by setting standards, documenting violations, and advocating for the enforcement of human rights normsglobally (Dauvergne, 2018). In the United Kingdom, organizations like London Funders uniteddduring the COVID-19 pandemic to issue a joint statement and adapt their financial structures to provide immediate support to their beneficiaries (Ngare & Ogutu, 2022).

Across the Atlantic in the United States, NGOs faced similar challenges during the pandemic, necessitating rapid adjustments in their funding strategies and priorities. For instance, organizations like the Bill and Melinda Gates Foundation redirected their resources to addressimmediate health and social needs. In Asia, the pandemic also prompted NGOs to rethink theirfinancial sustainability. NGOs in countries like India and Bangladesh had to adapt to changing donor priorities and increased demands for healthcare and relief efforts (Maeenuddin & Hashim, 2023).

In Nigeria, South Africa, Tanzania, and Kenya, the economic downturn has accentuated financial challenges for Non-Governmental Organizations (NGOs). The repercussions have been especially severe for many organizations, resulting in the closure of some and the discontinuation of vital programs for others. This struggle is notably prominent among newer NGOs that lack a sustainable funding base, as highlighted by Papadopoulos (2016). In Nigeria, the Nigerian Red Cross Society faced operational difficulties due to funding constraints, exemplifying the impact on NGOs in the region. In South Africa, donor contributions to organizations addressing social and economic disparities have decreased, posing challenges for these NGOs. Similarly, Tanzania and Kenya have grappled with diminished financing fromgrant programs, compelling NGOs to reassess their structures and programmatic priorities (Obegi & Kimutai, 2017). The financial landscape for NGOs in these African countries underscores the need for innovative strategies to ensure sustainability in the face of economicuncertainties.

In Nigeria, South Africa, Tanzania, and Kenya, NGOs grapple with the persistent challenge ofaccessing sufficient funds to effectively carry out their missions. This financial hurdle spans local, national, and global levels, exacerbated by an escalating demand for resources as highlighted by Towett et al. (2019). Particularly, newly established NGOs in these regions often confront sustainability issues and frequently cease operations within a short timeframe due to inadequate funding, a dilemma elucidated by Adongo (2013).

NGOs in developing nations encounter a paramount obstacle when securing the necessary funds to execute the tasks essential for achieving their objectives. This challenge permeates various levels, from local to global, where the increasing demand for limited resources poses a significant constraint. Despite the availability of funds on a global scale, the expanding demand and proliferation of development organizations contribute to the scarcity of these financial resources (Towett et al., 2019). For example, in Nigeria, NGOs like the Wellbeing Foundation Africa continually grapple with fundraising challenges, while in South

Africa, organizations such as the Nelson Mandela Foundation navigate the delicate balance of meetingtheir missions amidst financial constraints. In Tanzania, NGOs like the Foundation for Civil Society encounter difficulties in mobilizing sufficient funds, while in Kenya, organizations like Amref Health Africa work tirelessly to overcome financial barriers to sustain their impactful initiatives. The financial struggles faced by NGOs in these African countries underscore the urgent need for innovative funding models and increased collaboration to bolster their missions in the face of mounting challenges (Towett et al., 2019).

1.1.1Financial Sustainability

Financial sustainability refers to an organization's ability to maintain its financial health and viability over an extended period, ensuring it can meet its current financial obligations and support its future operations without the risk of financial insolvency (Awaworyi 2020). It encompasses the prudent management of resources, revenue generation, and cost management to achieve long-term financial stability. Organizations, whether they are non-profit entities, businesses, or government agencies, strive for financial sustainability to ensure their continued existence, fulfill their mission or objectives, and adapt to changing economic conditions and challenges (Maeenuddin & Hashim, 2023).

Financial sustainability is a complex and multifaceted concept that requires the use of measurable parameters to assess an organization's financial health and stability comprehensively. These measurable parameters provide a framework for evaluating an organization's financial performance and the extent to which it can endure economic uncertainties (Maeenuddin and Hashim, 2023). Unique critical measurable parameter is liquidity, which evaluates an organization's ability tomeet its short-term financial obligations. Liquidity is commonly assessed using the current ratio (current assets divided by current liabilities) and the quick ratio (quick assets, excludinginventory, divided by current liabilities). These ratios help determine if an organization has thenecessary cash and assets to cover its immediate expenses (Besley & Brigham, 2018).

For NGOs diversification of funding sources is a critical parameter. Dependence on a single funding source can create vulnerability. Therefore, a diversified funding base, which includes earned income, government grants, and private donations, contributes to financial sustainability (Salamon, 2019).

1.1.2 Factors Affecting Financial Sustainability of local Non-Governmental Organization

The capacity of an NGO to attract and retain a staff body, as well as individual staff members with the necessary caliber or potential caliber for effective program implementation. This involves organizational positioning within its environment, and adaptability to environmental changes,alongside the capacities, skills, and aptitude of individual staff members and their collective synergy, all constitute factors that contribute to the financial sustainability of an NGO. Non- governmental organizations (NGOs) play an essential role in addressing social, economic, andenvironmental issues in Kenya (Abdul Aziz et al., 2022). However, the financial viability of these organizations remains a significant challenge.

The financial sustainability of NGOs relies heavily on the effective management of donor relationships. NGOs acquire funding from various sources, such as international donors, foundations, and governmental organizations. To secure funding, build trust, and demonstrate accountability, it is crucial to establish and maintain strong connections with these donors (Khan and Saif, 2020). This diversity of funding sources within an NGO is commonly referred to as "income divergence" (Khieng and Dahles, 2019). An overreliance on a single donor or a limited group of contributors can pose a significant threat to the financial viability of NGOs. The loss of funding from a major donor can lead to financial instability and hinder an organization's ability to achieve its objectives. To mitigate this risk, NGOs can proactively diversify their sources of revenue by expanding their donor base, exploring partnerships with corporations, engaging in social enterprises, or generating income through fee-for-service activities. Income diversification provides a more stable financial foundation and reduces dependence on a single funding source (Khieng and Dahles,2019).

Effective financial management practices are crucial for the long-term sustainability of NGOs,as emphasized by Mbote (2019). Sound financial planning, budgeting, and monitoring enable efficient resource allocation, expenditure tracking, and financial accountability. Implementing robust financial controls, such as regular audits, enhances transparency and fosters donor trust. To prepare for unforeseen financial challenges, NGOs must prioritize financial sustainability by establishing reserves and contingency plans (Bundi, 2020). Competent and motivated employees play a pivotal role in ensuring the smooth operation of an organization, enhancing productivity, and reducing expenses (Orendo and Muturi, 2017). To cultivate a skilled and dedicated workforce, NGOs should invest in staff development, training, and retention initiatives. Providing employees with the necessary tools, expertise, and resources enhances their ability to secure funding, manage finances effectively, and cultivate donor relationships (Wanjohi, 2021).

1.1.3 Non-Governmental organizations in Kenya

Non-profit organizations constitute a significant portion of the non-profit sector, with their activities spanning a wide range of individual concerns, both at regional and global levels. The concept of NGOs, which stands for Non-Governmental Organizations, came into common usage in 1945 following the establishment of the United Nations Organizations. The UN recognized the need to grant advisory status to organizations that were neither officially considered governments nor nations but played vital roles in international affairs (Willett, 2018).

In accordance with conventional wisdom, most non-profit organizations lack viable funding models, making it challenging for them to establish reliable and predictable sources of income to cover essential operational expenses (Wanyama, 2020). There is often a common perception that charities are led by CEOs who are constantly devising new fundraising strategies to meet the organization's annual budgetary requirements (Mukama, 2019). The oversight of NGOs in

Kenya falls under the purview of the National Council of NGOs, commonly known as the NGO Council. This is an independent and impartial body comprising all registered NGOs, established in August 1993 as a platform for non-profit organizations under the Non-Governmental Organizations Coordination Act of 1990 (Busienei, 2017)

The NGO Council is composed of a mix of international, regional, and national NGOs that operate within Kenya and collaborate with various Community-Based Organizations (CBOs) and other entities. These NGOs are engaged in diverse fields, including agriculture, water resources, education, environmental conservation, healthcare, human rights, gender equality, children's rights, global peace initiatives, population control, small-scale business development, disability rights, and many more (Kamau, 2019). The NGO Council plays a pivotal role in guiding the sector as a whole, promoting core principles such as integrity, transparency, accountability, fairness, and good governance. It enhances its members' capacity for self-regulation and assists them in realizing their full potential in advancing the socio-economic well-being of Kenyan communities and pursuing long-term prosperity (Ondieki, 2018).

1.2 Statement of the Problem

The ideal situation of financial sustainability in NGOs envisions a scenario where these organizations possess a diverse and stable funding base, allowing them to continue their operations even in the absence of external donor support. In this ideal state, NGOs can not only maintain their existing services but also expand to provide more comprehensive and impactful assistance to their communities. However, the actual situation of financial sustainability in NGOs often falls short of this ideal(Kamau, 2019). Existing statistics shed light on the stark reality of financial sustainability challenges within NGOs. Over 11,200 NGOs registered in Kenya received a total of Ksh166bnin 2018/19, with 88% of these funds originating outside of Kenya (NGO Sector Annual Reportfor 2018/19). While NGOs are generally strong on program delivery, most are desperately weak at financial sustainability. Catalyst Consulting estimates

(2022) suggest that at most 5%of Kenyan NGOs are financially sustainable, in the longer term. Wanyama (2020) highlightsthat the COVID-19 pandemic has introduced new hurdles for development aid and donor organizations, emphasizing the critical importance of preserving financial sustainability among NGOs (Karanja & Karuti, 2021). These organizations heavily rely on external funding, makingthem susceptible to disruptions in donor contributions (Nelson, 2020). Such overreliance on external sources poses a significant risk to NGOs, as their ability to continue functioning is contingent upon sustained donor aid.

The disparity between the ideal and actual situations of financial sustainability can be attributedto several factors. First and foremost, the prevalent dependence on external donors, as indicatedby Nelson (2020), leaves NGOs vulnerable to shifts in donor priorities and economic uncertainties. This dependence significantly limits their capacity to establish long-term financial sustainability. Furthermore, as highlighted by Kanyingi and Mitullah (2016), economic viability remains a central challenge to the sustainability of Kenyan NGOs. Many struggles to diversify their income streams or establish sustainable revenue-generating initiatives, further widening the gap between the ideal and the real. Moreover, internal leadership issues, as discussed by Kamau (2020), including concerns related to strategic planning, budgeting, personnel management, organizational governance structures, development, and transformation, hinder financial sustainability efforts. Jowell's findings (2011) underscore the challenges inherent in achieving efficiency due to the unique nature of NGOs.

The existing body of research in this domain has primarily focused on various aspects of strategic management and their impact on the NGO community. These studies contend that considering the pivotal role NGOs play in advancing education, healthcare, and societal well-being in Kenya, there exists a substantial information gap that demands attention. In response to this gap, this study aimed to contribute to the field by examining the variables influencing the financial sustainability of local non-governmental organizations in Kenya.

1.3 Objective of the Study

1.3.1 General Objective

The main objective of the study is determining the factors affecting financial sustainability of local Non-Governmental Organization in Nairobi County.

1.3.2 Specific Objectives

i. To determine the effect of benefactor relationship management on the financial sustainability of local NGOs in Nairobi County.

ii. To examine the effect of income divergence on the financial sustainability of local NGOs in in Nairobi County

iii. To establish the effect of financial management on the financial sustainability of local NGOs in Nairobi County

iv. To evaluate the effect of staff management skills on the financial sustainability of local NGOs in Nairobi County

1.4 Research Questions

i. What is the effect of benefactor relationship management on financial sustainability of local NGOs in Nairobi County?

ii. What is the effect of income divergence on financial sustainability of local NGOs in in Nairobi County?

iii. What is the effect of financial management on financial sustainability of local NGOs in Nairobi County?

iv. What is the effect of staff management skills on the financial sustainability of local NGOs in Nairobi County?

1.5 Justification of the study

The research on factors affecting the financial sustainability of local Non-Governmental Organizations (NGOs) in Nairobi County is underpinned by several compelling justifications. The financial sustainability of NGOs is a matter of utmost importance, given their critical role in addressing social, economic, and environmental challenges in Kenya. Understanding the factors that influence their financial sustainability is essential for ensuring the continued effectiveness of these organizations in pursuing their missions. NGO sector in Kenya is vast and diverse, encompassing organizations of varying sizes, scopes, and missions. It plays a pivotal role in delivering essential services and driving positive change across different sectors. Investigating the factors affecting financial sustainability recognizes this diversity and provides tailored insights that can benefit organizations with distinct profiles. The economic landscape in Kenya is dynamic, and NGOs often contend with fluctuations in donor funding, changing regulatory environments, and evolving societal needs. Research on financial sustainability can shed light on how NGOs can navigate these challenges, adapt to new circumstances, and optimize their resource management to remain resilient and effective. Thesignificant reliance of local NGOs on external funding sources, including donors and grants, there is a need to explore strategies that can reduce dependency and enhance financial self- sufficiency. Investigating the determinants of financial sustainability can unearth innovative approaches and best practices that enable NGOs to diversify their income streams and reduce vulnerability to external shocks.

1.6 Significance of the Study

1.6.1 Stakeholders

The items that follow are some ways in which it is believed that the study's results may assist the constituents of the company and a variety of people: First and foremost, the research may help those affected determine if their operations can be sustained over the long term. It can also help them determine how to conduct their business in a way that can ensure the business'slong-term survival, particularly in this changing climate.

1.6.2 Managers

The study's findings may be used by managers to create winning organizational strategies. The research may also help the organization and the donors gain a better knowledge of the context for their fundraising requests.

1.6.3 Government

The study's findings may be used by managers to create winning organizational strategies. The research may also help the organization and the donors gain a better knowledge of the context for their fundraising requests.

1.6.4 Academicians

This study might serve as a starting point for talks among academics and students about sustainable funding and the tactical procedures it necessitates. The study will serve as a source of information for future researchers on similar subjects. It will also be useful to other academicians researching the same subject.

1.7 Scope of the Study

The primary aim of this study was to examine the factors that impact the financial sustainability of local non-governmental organizations (NGOs) in Kenya. The NGO council's jurisdiction extends to 12 regions across Kenya. However, this research concentrated specifically on NGOs situated within the Nairobi Region, as it corresponds to the researcher's geographical proximity, with residency in Nairobi. As per data obtained from the NGO Coordination Board covering the years 2019 to 2022 (NGO Coordination Board, 2022), there exists a total of 1,143 actively operational NGOs within the Nairobi Region. Consequently, the target population for this study consisted of these 1,143 active NGOs exclusively within the Nairobi Region. The study was conducted from August 2023 to September.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The researcher seeks to review past studies for the purpose of highlighting the factors affecting financial sustainability of local Non-Governmental Organization in Kenya. The review will help to show what has been done so far and the existing research gaps which form the basis of my study.

2.2 Theoretical Review

2. 2.1 Institutional theory

The theoretical proposition presented here centers on the institutional theory, as articulated by Scott in 2018. This theory is highly relevant to the subject at hand. It posits that the institutionalization of norms and regulations serves to satisfy and benefit society as a whole. At its core, institutional theory delves into the intricate and enduring aspects of social organization. It seeks to understand how established structures, such as schemas, rules, norms, and routines, emerge and evolve to become authoritative standards guiding social behavior. Furthermore, the theory examines the processes through which these elements are created, disseminated, adopted, adapted, and eventually, how they may become obsolete over time and across different contexts (Waiganjo and Mugambi, 2016).

The empirical development of the institutional theory reinforces its significance in understanding social dynamics. While the focus of the theory is on stability and order in social life, it also acknowledges the inevitability of conflict and change within social structures, alongside the importance of consensus and conformity (Scott, 2018). This theory provides a framework for shaping behavior, which can be applied to establish, develop, and uphold social standards. Consequently, it plays a critical role in fostering a productive interface between organizations and society at large. In the context of local NGOs in Kenya and their financial viability, this theory becomes particularly relevant. To secure funding and gain the trust of donors, NGOs must adhere to a set of ethical standards that align with societal expectations.

This adherence enables NGOs to maintain their financial sustainability by consistently receiving funding for their operations (Karanja and Karuti, 2016).

However, like any theory, the institutional theory has its strengths and weaknesses. On the positive side, it offers valuable insights into the evolution of social norms and the role they play in maintaining social order. It emphasizes the importance of conformity and adherence to established standards, which can foster trust and stability. Nevertheless, it also has limitations. The theory may not adequately address the complexities and nuances of every social context, and its emphasis on conformity may sometimes stifle innovation and necessary change. Additionally, its application in practical settings may encounter challenges in determining the specific norms and standards that ought to be upheld (Scott, 2018).

Despite its limitations, the institutional theory remains highly relevant in contemporary society. In an era marked by increasing scrutiny of organizations' ethical practices and social responsibility, this theory offers a valuable framework for navigating the intricate relationship between organizations, including NGOs, and the broader societal context. It underscores the significance of ethical standards and societal expectations in securing financial viability and trust, making it a crucial theory for understanding and addressing the challenges faced by local NGOs in Kenya and similar contexts (Karanja and Karuti, 2016).

2.2.2 The Power Relations Theory

The foundational theoretical proposition in this discussion is based on the Power Relations Theory, originally formulated by neo-institutional theorists DiMaggio and Powell in 2017. This theory provides valuable insights into the dynamics of power and influence within the relationships between non-governmental organizations (NGOs) and the entities that supply them with financial support. It specifically elucidates how imbalances of power can emerge due to varying levels of dependence between NGOs and their funding sources, ultimately shaping the character and behavior of these organizations (DiMaggio and Powell, 2017).

Empirical research has contributed significantly to the development of the Power

Relations Theory, particularly in the context of interactions between domestic NGOs and their foreign funders. Researchers such as Wallace, Bornstein, and Chapman (2018) have highlighted two critical concepts: persuasion and conformity. They underscore the intricate connection between power dynamics and the ability of donor organizations to provide access to financial resources. In this relationship, donors wield substantial influence, not only as providers of funding but also as setters of criteria and requirements for the disbursement of grants (Markowitz and Tice, 2002). Crucially, donors possess the capacity for coercion, given their control over funds and the option to withdraw their support (Wallace, 2018).

The Power Relations Theory offers a comprehensive framework Strengths and Weaknesses: for comprehending the dynamics of NGO-funder relationships, with a particular emphasis on the central role of financial dependence. Its strength lies in its capacity to shed light on how power imbalances can shape the conduct and actions of NGOs. Nonetheless, it does have its limitations. The theory may not fully account for the intricacies of power dynamics in diverse contexts, and its applicability may vary depending on the specific circumstances of each NGO-funder relationship. Additionally, it may oversimplify the motivations and actions of both NGOs and funders, potentially overlooking other factors that influence their behavior (DiMaggio and Powell, 2017).

The relevance of the Power Relations Theory is highly pronounced in the context of Kenyan NGOs. These organizations frequently find themselves in situations where they must adhere to the requirements and expectations established by their foreign donors to secure funding. Failure to meet these conditions can have severe consequences, including the loss of financial support, which can significantly impede the ability of NGOs to maintain their operations and effectively implement their programs. Consequently, the theory's association between disparities in revenue and the financial sustainability of local NGOs in Kenya holds great significance, highlighting the pivotal role that power dynamics play in shaping the sustainability of these organizations (Wallace, 2018).

2.2.3 Legitimacy Theory

The theoretical foundation for this discussion rests on Legitimacy Theory, as expounded by Linton in 2016. According to this theory, organizations and society often uphold distinct sets of values and principles. When an organization's values align with those of the broader society, it attains legitimacy at the organizational level. In the specific context of Civil Society Organizations (CSOs), legitimacy denotes the perception held by significant stakeholders that the existence, activities, and impacts of these organizations are justifiable and in accordance with fundamental laws and societal norms (Linton, 2016). Significantly, the concept of legitimacy is intrinsically linked to financial sustainability, emphasizing the need to adhere to societal expectations to garner authority and trust.

The empirical evolution of the Legitimacy Theory finds resonance in research focusing on staff management capabilities and their influence on the financial sustainability of local NGOs in Kenya. This connection is grounded in the notion that NGO laws and regulations mirror an organization's fulfillment of its societal compact with humanity. As articulated by Edwards (2013), legitimacy encompasses an entity's entitlement to exist and operate within a specific social context, along with the legality, acceptability, and justification of its chosen course of action. In essence, the effective management of staff in accordance with societal expectations assumes a pivotal role in upholding an NGO's legitimacy, thereby bolstering its financial sustainability (Karanja and Karuti, 2016).

Legitimacy Theory offers valuable insights into the intricate interplay between organizational values, societal norms, and financial sustainability. Its strength lies in its capacity to underscore the significance of aligning an organization's principles with those of society to attain legitimacy. However, the theory may encounter limitations in contexts characterized by highly diverse societal values, making it challenging to establish a singular set of norms to adhere to. Additionally, it may not comprehensively capture the complexities inherent in NGO operations and the multifaceted factors that influence financial sustainability (Linton, 2016).

The relevance of Legitimacy Theory becomes manifest within the realm of local NGOs in Kenya. These organizations operate within a framework where their actions and principles are scrutinized against societal expectations and legal requisites. The attainment and sustenance of legitimacy hold paramount importance for their continued existence and financial sustainability. Effective staff management, as an integral aspect of fulfilling their societal compact with humanity, assumes a critical role in ensuring that they adhere to societal norms and expectations, thus reinforcing their legitimacy (Edwards, 2013).

2.3 Empirical Review

This section reviews literature on what other have established on the factors influencing financial sustainability of non-governmental organizations.

2.3.1 Benefactor relationship management and Financial Sustainability

Liu et al. (2021) conducted a study examining the stability of stakeholder relationships within crowdfunding and crowdsourcing initiatives. This research focused on the challenges faced by such initiatives, particularly during severe crises like the pandemic, which hindered the establishment of enduring partnerships among the involved parties. Employing a mixed research methods approach, the study aimed to enhance the trust of contributors in fundraising efforts and secure their strategic viability in times of instability, including the economic recession triggered by the COVID-19 pandemic. The key findings of the study indicated that various factors had distinct effects on donors' decisions, with a consistent pattern of non-monotonicity observed in donor activity. This suggests that donor behavior is influenced by diverse causes, making it crucial to consider these factors when addressing crowdfunding concerns. Moreover, the study highlighted the significance of creating a donor hierarchy as a potential solution to enhance sustainable partnerships in the field. Despite these valuable insights, certain gaps in knowledge persist. Future research in the domain of sustainable partnerships within crowdfunding and crowdsourcing initiatives should prioritize the development and exploration of donor hierarchies, with a focus on understanding their dynamics and effectiveness. Addressing these gaps will contribute to a more comprehensive understanding of stakeholder relationships and financial sustainability in the context of such initiatives during crises like the COVID-19 pandemic.

Frederickson (2022) conducted a study employing experimental research methodology to investigate the topic of proximity-based charitable giving and its associated connections and potential pitfalls. The study primarily examined the proximity argument, which posits that businesses are more likely to assist individuals in need when they are geographically closer compared to those who are situated farther away. The key findings of the study indicated that in cases of proximity-based charitable giving, an authorized manager tends to make personal decisions about the allocation of resources, such as food donations. These decisions are often influenced by cognitive morality rather than adhering to a predetermined set of guidelines. While Frederickson's study provided valuable insights into the dynamics of proximity-based charitable giving, certain gaps in knowledge persist. Future research in this domain should delve deeper into understanding the cognitive and moral factors that influence decision-making in charitable giving, especially in situations where proximity plays a significant role. Additionally, exploring potential strategies to mitigate the pitfalls associated with proximity-based giving could contribute to a more comprehensive understanding of this phenomenon.

Morganti (2016) conducted a study focused on benefactor relationship management and its impact on financial sustainability. The study employed a Mixed Method Research design to investigate this topic. The key findings of Morganti's study underscored the importance of positive interactions with administration in helping nonprofit organizations determine the appropriate amount and type of action required, along with staff investment, to effectively achieve their financing model. By designing and implementing efficient practices and processes that foster strong connections with donors, nonprofit organizations can achieve several benefits. These include generating more stable and consistent funding, improving grant effectiveness, and ultimately delivering better outcomes. Despite these valuable insights, there are still research gaps to be addressed in understanding the intricacies of benefactor relationship management and its long-term effects on financial sustainability within the nonprofit sector.

Maaldu (2019) conducted a study investigating financial management practices and their impact on the financial sustainability of local non-governmental organizations (NGOs). The study aimed to shed light on this crucial aspect of NGO operations. While examining financial sustainability, the study introduced the slippery slope argument as a supplementary explanation. Findings posits that if an NGO begins assisting individuals in far-off regions only partially, it can raise ethical concerns. This is because it may be seen as ethically contradictory for the organization to support some individuals while neglecting others in distant locations. Moreover, the study highlighted the potential moral implications of endless donations, suggesting that they may undermine the organization's mission and effectiveness. Given the finite nature of available resources, the study hypothesized that the amount of the donation could be another influential variable in this context. While Maaldu's study provides valuable insights into the relationship between financial management practices and the financial sustainability of local NGOs, there are notable research gaps. Future research endeavors could delve deeper into the ethical considerations surrounding NGO assistance in distant regions and the potential consequences of endless donations on organizational sustainability. Additionally, exploring the various factors that influence donation amounts and their implications for financial sustainability could contribute to a more comprehensive understanding of this important area.

Kamakura (2018) conducted a study focusing on donor satisfaction and its impact on donor loyalty within the context of fundraising. The study employed a case study methodology that involved exploring the intricacies of donor profiles and their responses to the quality of services received as donors. Kamakura's findings revealed that the level of influence of donor satisfaction on donor loyalty may vary depending on the donor's specific profile. However, the study also highlighted the complexity introduced by the agency function that charities fulfill. It raised the possibility that both the perceived quality of services provided to the beneficiary category and the quality of services provided to contributors (donors) could come into question. This is because donors could be seen as consumers of both types of services. Interestingly, the study pointed out that these questions and the nature of interactions between donors and charities remain relatively unexplored within the realm of experimental research. Despite Kamakura's valuable contributions, there are notable research gaps in this area. Future research endeavors could delve deeper into the dynamics of donor satisfaction and loyalty, considering various donor profiles and their unique responses. Additionally, addressing the complex interplay between services provided to beneficiaries and services provided to contributors presents an opportunity for further investigation in the field of fundraising and charitable giving.

In 2018, Sargeant (2018) conducted a study on donor happiness, examining the connection between donor satisfaction and donor loyalty. The research employed primary data collection methods, utilizing questionnaires distributed to 110 respondents who were affiliated with registered NGOs in Nigeria. The study's findings revealed a significant link between donor happiness and loyalty. Specifically, individuals who self-identified as "very satisfied" with the level of service they received were found to be twice as likely to make a second or subsequent gift compared to those who described themselves as "merely satisfied." While Sargeant's study contributes valuable insights into the relationship between donor satisfaction and loyalty, there are research gaps that warrant further exploration. Future research endeavors could focus on understanding the specific factors that contribute to donor happiness and how these factors vary across different donor profiles and NGO contexts. Additionally, investigating the long-term effects of donor satisfaction on donor retention and engagement could provide a more comprehensive understanding of donor behavior in the nonprofit sector.

2.3.2 Income Divergence on The Sustainability

Achie and Mulroy (2018) conducted a study on income divergence and its impact on the sustainability of NGOs, focusing on the context of South Africa. The researchers utilized a methodology that primarily involved the analysis of secondary data sources. The study's findings shed light on the significant challenges NGOs face in securing adequate, suitable, and continuous funding for their operations. It was observed that managing funding situations has become increasingly challenging, with donors expressing reluctance or weariness in providing financial support to these institutions. However, while Achie and Mulroy's study provides important insights into the issues of income divergence and donor fatigue among NGOs in South Africa, there remain research gaps to be addressed. Future research endeavors could delve deeper into understanding the specific factors contributing to income divergence, the implications for NGOs' financial sustainability, and strategies for mitigating donor weariness. Additionally, exploring innovative funding models and donor engagement practices may offer valuable avenues for further investigation in the South African nonprofit sector (Achie and Mulroy, 2023).

Szentendre (2020) conducted a study focusing on the competition for budget-friendly funding among Central and East European NGOs. The researcher employed a primary data collection methodology for this investigation. The study's findings provided unequivocal evidence of the conflict among these NGOs for financially sustainable funding. Approximately 75% of the examined NGOs rated their financial situation as poor, severely poor, or insecure. Notably, the research highlighted that financial support from international donors constituted the largest source of NGO financing in the region, surpassing contributions from national individual gifts, involvement fees, legislative provisions, and operational costs. Furthermore, Szentendre's study drew comparative evidence from NGOs in various African countries, as referenced in the work of Gun (2009) and Rabbit (2018). One significant finding of the study was the high staff turnover within local NGOs, which could have implications for the quality of training and the perceived value of professional development among local NGO professionals. These factors may contribute to the organizations' challenges in achieving financial sustainability.

Mack & Ryan (2017) conducted a study focusing on municipal organizations and state-owned businesses. To investigate the information needs of actual consumers of annual reports, the researchers employed a survey tool as their primary data collection methodology. Their findings revealed that, contrary to expectations, the annual report was not the most crucial source of data for these consumers. This insight challenged the conventional assumption regarding the significance of annual reports as information providers.

Tooley and Hooks (2009) delved into the analysis of annual reports from 37 schools in Queensland. Their research illuminated an intriguing aspect of the role of annual reports in educational institutions. Tooley and Hooks found that, although annual reports were acknowledged as useful, they did not necessarily serve as the primary or exclusive source of information for individuals responsible for various tasks within these schools. Instead, their investigation revealed that participants in the study turned to alternative communication methods and media. These alternatives encompassed a range of communication channels, including bulletins and various forms of conversations and interviews. Participants found these supplementary channels to be valuable sources of information, which they relied on to fulfill their responsibilities effectively. This discovery challenged the conventional perception of annual reports as the paramount means of communication and transparency within educational institutions. Instead, it indicated that transparency and effective information dissemination could be achieved through diverse communication avenues that extend beyond the traditional confines of the annual report. While Tooley and Hooks' research provided valuable insights into the multifaceted information needs and communication practices within educational organizations, it also raised important questions and research gaps. Future studies could further explore the specific roles of alternative communication channels in enhancing transparency and organizational effectiveness, as well as investigate strategies for optimizing the use of annual reports alongside these supplementary methods.

Kairaria (2023) investigated the factors influencing the financial sustainability of compassion-assisted projects in Kenya. The findings of this study revealed a significant issue concerning the sustainability of income-generating activities (IGA projects) within these compassion-assisted initiatives. Specifically, the study found that these IGA projects often failed to align with the original conceptualization of the initiatives, their financial systems, and the crucial financial components necessary for sustainability. As a consequence, the financial sustainability of these projects was compromised. To address this concern, the study recommended that foreign-assisted initiatives involved in compassion work should pay closer attention to several key aspects. First, they should consider aligning their project conception with their financial strategies and structures. Second, they should carefully evaluate and plan for the banking platforms that underpin their financial operations. Lastly, they should give due consideration to financial factors when implementing their income-generating activities.

2.3.3 Financial Management and Sustainability

Gazzola et al. (2021) delves into the topic of environmental reporting by Italian NGOs and its societal implications on funding. The research employed a comprehensive approach to explore the evolving social trends in how NGOs monitor their progress toward achieving equitable growth. The primary objective of the study was to investigate the potential relationship between the "5 out of 1,000" contributions that NGOs receive, signifying their commitment to social impact, and their reporting practices. The findings of this research revealed several noteworthy outcomes. One of the key findings was the recognition of the economic and social advantages associated with sustainable reporting. Specifically, sustainable reporting was found to have a positive social impact, contributing to an increase in the trust placed in civil society organizations by both the public and their supporters. This suggests that transparent and responsible reporting practices can play a pivotal role in enhancing the credibility and social standing of NGOs, ultimately influencing their funding prospects. However, the study does not delve into the specific nuances of reporting practices or explore the potential limitations or challenges faced by NGOs in adopting sustainable reporting. This presents a research gap that future studies could address by offering a more detailed examination of the reporting mechanisms employed by NGOs and the potential obstacles they encounter in implementing sustainable reporting practices.

Saucier and Goldberg (2019), the focus was on transparency and accountability indices. They developed an agenda for their research and employed it to evaluate the annual reports of Italian government municipalities. Later, Ugrin and Odom expanded on this research in 2023, extending their study to encompass federal authorities. Their methodology involved employing information analysis techniques and utilizing the stated index to analyze the yearly reports of 56 agencies. The findings of these studies indicated that voluntary disclosures were more common in the examined reports than mandated declarations. However, these studies do not provide an in-depth exploration of the specific content or nature of the voluntary disclosures, leaving a research gap in understanding the substance and implications of these voluntary transparency efforts

In their research conducted in 2020, Koornhof and Du Plessis employed an empirical approach to assess the effectiveness of annual reports as transparency tools. They specifically focused on the Chief Constable's annual report, a subject they had studied for 22 years. Their findings led to the conclusion that for annual reports to serve as the primary tools for establishing trustworthiness, they need to incorporate more efficient measures. Similarly, Kanyinga and Mitullah, in their 2020 study, surveyed three user groups to explore their expectations regarding financial reports. Their research indicated that including performance data, such as a five or ten-year trend analysis, would be beneficial as it provides additional insights into the performance of NGOs. Moyes and Hasan (2011) conducted a content analysis of annual reports from 18 government entities and supported the notion that there is a gap in disclosing responsibility when it comes to reporting performance to stakeholders. Their findings align with the need for improved reporting practices. Furthermore, Ones and Viswesvaran (2019) confirmed the relevance of providing achievement evidence beyond financial statements, strengthening the argument for more comprehensive reporting practices in annual reports. However, the specific content and nature of these additional disclosures remain a research gap that warrants further investigation (Koornhof and Du Plessis, 2020; Kanyinga and Mitullah, 2020; Moyes and Hasan, 2011; Ones and Viswesvaran, 2019).

Limited research has been conducted by non-governmental organizations (NGOs) in wealthy developing nations, with a particular focus on those in the Sub-Saharan region. This research gap is evident in the study conducted by Muriithi (2016), which examines the role and significance of annual reports in upholding transparency. Muriithi's research employed a Mixed Research Method to assess the impact of various strategic financial management characteristics and managerial competencies on an organization's sustainability. The factors studied included the presence of robust governance structures, a knowledgeable top management team actively engaged in pursuing the organization's objectives, competent and skilled leadership, and effective staff retention and motivation policies. The study found that organizations employing these leadership strategies were better equipped to achieve their objectives. However, the research does not delve into the specific practices or strategies employed by NGOs in wealthy developing nations, leaving a gap in understanding the practical implementation of these findings in the context of such organizations. Further research is needed to explore how NGOs in these regions can effectively apply these principles to enhance their financial sustainability.

2.3.4 Staff Management and Financial Sustainability

Shava's (2021) research delves into the sustainability of NGOs participating in rural development initiatives. The study focuses on local and international NGOs operating in Zimbabwe's Mwenezi region, aiming to assess the challenges they face in ensuring their financial viability. The methodology employed in this research was qualitative, incorporating interviews and document analysis. The study's findings reveal several critical factors that impact the financial sustainability of these NGOs. These included a reduction in donor funding, evolving donor objectives, inefficient allocation of resources, and a lack of infrastructure development to attract donor support. One significant research gap highlighted by this study is the need for NGOs to transition from donor dependence to implementing innovative fundraising strategies. While the research sheds light on the challenges faced by NGOs in rural development, it does not delve into specific strategies or practices that organizations can adopt to overcome these challenges. Future research could explore practical approaches and entrepreneurial fundraising techniques that NGOs can employ to enhance their financial sustainability in similar contexts.

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In Kenya, Kabene (2021) conducted an assessment of the Impact of Financial Accountability on the Financial Sustainability of Non-governmental Organizations in Nairobi County. The research utilized primary data collection through a structured questionnaire employing the Likert measurement scale. Mean scores were calculated for each characteristic, and standard deviation was used to measure respondents' deviations from the mean. Furthermore, quantitative data underwent correlation and regression analysis. The results were presented using frequency distribution pie charts, tables, pie charts, and bar graphs. The correlational analysis revealed several significant findings. There was a positive and significant relationship between management skills and financial sustainability ($p=0.000$, $r=0.714$). Similarly, a strong and significant correlation was found between the management of financial services and financial sustainability ($p=0.000$, $r=0.781$). Financial planning services also exhibited a positive and significant relationship with financial sustainability ($p=0.000$, $r=0.358$). Additionally, financial management services had a significant impact on long-term financial viability ($p=0.000$, $r=0.565$), while managerial proficiency positively and notably influenced financial sustainability ($p=0.000$, $r=0.389$). One notable research gap highlighted in this study is the need for a deeper investigation into the specific strategies and practices that enhance financial accountability within non-governmental organizations. While the study emphasizes the importance of financial responsibility, it does not delve into the practical measures and mechanisms that NGOs can adopt to improve financial accountability and, consequently, financial sustainability. Future research could explore best practices and case studies of NGOs in Kenya that have successfully implemented financial accountability measures.

2.4 Summary of Review Literature and Research Gaps

Local NGOs in Kenya are crucial in tackling problems related to society, the economy, and the environment of operations. However, ensuring their financial sustainability is a major concern. Previous studies have explored various aspects such as benefactor relationship management, income divergence, financial management, and staff management to understand the factors affecting financial sustainability. Nonetheless, there are knowledge gaps in previous studies, as described below.

In the area of benefactor relationship management, Liu et al. Kurilova (2021) investigated the stability of relationships between parties in crowdfunding and crowdsourcing projects during the COVID-19 crisis. However, there is a lack of understanding regarding the specific strategies and practices employed by Kenyan NGOs to effectively manage their benefactor relationships. Exploring the determinants of donor loyalty, as identified by Sargeant (2018), could provide valuable insights into improving donor satisfaction and retention for long-term financial sustainability.

Regarding income divergence, Szentendre's study (2020) confirmed the struggle of NGOs in Focal and East Europe to achieve sustainable financing. However, there is a dearth of research on income divergence among local NGOs in Kenya. Understanding the sources of income divergence and its impact on financial sustainability would be valuable in developing strategies to mitigate the risks associated with relying too heavily on a single funding source.

Gazzola et al. (2021) examined sustainability reporting practices and their social impact on NGO funding in Italy. While this study contributes to the understanding of financial management practices, there is a knowledge gap regarding the specific financial management challenges faced by local NGOs in Kenya. Investigating issues such as budgeting, resource allocation, and financial control mechanisms within the context of Kenyan NGOs would provide insights into improving financial sustainability.

In terms of staff management, Lekorwe (2020) highlighted that the lack of well-trained and experienced human resources limits the potential of local NGOs. However, further research is needed to understand the specific staff management challenges faced by NGOs in Kenya such as frauds, money laundering, off-shore accounting issues perpetrated by staffs and overall management in Kenya. Exploring issues such as recruitment, training, motivation, and retention of skilled staff members would contribute to the development of effective strategies for human resource management, thereby enhancing financial sustainability.

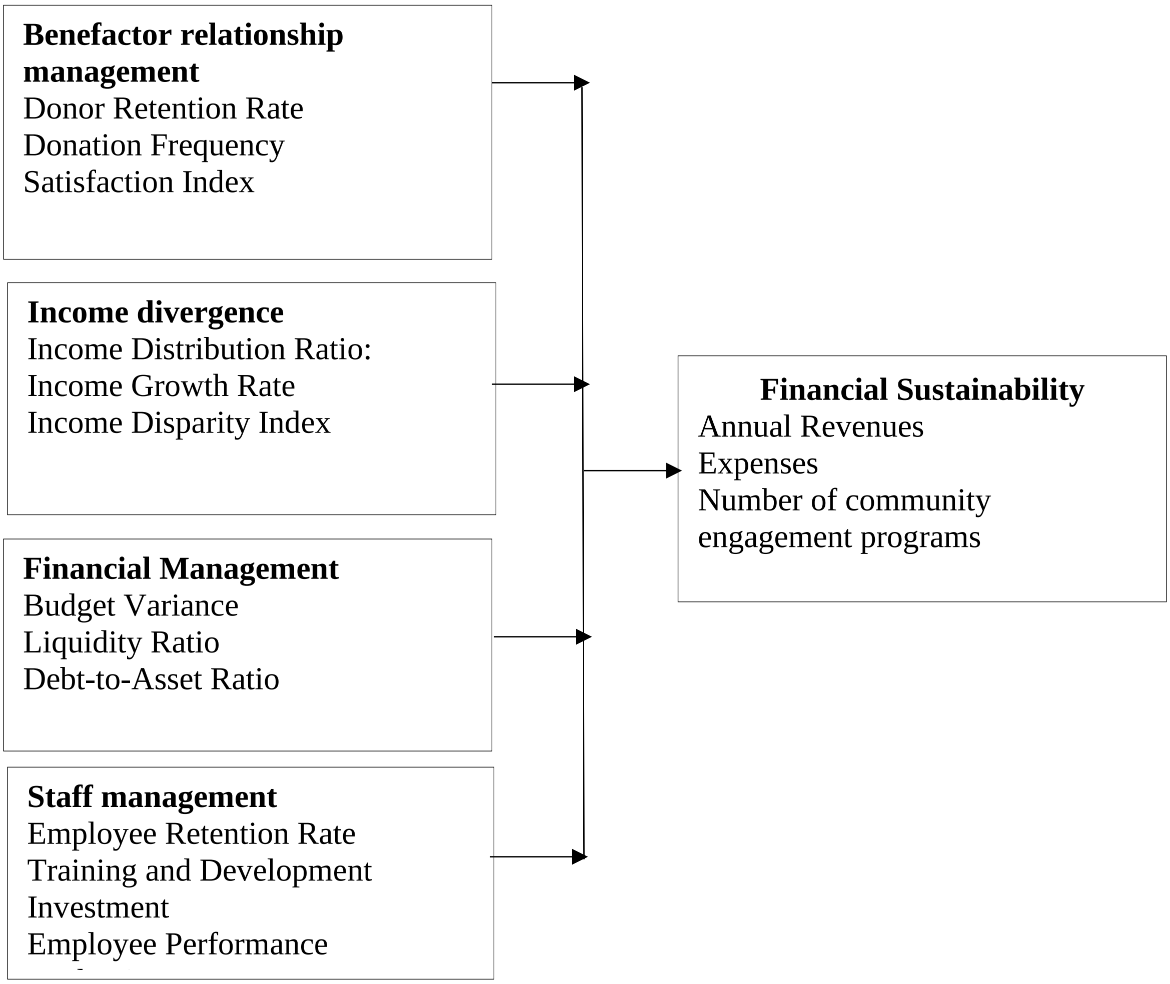
Studies on accountability mechanisms by Koornhof and Du Plessis (2020) assessed the usefulness of the annual report as a mechanism of accountability. While this study provides insights into accountability practices, there is a knowledge gap in understanding the specific accountability mechanisms employed by local NGOs in Kenya. Examining reporting standards, transparency, and governance structures would enhance our understanding of accountability practices and their impact on financial sustainability.

To ensure the long-term financial sustainability of local NGOs in Kenya, various factors such as benefactor relationship management, income divergence, financial management, staff management, and accountability mechanisms need to be considered. Although some studies have provided insights into these factors, there are significant knowledge gaps that require further investigation. Future research should focus on understanding the specific strategies and practices employed by Kenyan NGOs to manage benefactor relationships, the impact of income divergence on financial sustainability, the financial management challenges faced by local NGOs, the importance of staff management, and the accountability mechanisms employed by these organizations. Addressing these gaps will enable stakeholders to develop more effective strategies for ensuring the financial sustainability of local NGOs in Kenya.

2.5 Conceptual Framework

Figure 1 below shows the relationship between the independent variables (input) and the dependent variables (output). The input represents the factors financial sustainability of non-governmental.

Independent variable **Dependent Variable Indicators**



Source: Author (2023)

FIGURE 1

Conceptual Framework

2.6 Operationalization of Variables

Bryman & Bell indicated that, operationalization involves converting theoretical concepts into measurable units to enhance empirical determination. The measurement for variable under study is presented in table 1.

TABLE 1

Operationalization of Variables

Variable	Definition of Variable	Variable Measurement	Analysis Techniques
FS	Financial Sustainability	Annual Revenues Expenses Number of community engagement programs	Descriptive and Inferential statistics
BFS	Benefactor relationship management	Donor Retention Rate Donation Frequency Satisfaction Index	Descriptive and Inferential statistics
ID	Income divergence	Income Distribution Ratio: Income Growth Rate Income Disparity Index	Descriptive and Inferential statistics
FM	Financial Management	Budget Variance Liquidity Ratio Debt-to-Asset Ratio	Descriptive and Inferential statistics
SM	Staff management	Employee Retention Rate Training and Development Investment	Descriptive and Inferential statistics

OECD *(Organization for Economic Co-operation and Development*) countries

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section of the study covers the processes that the researcher employed in the course of data collection, processing and subsequent analysis. The areas covered in data analysis included research design, target population, sampling process, tools for data collection, research procedure, data analysis and research ethics.

3.2 Research Design

Research design is defined as the way a study is designed, that is, the method used to conduct the field survey (Lune & Berg, 2017). This study employed descriptive design. This technique enabled the analysis on factors affecting financial sustainability of local non-governmental organization in Kenya. A descriptive study design describes the events as they take place at a certain moment. As a result, it offers a realistic and accurate systematic explanation of the nature and situation of the subject being studied. In a research that aims to gather information on a phenomenon by essentially examining the values, attitudes, behaviors, and perceptions, descriptive design is used (Greener & Martelli, 2018). As a result, the study's design enables it to efficiently and fully collect the necessary information in order to identify the variables influencing the financial sustainability of local non-governmental organizations in Kenya.

3.3 Target Population

Bougie and Sekaran (2019) explain that population refers to the entire group of people, events or things of interest that a researcher wishes to investigate. Greener and Martelli (2018) explain that a population is the total collection of elements about which we wish to make some inferences. The NGO council's jurisdiction extends to 12 regions across Kenya. However, this research concentrated specifically on NGOs situated within the Nairobi Region, as it corresponds to the researcher's geographical proximity, with residency in Nairobi. As per data obtained from the NGO Coordination Board covering the years 2019 to 2022 (NGO Coordination Board, 2022), there exists a total of 1,143 actively operational NGOs within the

Nairobi Region. Consequently, the target population for this study consisted of these 1,143 active NGOs exclusively within the Nairobi Region.

3.4 Sampling

The study adopted stratified random sampling. According to Sekaran and Bougie (2019) sampling refers to process of selecting a group of participants from the target population to take part in a survey. *Mugenda* and *Mugenda* (2003) justified the sample of *10*% where the sample frame is large (and exceeding a minimum sample size of *30* respondents). The selection of a 10% sample size from a target population of 1143 NGOs is a well-justified choice in the research on factors affecting the financial sustainability of local NGOs in Kenya. It balances resource constraints, time limitations, and the need for statistical significance while maintaining sampling adequacy and feasibility. This approach allows gather data, analyze it effectively, and provide valuable insights into the financial sustainability of these vital organizations. One individual was picked to assist fill the questionnaires from each NGO, therefore making a total of 114 NGOs sampled from the total population.

3.5 Data Collection Instrument

Primary data was gathered via self-administered organized questionnaires. The fiscal consideration and questionnaires' ability to quickly gather a wide range of data were the main factors in the decision to use them as the data collection tool (Lune & Berg, 2017). Section A of the questionnaire handle the research's demographic needs, and parts B through F addressed the variables that the study used in accordance with its goals and objectives. The survey was built up with pre-written question statements that addressed the four reorganization tactics, specifically donor relationship administration, income divergence, managing finances, and staff management skill. The views of respondents on the aspects impacting the financial sustainability of local non-governmental organizations in Kenya, such as donor relationship management, income divergence, financial management, and staff management competence of NGOs, were gauged using a 5-point satisfaction scale.

3.6 Data Collection Procedures

The term "data collection procedure" refers to the order of tasks the researcher must complete before beginning the actual data gathering for the study. In order to get started, the researcher looked for an official letter from the institution that was used to best explain an invitation to the chosen participants to help with providing feedback during the data collecting procedure. The letter must include all pertinent information on the field survey exercise.

The responses to a structured questionnaire about the variables impacting the financial viability of NGOs was gathered. Each responder who is physically reachable and lives in the Nairobi region will get a questionnaire individually. The study made use of the "drop and pick later" method, giving the participants time to complete the surveys once they can find the time in their hectic schedules. In order to provide respondents enough time to read and complete the survey according to the demands of the study, the data collection was completed in two weeks.

3.7 Validity of Data Collection Tool

Validity shows the level to which the study tool satisfies the purpose of the study. Three validity tests including; content, construct and face were implemented in current study in evaluating the tool for validity in determining the factors affecting financial sustainability of local non-governmental organization in Kenya.

Content validity examines the level to which tools used in the study cover representative sample of the target population. Content validity help in evaluating the degree to which the contents cover the area under study. The current study sought to determine the factors affecting financial sustainability. Areas of focus for factors affecting financial sustainability including benefactor relationship management, income divergence, financial management and staff management skill of NGOs. Test for content validity inquire important areas of the study variables that were captured for the study. For all the variables, a 5-point nominal scale was employed to measure individual indications in the study and all the critical components of each variable covered in the data collection tool.

Shrotryia and Dhanda (2019) submitted that content validity estimates the accuracy to which items of a questionnaire or inquiry tool accurately captures the scope of a subject that it sets out to measure. The content validity index (CVI) is the model which is officially used to measure content validity.

CVI = $\frac{n_{e-\frac{N}{2}}}{N/_2}$ where; n_e = number of subject matter experts indicating essential, N = total number of panelists.

The CVI upper limit is 1, where the higher CVI limit indicates closer to 1 and the higher CVI is the indicates higher level of validity.

Construct validity assist in assessing whether tools adopted for the study accurately reflect theoretical construct of the study. The construct validity is critical in assessing whether tools measures what its actually supposed to measure (Sekaran & Bougie, 2019). The contents of the research tool will be based on financial sustainability of local non-governmental organization in Kenya. All the items in each variable will evaluate different areas of restructuring process that make up the operational frontier in corporate administration of NGOs. Each item in the data collection tools was compared with the existing norms that NGOs are used to and offer insight as to whether the items in the questionnaires, cover all financial sustainability strategies Face validity, assist in showing whether research tools are valid from respondents' perspective.

Blumberg, Cooper and Schindler (2014) submitted that face validity highlights the judgment of an independent observer, when they look at the research tools and offer opinion as to whether, the items in the questionnaire appear to be valid. The participating respondents in the pilot study will be asked for their input on what could be the underlying difficulty within scope of financial sustainability of local non-governmental organization in Kenya. This shall help to seek their perspective, on whether the contents of the questionnaire accurately reflect the components of restructuring strategies and indicators of financial sustainability of local non-governmental organization in Kenya. The consistency in judgment across the participating respondents on the contents of the data collection tool indicated that, the items in the questionnaire captured the areas contributing to the underlying problem.

3.8 Reliability of Data Collection Tool

In order to ascertain whether research tool is reliable, it should be able to produce similar results across different contexts, as long as the methodology adopted and select group of respondents share similar attributes (Sekaran & Bougie, 2019). Reliability illustrates standard of quality of a study instrument where a study tool produces similar results for a number of trials (Greener & Martelli, 2018).

Reliability estimation checks for internal consistency of data collecting tool utilizing a scale known as Cronbach's alpha. Cronbach's alpha is a coefficient of reliability that gives an unbiased estimate of data generalizability (Sekaran & Bougie, 2019). An alpha coefficient of 0.75 or higher indicated that the gathered data is reliable as it has a relatively high internal consistency and can be generalized to reflect opinions of all respondents in the target population (Sekaran & Bougie, 2019).

The study will utilize the Cronbach's alpha coefficient to calculate the reliability.

$$\alpha = \frac{N\,C^{-}}{V^{-} + (N-1)\times C^{-}}$$

Where; α = Cronbach Alpha, N = the number of items, C^{-} = the average inter-item covariance, and V^{-} the average variance.

The study used SPSS to calculate for the reliability test. If a coefficient of over 0.7 is obtained, signified the justification of the tool with acceptable reliability (Greener & Martelli, 2018).

3.9 Data Analysis

The study aimed to investigate the impact of various factors, including benefactor relationship management, income divergence, financial management, and staff management skills, on the financial sustainability of local Non-Governmental Organizations (NGOs) in Kenya. To collect the necessary data, structured questionnaires was employed. These questionnaires contained dimensions related to the mentioned factors, allowing respondents to provide feedback on how each factor influences NGO financial sustainability. Upon collecting the questionnaires, thorough inspections were conducted to ensure completeness and accuracy. The data obtained was then entered into an Excel spreadsheet, where it went through a cleaning process to rectify any inconsistencies or errors. Subsequently, the cleaned data was exported to the Statistical Package for Social Sciences (SPSS), specifically version 25, for comprehensive analysis.

The data analysis encompassed both descriptive and inferential statistical techniques. Descriptive analysis involved the computation of frequencies, percentages, and measures of central tendencies, such as means and standard deviations. This provided a clear overview of the data and highlighted any significant trends or patterns. Inferential statistics primarily employed linear regression analysis to assess the relationships between the identified factors (benefactor relationship management, income divergence, financial management, and staff management skills) and NGO financial sustainability. Linear regression equations were calculated to quantify the strength and direction of these relationships. The study conducted a total of five regression tests, each producing three key outputs. These outputs included a model summary, which provided an overview of the regression model's fit and effectiveness, an Analysis of Variance (ANOVA) output, which assessed the overall significance of the model, and coefficients of significance for beta output (β), indicating the individual contributions of each factor to NGO financial sustainability.

The linear regression equation for the study was modeled in the following way;

Y (dependent variable) = $A + BX + \acute{\varepsilon}$

The regression model was certified in the following way;

Y (financial sustainability e) = $\beta_0 A + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \acute{\varepsilon}$

Where;

Y = financial sustainability

A = Constant

X_1 = benefactor relationship management

X_2 = income divergence

X_3 = financial management

X_4 = staff management skills

$\beta_{1,2,3,4}$ = Beta coefficients for benefactor relationship management, income divergence, financial management, staff management skills and financial sustainability

έ = Error term.

3.10 Diagnostic Tests

Several diagnostic procedures were conducted to examine the conventional linear predictive model's (CLRM). It was noted that parameter estimations could be inaccurate and biased if any of these suppositions were violated (Seeram, 2019). Multiple diagnostic tests were carried out, including those for multicollinearity, autocorrelation, stationarity, heteroscedasticity, normality, and model specification.

3.10.1 Multicollinearity Test

When the explanatory variables employed in the regression equation were strongly or moderately linked, this was referred to as convergence (Ahmad & Jha 2019). Independent variables that exhibited high degrees of multicollinearity were found to produce wider confidence intervals and incorrect p-values. The degree of multicollinearity was evaluated using the Variance Inflation Factor (VIF). Multicollinearity was observed whenever the correlation between independent parameters was strong ($r \geq 0.9$). A threshold of 2 was used to determine if the multicollinearity level among variables was low and adequate for inclusion in the regression analysis. Variables with high multicollinearity had to be dropped or transformed into a single variable.

3.10.2 Normality Test

The data set used in the study ideally followed a normal distribution. It was noted that non-normally distributed data could lead to incorrect inferences (Pek, & Wong, 2017). Normality was assessed using the Shapiro-Wilk test, which tested the null hypothesis that the data set was normally distributed. The test was conducted with a significance level of 0.05. In cases of distributional issues, non-parametric (distribution-free) tests were used, or the issue was addressed appropriately.

3.10.3 Heteroscedasticity Test

According to Wiedemann (2017), heteroscedasticity occurred when the residual variances were not consistent between samples. It was preferable to have uniformly distributed (constant) error variables in a model because heteroscedasticity could skew intervals of confidence and p-values. The Breusch-Pagan test was employed to determine if the dataset exhibited any heteroscedasticity (Wiedermann 2017). The test assumed that the residuals were homoscedastic, which served as the null hypothesis. The probability threshold was set at >0.05. In cases of heteroscedasticity, robust standard errors could be used.

3.10.4 Autocorrelation Test

When the error component in a model was associated across multiple time periods, autocorrelation occurred (Wiedermann 2017). This implied that the residuals of a model were interconnected over time. Synchronization could lead to inaccurate parameter estimations and inferences about the relationships among variables. In this study, a test was conducted to determine if autocorrelation had occurred. The test used a significance threshold of 0.05 and operated under the null hypothesis that there was no first-order autocorrelation. If autocorrelation was detected, standard errors were adjusted accordingly (Wiedermann 2017).

3.11 Research Ethics

According to Sekaran and Bougie (2019), ethics involved the examination and application of concepts such as accountability, responsibility, transparency, and honesty. To ensure that the study was conducted in accordance with the university's research norms and regulations, the researcher ensured adherence to the rules established by KCA University. Information gathered was securely retained, and responses were kept confidential in the investigator's records. The final report on the data analysis, which was submitted for academic accreditation, was bound and accessible only to those authorized by the university. Throughout the study's duration, the examiner acted with integrity to uphold the respondents' dignity. Additionally, each participant received a consent document, and those providing feedback signed and emailed it before or along with the questionnaire.

Participants were consistently reminded of the importance of anonymity and were given the opportunity to withdraw from the study at any time.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the study findings, data analysis and discussions of the study findings. In particular, the chapter is organized as follows: response rate analysis and reliability results, demographic information, descriptive analysis showing the respondents profiles and characteristics, and finally test of hypothesis.

4.2 Response Rate

The study sought to collect data from 114 respondents from Non-Governmental Organization in in Nairobi. The questionnaires returned are as shown in Table 2

TABLE 2

Response Rate

Response	Frequency	Percentages
Returned Questionnaires	80	70
Non-Returned	34	30
	114	100

Source: Survey Data (2023)

From Table 2, it is noted that out of the 114 questionnaires distributed, 80 were filled and returned forming a response rate of 70%. and Non-Response Rate of 30% The response rate was found to be adequate for analysis, in line with observations made by Mugenda (2009) who concluded that a response rateof 50% is adequate for analysis and reporting, a rate of 60% is good while a response rate of 70% and above is excellent for analysis purposes.

4. 2 Reliability of the Research Questionnaire

The study sought to establish the extent to which the questionnaire would produce similar and consistent results in various occasions under similar conditions. Reliability was tested via internal consistency using Cronbach alpha. The reliability results are as shown in Table 3.

TABLE 3

Reliability of the Research Questionnaire

Reliability Statistics

Cronbach's Alpha	N of Items
.974	32

Source: Survey Data (2023)

The reliability of the research questionnaire was assessed using Cronbach's Alpha, a widely accepted measure of internal consistency. In Table 3, the calculated Cronbach's Alpha coefficient was found to be 0.974, indicating an exceptionally high level of reliability for the questionnaire. This coefficient suggests that the items within the questionnaire are highly consistent in measuring the intended constructs or variables. With a sample size of 32 items (Questions), this robust level of internal consistency suggests that the questionnaire is a dependable tool for collecting data and can be considered reliable for use in the research study. This high level of reliability boosts confidence in the questionnaire's ability to accurately capture and measure the constructs of interest, enhancing the overall quality of the research findings.

4.3 Demographic Information

The study sought to obtain demographic information relating to respondents’ gender, Age, Years of service. The results are as shown in Table 4.

TABLE 4

Gender, Age, Years of Service

Gender

		Frequency	Percent
Valid	Male	57	71
	Female	23	29
	Total	80	100

Age

		Frequency	Percent
Valid	Below 30yrs	41	51
	31- 40 yrs.	27	34
	41- 50 yrs.	9	11
	51- 60 yrs.	3	4
	Total	80	100

Employment History

		Frequency	Percent
Valid	1-3 years	8	10
	4-6 years	47	59
	7-9 years	17	21
	10-12 years	8	10
	Total	80	100

Source: Survey Data (2023)

The study included a total of 80 respondents from Non-Governmental Organizations in Nairobi, with the aim of examining various demographic characteristics and employment history within this group. Table 4 presents the gender distribution among the respondents. Out of the 80 participants, 71% were male, while 29% were female. These findings indicate that both genders were fairly involved in this study and thus the results did not suffer from gender biasness. Furthermore, the study assessed the age distribution of the respondents. The largest proportion, representing 51%, fell below 30 years of age. The next significant group, comprising 34%, was between the ages of 31 and 40. A smaller percentage of 11% fell within the age range of 41 to 50, while a mere 4% were aged between 51 and 60. This age distribution reflects a relatively younger population among the surveyed NGO employees. Finally, the respondents' employment history was also examined whereby the majority, constituting 59%, had served within the NGO sector for a duration of 4 to 6 years. Following this, 21% had an employment history of 7 to 9 years, while 10% each had worked for 1 to 3 years and 10 to 12 years, respectively. These findings shed light on the diverse tenure of the respondents within the NGO sector, with a significant proportion having accumulated 4 to 6 years of experience.

4.4 Descriptive Analysis

This section provides descriptive statistics on the study variables; Benefactor Relationship Management, 1ncome Divergence, Financial Management, Staff Management Skills and Sustainability of NGO. Thedescriptive statistics provide a summary of the characteristics of the study variables. The respondents were required to respond to statements on each of the variable on a scale of 1-5. Measures of central tendency specifically the mean and the standard deviation were used in this study to summarize the characteristics of the variables under investigation based on the responses given by the respondents from the 5-point Likert scale questionnaire. Each variable is discussed separately and the responses are presented in separate tables followed by discussions. As articulated by Edwards (2013), legitimacy encompasses an entity's entitlement to exist and operate within a specific social context, along with the legality, acceptability, and justification of its chosen course of action.

4.4.1 Benefactor Relationship Management

Benefactor relationship was the first independent variable of the study. The variable was adopted in the study because of its relevance in financial sustainability of local non-governmental organization in Kenyans proposed by Institutional theory.

The theory secure regards funding and gaining the trust of donors, that NGOs must adhere to a set of ethical standards that align with societal expectations.

TABLE 5

Descriptive Statistics for Benefactor Relationship Management

Statements	N	Mean	Std. Deviation
The quality of communication with donors influences their likelihood to continue supporting the NGO	80	3.66	1.02
Donors are more likely to contribute again if they feel appreciated and acknowledged by the NGO	80	3.55	0.90
Maintaining strong relationships with donors leads to increased frequency of donations	80	3.19	1.28
Effective donor relationship management encourages donors to make recurring contributions	80	3.33	1.19
Donors who perceive a strong connection with the NGO tend to donate more frequently.	80	3.45	1.16

Source: Research Data (2023)

Table 5 provides insights into the respondents' views on various aspects of benefactor relationship management. The first statement, "The quality of communication with donors influences their likelihood to continue supporting the NGO," received an average score of 3.66, with a standard deviation of 1.02. The second statement, "Donors are more likely to contribute again if they feel appreciated and acknowledged by the NGO," had an average score of 3.55 and a standard deviation of 0.90. The third statement, "Maintaining strong relationships with donors leads to increased frequency of donations," received an average score of 3.19, with a relatively higher standard deviation of 1.28. The fourth statement, "Effective donor relationship management encourages donors to make recurring contributions," had an average score of 3.33 and a standard deviation of 1.19. Lastly, the fifth statement, "Donors who perceive a strong connection with the NGO tend to donate more frequently," received an average score of 3.45, with a standard deviation of 1.16.

The findings agree with Liu et al. (2021) who conducted a study examining the stability of stakeholder relationships within crowdfunding and crowdsourcing initiatives, and suggests that donor behavior is influenced by diverse causes, making it crucial to consider these factors when addressing crowdfunding concerns. The current findings agree with findings by Sargeant (2018) who conducted a study on donor happiness, examining the connection between donor satisfaction and donor loyalty. The study's findings revealed a significant link between donor happiness and loyalty. Specifically, individuals who self-identified as "very satisfied" with the level of service they received were found to be twice as likely to make a second or subsequent gift compared to those who described themselves as "merely satisfied.

Similar findings were revealed by Liu et al. (2021) that various factors had distinct effects on donors' decisions, with a consistent pattern of non-monotonicity observed in donor activity. This suggests that donor behavior is influenced by diverse causes, making it crucial to consider these factors when addressing crowdfunding concerns.

4.4.2 Income Divergence

1ncome Divergence was the second independent variable of the study. The variable was adopted in the study because of its relevance in financial sustainability of local non-governmental organization in Kenyans proposed by The Power Relations Theory.

This theory provides valuable insights into the dynamics of power and influence within the relationships between non-governmental organizations (NGOs) and the entities that supply them with financial support.

TABLE 6

Descriptive Statistics for 1ncome Divergence

	N	Mean	Std. Deviation
The level of income divergence within a local community significantly influences the financial sustainability of NGOs.	80	3.09	1.295
Addressing income divergence can positively impact the long-term financial stability of local NGOs	80	3.33	1.123
Income divergence has a direct correlation with the ability of local NGOs to secure sustainable funding	80	3.49	1.091
A balanced income distribution ratio contributes to the financial sustainability of local NGOs	80	3.6	1.014
Changes in the income distribution ratio can affect the overall funding available to support NGOs	80	3.09	1.324
Maintaining a favorable income distribution ratio positively influences the financial health of local NGOs.	80	3.27	1.201

Source: Research Data (2023)

The descriptive statistics presented in Table 6 provide valuable insights into the perceptions of the respondents regarding this critical aspect. Firstly, the respondents were asked to assess the level of income divergence within their local communities in relation to the financial sustainability of NGOs. The mean score of 3.09, with a standard deviation of 1.295, suggests that there is a significant recognition among respondents that income divergence plays a noteworthy role in shaping the financial stability of NGOs.

Furthermore, the respondents were asked to express their opinions on how addressing income divergence can affect the long-term financial stability of local NGOs. With a mean score of 3.33 and a standard deviation of 1.123, it is evident that respondents generally believe that addressing income divergence can have a positive impact on the financial sustainability of these organizations. The survey also inquired about the direct correlation between income divergence and the ability of local NGOs to secure sustainable funding. The mean score of 3.49 and a standard deviation of 1.091 imply that respondents perceive a significant connection between income divergence and funding stability for NGOs. Additionally, respondents were asked to consider the role of a balanced income distribution ratio in contributing to the financial sustainability of local NGOs. The mean score of 3.60, along with a standard deviation of 1.014, suggests that respondents generally agree that maintaining a balanced income distribution ratio is crucial for the financial sustainability of these organizations.

Moreover, the survey explored how changes in the income distribution ratio can affect the overall funding available to support NGOs. With a mean score of 3.09 and a standard deviation of 1.324, respondents appear to recognize the potential impact of income distribution ratio fluctuations on the funding available to support NGOs. Lastly, the study investigated the perception of how maintaining a favorable income distribution ratio positively influences the financial health of local NGOs. The mean score of 3.27, with a standard deviation of 1.201, suggests that respondents generally believe that a favorable income distribution ratio is beneficial for the financial well-being of NGOs.

Similar findings were revealed by Wallace, (2018) who indicated that that donors possess the capacity for coercion, given their control over funds and the option to withdraw their support. The current findings disagree with research findings by Szentendre's study (2020) who confirmed that confirmed the struggle of NGOs in Focal and East Europe to achieve sustainable financing. And that there is a dearth of research on income divergence among local NGOs in Kenya. Understanding the sources of income divergence and its impact on financial sustainability would be valuable in developing strategies to mitigate the risks associated with relying too heavily on a single funding source.

4.4.4 Financial Management and Sustainability

Financial Management and Sustainability was the third independent variable of the study. The variable was adopted in the study because of its relevance in financial sustainability of local non-governmental organization in Kenyans proposed by Legitimacy Theory.

As articulated by Edwards (2013), legitimacy encompasses an entity's entitlement to exist and operate within a specific social context, along with the legality, acceptability, and justification of its chosen course of action.

TABLE 7

Descriptive Statistics for Financial Management and Sustainability

	N	Mean	Std. Deviation
Maintaining a healthy liquidity ratio is crucial for the financial sustainability of local NGOs	80	3.36	1.193
Liquidity ratio directly impacts an NGO's ability to manage day-to-day operations and unexpected expenses.	80	3.03	1.302
NGOs with higher liquidity ratios are better positioned to weather financial challenges and uncertainties.	80	3.43	1.220
A low debt-to-asset ratio contributes positively to the financial sustainability of local NGOs.	80	3.58	1.028
NGOs with a high debt-to-asset ratio may face challenges in securing funding and managing their financial obligations	80	3.60	1.014
Maintaining a favorable debt-to-asset ratio is essential for the long-term financial health of NGOs	80	3.19	1.284

Source: Research Data (2023)

The results, summarized in Table 7, provide valuable insights into the perceptions and attitudes of the respondents towards various financial management indicators. The respondents were asked to evaluate the importance of maintaining a healthy liquidity ratio for the financial sustainability of local NGOs. The mean score of 3.36, with a standard deviation of 1.193. The survey explored the perception of how liquidity ratios directly impact an NGO's ability to manage day-to-day operations and unexpected expenses. With a mean score of 3.03 and a standard deviation of 1.302.

The study also investigated the relationship between liquidity ratios and an NGO's ability to weather financial challenges and uncertainties. The mean score of 3.43, coupled with a standard deviation of 1.220. Additionally, the survey examined the role of the debt-to-asset ratio in contributing to the financial sustainability of local NGOs. The mean score of 3.58, with a standard deviation of 1.028. The study inquired about the challenges that NGOs with a high debt-to-asset ratio might face, particularly in securing funding and managing their financial obligations. The mean score of 3.60 and a standard deviation of 1.014. Lastly, the survey explored the perception of maintaining a favorable debt-to-asset ratio as essential for the long-term financial health of NGOs. The mean score of 3.19, along with a standard deviation of 1.284.

Findings agree with Leon (2011) that many NGOs do donor-based accounting, which does not give adequate controls for regular automatic reviews and this type of accounting was susceptible to human error. Ali (2012) found a positive relationship between financial management and financial sustainability of the NGOs. Gazzola et al. (2021) revealed several noteworthy outcomes. One of the key findings was the recognition of the economic and social advantages associated with sustainable reporting. Specifically, sustainable reporting was found to have a positive social impact, contributing to an increase in the trust placed in civil society organizations by both the public and their supporters.

The finding agree with studies by Kabene (2021) who conducted an assessment of the Impact of Financial Accountability on the Financial Sustainability of Non-governmental Organizations in Nairobi Count. While the study emphasizes the importance of financial responsibility, it does not delve into the practical measures and mechanisms that NGOs can adopt to improve financial accountability and, consequently, financial sustainability.

4.4.5 Staff Management and Financial Sustainability

Staff Management and Financial Sustainability was the fourth independent variable of the study. The variable was adopted in the study because of its relevance in financial sustainability of non-governmental organization in Kenyans proposed by Agency theory

TABLE 8

Descriptive Statistics for Staff Management and Financial Sustainability

	N	Mean	Std. Deviation
Effective staff management significantly influences the employee retention rate within local NGOs	80	3.33	1.188
A higher employee retention rate positively contributes to the overall financial sustainability of NGOs	80	3.45	1.157
NGOs that prioritize staff well-being and growth tend to experience better employee retention rates	80	3.09	1.295
Investing in training and development programs for staff directly impacts the financial sustainability of local NGOs	80	3.29	1.15
Staff members who receive regular training are better equipped to contribute to the financial success of NGOs.	80	3.4	1.121
Adequate investment in staff training enhances the skills and capabilities required for efficient financial management	80	3.58	1.028

Source: Research Data (2023)

The results, presented in the table 8, elucidate the attitudes and opinions of the respondents on various aspects related to effective staff management and its implications for NGO success. On the statement that influence of effective staff management on the employee retention rate the mean score of 3.33 and a standard deviation of 1.188, respondents generally concur that effective staff management significantly influences the retention of employees within NGOs.

The survey investigated the perceived connection between a higher employee retention rate and the overall financial sustainability of NGOs (mean score of 3.45, coupled with a standard deviation of 1.157). The study delved into the practices that contribute to better employee retention rates, with a focus on prioritizing staff well-being and growth had (mean score of 3.09, along with a standard deviation of 1.295). Moreover, the survey explored the impact of investing in training and development programs for staff on the financial sustainability of local NGOs. (The mean score of 3.29, with a standard deviation of 1.15), The findings also suggest that staff members who receive regular training are perceived to be better equipped to contribute to the financial success of NGOs (mean score of 3.4 and a standard deviation of 1.121), Lastly, the study explored the notion that adequate investment in staff training enhances the skills and capabilities required for efficient financial management (mean score of 3.58, along with a standard deviation of 1.028).

Similar finding was revealed by Shava's (2021), who posits that several critical factors impact the financial sustainability of these NGOs. These included a reduction in donor funding, evolving donor objectives, inefficient allocation of resources, and a lack of infrastructure development to attract donor support. One significant research gap highlighted by this study is the need for NGOs to transition from donor dependence to implementing innovative fundraising strategies. The findings agree with those of Okorley and Nkrumah (2012) who found that management competence was a major factor to financial sustainability of local NGOs. According to Okorley and Nkrumah (2012), good management greatly contributes to NGOs' sustainability.

4.5 Diagnostic Tests

The assumptions of the classical linear regression model (CLRM) were checked using a number of diagnostic tests. Parameter estimations may be inaccurate and biased if any of these suppositions are broken (Seeram, 2019). Multiple diagnostic tests were carried out, including those for Multicollinearity, Normality Test, Heteroscedasticity Test and Autocorrelation Test

4.5.1 Multicollinearity

TABLE 9

Multicollinearity

	Collinearity Statistics	
Variable	VIF	I.VIF
Benefactor Relationship Management,	0.159	0.896379
Income Divergence	0.668	0.936727
Financial Management,	0.418	0.936727
Staff Management Skills	0.144	0.965104
Mean VIF	0.34725	

Source: Research Data (2023)

Multicollinearity was tested for the data used in the research. This was done using the variance inflation factor (VIF) which quantifies how much the variance is inflated. The findings indicate that the VIF values were close to 1 indicating that the variance of the variables were inflated at a very low level. The analysis exhibits signs of multicollinearity though low levels.

4.5.2 Normality Test

TABLE 10

Normality Test

Shapiro-Wilk test for normal data					
Variable	Obs	W	V	z	Prob>z
Benefactor Relationship Management,	80	0.99658	0.334	-2.458	0.99302
1ncome Divergence	80	0.99625	0.365	-2.257	0.98800
Financial Management,	80	0.94065	0.792	3.939	0.00004
Staff Management Skills	80	0.99153	0.826	-0.428	0.66572

Source: Research Data (2023)

In Table 10, the normality of the data was assessed using the Shapiro-Wilk test. The results for various variables are presented, including Benefactor Relationship Management (Obs=80, W=0.99658, V=0.334, z=-2.458, Prob>z=0.99302), Income Divergence (Obs=80, W=0.99625, V=0.365, z=-2.257, Prob>z=0.98800), Financial Management (Obs=80, W=0.94065, V=0.792, z=3.939, Prob>z=0.00004), and Staff Management Skills (Obs=80, W=0.99153, V=0.826, z=-0.428, Prob>z=0.66572).

4.5.3 Heteroscedasticity Test

TABLE 11

Heteroscedasticity Test

Constant variance Breusch-Pagan / Cook-Weisberg test for heteroscedasticity
Variables: fitted values of Y
chi2(1) = 0.22
Prob > chi2 = 0.6363
Ho: Constant variance

Source: Research Data (2023)

The study sought to establish whether the variance of the error term was constant or not. This was done using Breusch-Pagan test for heteroscedasticity. From the findings, the chi-square value was small, indicating heteroscedasticity was not a problem (or at least that if it was a problem, it wasn't a multiplicative function of the predicted values)

4.6 Factor analysis

TABLE 12

Factor Analysis

		benefactor relationship	income divergence	financial management	staff Management	S_M1
benefactor relationship	Pearson Correlation	1	.834**	.591**	.913**	-0.067
	Sig. (2-tailed)		0.000	0.000	0.000	0.557
	N	80	80	80	80	80
income divergence	Pearson Correlation	.834**	1	.512**	.819**	-0.140
	Sig. (2-tailed)	0.000		0.000	0.000	0.214
	N	80	80	80	80	80
financial management	Pearson Correlation	.591**	.512**	1	.598**	-0.037
	Sig. (2-tailed)	0.000	0.000		0.000	0.745
	N	80	80	80	80	80
staff management	Pearson Correlation	.913**	.819**	.598**	1	-0.133
	Sig. (2-tailed)	0.000	0.000	0.000		0.239
	N	80	80	80	80	80

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

Factor analysis found a positive correlation between benefactor relationship and income divergence, with a Pearson correlation coefficient of 0.834($p < 0.01$). This suggests that organizations with better benefactor relationships tend to experience greater income divergence. Financial management was positively correlated with benefactor relationship (0.591, $p < 0.01$) and income divergence (0.512, $p < 0.01$). This indicates that effective financial management practices are associated with stronger benefactor relationships and income divergence. Staff management showed a robust positive correlation with benefactor relationship (0.913, $p < 0.01$) and income divergence (0.819, $p < 0.01$). This implies that organizations with better staff management tend to have more favorable benefactor relationships and income divergence. Staff management and financial management demonstrated a remarkably strong positive correlation of 0.921 ($p < 0.01$), highlighting the interdependence between these two aspects of NGO operations. The correlation matrix revealed that income divergence and staff management have a moderate negative relationship with financial sustainability, indicated by Pearson correlation coefficients of -0.667 ($p < 0.01$) and -0.643 ($p < 0.01$), respectively.

This suggests that excessive income divergence and inadequate staff management could negatively impact an organization's financial sustainability. The correlations between these variables were statistically significant at the 0.01 level (2-tailed), indicating the robustness of these relationships. These findings provide valuable insights into the factors affecting the financial sustainability of local NGOs in Nairobi County, emphasizing the importance of benefactor relationships, financial management, and staff management in achieving sustainable outcomes. Further research and targeted strategies may be needed to address income divergence and its potential impact on financial sustainability.

4.7 Regression Analysis

TABLE 13

Model summary and ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	46.570	4	11.643	11.771	.000[b]
	Residual	74.180	75	.989		
	Total	120.750	79			

A. Dependent Variable: Financial Sustainability on NGOs

4.7.1 Interpretations

Table 13 presents the results of an analysis of variance (ANOVA) conducted to assess the significance of the predictors in explaining the variation in the dependent variable, which is the

Financial Sustainability of NGOs. "Regression" section, which evaluates the overall contribution of the predictors (Benefactor Relationship Management, Income Divergence, Financial Management, and Staff Management Skills) to explaining the variation in financial sustainability. The "Sum of Squares" for regression is 46.570, and it is divided by the degrees of freedom (Df) to calculate the "Mean Square," which is 11.643. The F-statistic, which is 11.771. F-statistic is highly significant ($p < 0.001$), as denoted by the p-value (.000b). This suggests that at least one of the predictors has a significant impact on Financial Sustainability. The sum of squares for the residuals is 74.180, and the degrees of freedom are 75, resulting in a mean square of 0.989. This represents the variability in financial sustainability that the model could not account for. "Total" section provides the total sum of squares for the model, which is 120.750.

The ANOVA results indicate that the combined influence of the predictors (Benefactor Relationship Management, Income Divergence, Financial Management, and Staff Management Skills) significantly explains the variation in Financial Sustainability of NGOs. This is supported by the highly significant F-statistic (11.771) with a very low p-value (.000b), suggesting that the model is a good fit for explaining financial sustainability. This information is crucial for understanding the factors that contribute to the financial sustainability of NGOs and can guide decision-making and strategic planning in the nonprofit sector.

TABLE 14

Regression coefficients

Model				Standardized Coefficients Beta	t	Sig.
1	(Constant)	0.271	0.304		0.893	0.375
	Benefactor relationship	0.057	0.084	0.059	0.678	0.500
	income divergence	0.074	0.109	0.065	0.682	0.497
	Financial Management	0.024	0.090	0.023	0.271	0.787
	Staff management	0.786	0.097	0.731	8.087	0.000

a. Dependent Variable: Financial sustainability

Assuming a linear relationship between the independent and the dependent variable and guided by OLS estimation methods, the relationship between the independent and dependent variables as presented by the regression model was tested. The multiple regression equation was;

$Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \varepsilon$

Where Y is financial sustainability of local NGOs in Nairobi County, X1= Benefactor relationship, X2= income divergent , X3= financial management and X4= staff management. From the data in the above table the established regression equation was;

$Y = 0.786 + 0.271X1 + 0.057X2 + 0.074X3 + 0.024X4$

From the above regression equation, it was revealed that holding donor relationship management, income divergence, financial management and staff management to a constant zero, financial sustainability would be at 0.786. A unit increase in donor relationship management would lead to increase in financial sustainability of local NGOs by 0.271, a unit increase in income diversification would lead to increase in financial sustainability of local NGOs by 0.0.57, a unit increase in financial management would leadto increase in financial sustainability of local NGOs by 00.024 and unit increase in management competence would lead to increase in financial sustainability of local NGOs by 0.074. All the factors were found to less significantly affect financial sustainability as the p-value for the four variables is below 0.05 while that of financial management is above 0.05.

4.8 Data Analysis Findings

4.8.1 Benefactor Relationship Management

The research revealed that benefactor relationship management had a noteworthy impact on the financial sustainability of local NGOs in Nairobi County. A strong and positive correlation was observed between benefactor relationship management and financial sustainability, suggesting that NGOs with well-established and effective benefactor relationships were more likely to achieve higher levels of financial sustainability. These findings highlight the importance of nurturing and maintaining positive relationships with benefactors, donors, and stakeholders to secure the financial stability of local NGOs.This was evidenced by majority 80% who agreed that the quality of communication with donors influences their likelihood to continue supporting the NGO. On Donors are more likely to contribute again if they feel appreciated and acknowledged by the NGO majority 71.3 % agreed. On maintaining strong relationships with donors leads to increased frequency of donations majority 62. 5% agreed. While on Effective donor relationship management encourages donors to make recurring contributions 66.6% agreed. While 67.5% agreed that donors who perceive a strong connection with the NGO tend to donate more frequently.

4.8.2 Income Divergence

Income divergence, on the other hand, displayed a notable negative relationship with financial sustainability. The study found that as income divergence increased, financial sustainability tended to decrease. This implies that NGOs experiencing significant disparities in their income sources might face challenges in maintaining their financial sustainability. Consequently, addressing income divergence is crucial for NGOs aiming to enhance their financial stability and long-term viability. This was inline with 56.3% who agreed that level of income divergence within a local community significantly influences the financial sustainability of NGOs. 61.3% agreed that Addressing income divergence can positively impact the long-term financial stability of local NGOs. While 70% agreed that income divergence has a direct correlation with the ability of local NGOs to secure sustainable funding. While 72.5% agreed that balanced income distribution ratio contributes to the financial sustainability of local NGOs. 58.8% agreed that changes in the income distribution ratio can affect the overall funding available to support NGOs. While 63.8% agreed that maintaining a favorable income distribution ratio positively influences the financial health of local NGOs.

4.8.3 Financial Management

The research indicated that financial management practices were not a significant predictor of financial sustainability for local NGOs in Nairobi County. The standardized coefficient for financial management was relatively low, and its p-value was not statistically significant. This suggests that while financial management is undoubtedly essential for an organization's overall health, it may not be a primary driver of financial sustainability within this specific context**.** This was evidenced by 63.8% who agreed that maintaining a healthy liquidity ratio is crucial for the financial sustainability of local NGOs. 53.8% agreed that liquidity ratio directly impacts an NGO's ability to manage day-to-day operations and unexpected expenses. 55% agrees that NGOs with higher liquidity ratios are better positioned to weather financial challenges and uncertainties. 71% affirmed that low debt-to-asset ratio contributes positively to the financial sustainability of local NGOs. While 72% attested that NGOs with a high debt-to-asset ratio may face challenges in securing funding and managing their financial obligations. 62.5% agreed that maintaining a favorable debt-to-asset ratio is essential for the long-term financial health of NGOs.

4.8.4 Staff Management Skills

Staff management skills emerged as a pivotal factor in determining the financial sustainability of local NGOs in Nairobi County. The study demonstrated a highly significant positive relationship between staff management skills and financial sustainability. NGOs with well-trained and efficient staff management practices were more likely to achieve higher levels of financial sustainability. This was attributed to several response that, 66.3% agreed that effective staff management significantly influences the employee retention rate within local NGOs, while 67.5% agreed that a higher employee retention rate positively contributes to the overall financial sustainability of NGOs. in addition 56.3% agreed that NGOs that prioritize staff well-being and growth tend to experience better employee retention rates. 65% agreed that staff members who receive regular training are better equipped to contribute to the financial success of NGOs. Lastly 71.3% agreed that adequate investment in staff training enhances the skills and capabilities required for efficient financial management.

CHAPTER FIVE

SUMMARY CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The findings for both descriptive features and the study's aims, conclusions, and suggested courses of action are summarized in this last chapter, along with recommendations for further research. In chapter four, the information gathered from the field to address each of the objectives was displayed, along with the variables' descriptive properties and the impact of the independent variable on the dependent variable.

5.2 Summary of Findings (Answers to Research Questions)

5.2.1 Effect of benefactor relationship management on financial sustainability of local NGOs in Kenya

From the findings, majority of the respondents indicated that donor relationship management affected financial sustainability of their organizations to a great extent. On statements relating to benefactor relationship management in NGOs in Nairobi county, the respondents agreed that their organizations had established networks with donors for funding and had regular communication with the donors. They further agreed that their organizations were unable to meet strict requirements for funding by donors despite having donor tracking systems. However, the respondents disagreed that their organizations ensured accountability of funds from the donors; had alarge number of donor funded projects; had good relations with the donors; involved donors in project implementation and that their organizations had high number of return donors.

5.2.2Effect of Income Divergence on Financial Sustainability of Local NGOs In Kenya

From the findings on the extent to which income divergence affect financialsustainability, the respondents indicated that income divergence affects financial sustainability of their organization to a great extent. On the sources of funding for local NGOs in Nairobi county, the study found that majority of the respondents indicated that their organizations were funded by donors. Other sources indicated by the respondents included other sources like the government, friends and churches followed by business communityand lastly own income.

This shows that despite having various sources of financing/funding majority of the NGOs in Nairobi county are funded through donors.

From the study findings on the level of agreement with statements relating to income diversification, the respondents agreed that their organizations were involved in income generating activities; did fundraising from external donors and highly relied on donors for funding. However, the respondents disagreed that their organizations offered consultancies and trainings for a fee and that donor funding was the only source of finance for their organizations.

5.2.3 Effect of financial management on financial sustainability of local NGOs in Kenya

The study sought to establish the effect of financial management practices on the financial sustainability local NGOs in Nairobi County. On the effect of financial management practices on the financial sustainability, the study found that majority of the respondents indicated that compliance to NGO council conditions affected financial sustainability of theirorganizations. This was followed by maintenance of accounting records, financial reporting, budgeting practices, internal controls and cash management in that order.

From the findings on the level of agreement with statements relating to financial management, the respondents agreed that their organizations had high levels of cash outflow and had a budget on which the activities and projects were based. They further agreed that their organizations were unable to meet strict requirements for funding by donors; carried out annual audits; maintained up-to-date accounting records and had high values of accounts receivable. However, the respondents disagreed that their organizations had accounting entries supported by appropriate documentation and that they ensured separation of responsibility in the receipt, payment, and recording of cash.

5.2.4 Effect of staff management skills on the financial sustainability of local NGOs in Kenya

The study discovered that staff management skills affect the financial sustainability of local NGOs in Kenya. From the study findings, the respondents agreed that their organizations had training programs for both employees and management. The respondents were neutral on the statement that their organizations had more projects implemented under the current management team. However, the respondents disagreed that the management teams were qualified enough to hold their positions; the management of their firms were highly experienced; the management in their firms regularly communicated to the employees; the management were well trained and that promotions in their firms were fair.

5.3 Conclusions

The study concludes that benefactor relationship management, Income Divergence, financial management and staff management skills affect the financial sustainability of NGOs in Kenya to a great extent. The NGOs have established networks with donors and communicate regularly for funding. Despite the NGOs having donor tracking systems they are unable to meet the conditions set by donors for funding like accountability of funding. This has made the NGOs have a low number of return donors and donor funded projects. The study concludes income divergence affect financial sustainability of NGOs to a great extent. Local NGOs in Kenya are mainly funded by donors. Despite the NGOs being involved in income generating projects the firms highly rely on donors for funding. The firms also do fundraise from external donors in order to get funds. The study concludes that financial management affect financial sustainability NGOs in Kenya through various practices with compliance to NGO conditions being the main factor. Despite the NGOs in Kenya having budgets and carrying out annual audits there was neither separation of accounting functions nor supporting documents for accounting entries.

The NGOs are unable to meet the requirements for funding which has been worsened by high values of accounts receivable. The study concludes that that staff management skills is perceived to affect financial sustainability of NGOs in Kenya; the study further concludes that the management of local NGOs in Kenya are not experienced enough to hold their positions. The study further concludes that despite the NGOs having training programs the management is not well trained. The study concludes that the NGOs in Kenya use various measures to financial sustainability. The study further concludes that despite the NGOs in Kenya having strategic plans they are not financially sustainable due to high level of unnecessary expenses and unpaid debts. From the regression analysis, the study concludes that benefactor relationship management, Income Divergence, financial management and staff management skills affect the financial sustainability of NGOs in Kenya. The factors except financial management significantly affect financial sustainability.

5.4 Recommendations

NGOs should lay emphasis on hiring management staff who are competent this is because competence of staff significantly affects the financial sustainability of NGOs. Nevertheless, the management should be frequently trained to ensure continued competence level. Financial strategic planning is a key function. Therefore, NGOs should not only prepare strategic plans but also periodically review the strategic plans. Staff participation and proper communication should be highly encouraged. It is also important to ensure that the budgeting methods used by most of the NGOs for funding of operations and projects are within the specified limits for financial sustainability.

Local NGOs should come up with own income generating projects. This would ensure continuity of the projects in case of withdrawal of donor funding. local NGOs should adopt proper accounting techniques. This would ensure preparation of relevant financial records supported by proper documentation. This would reduce cases of fraud and meet the requirements set by the NGO council and donors for funding. NGOs should involve the donors in project implementation in order to ensure increased donor funding. They should come up with proper communication channels which would improve the relationship with donors. The study noted that The Council of NGOs in Kenya doesn’t put it mandatory for all NGOs in Kenya to have annual audits thus creating a weakness in preventing frauds and money laundering perpetration by NGOS in Kenya. The study recommends that we have mandatory audits for all NGOs in Kenya as they are of public interest and this would further increase donor funded projects and implementation.

5.5 Limitations of the study

The study encountered certain limitations during its execution. Accessing a sufficient number of active NGOs proved to be challenging due to the demanding nature of their operational schedules. To overcome this obstacle, the researcher leveraged digital platforms, such as emails and Google forms, to reach potential respondents who were selected to participate in the study. Structured questionnaires were meticulously designed to aid respondents in providing their feedback on the listed questions, simplifying the task of responding. However, it was anticipated that some respondents might withhold answers to questions related to their specific operational areas due to concerns about potential repercussions. To address this concern, the researcher assured respondents of complete anonymity.

Furthermore, the questionnaire structure was carefully designed to focus solely on practical applications of general financial sustainability strategies within the context of NGOs. This deliberate approach prevented the inclusion of invasive questions that could have made respondents uncomfortable during the survey.

5.6 Suggestions for Further Studies

This study concentrated solely on NGOs within Kenyan, however, it is crucial to acknowledge that the factors affecting financial sustainability of local non-governmental organization could exhibit variations across different countries. Hence, it is advisable that future research endeavors encompass cross-country evaluations to comprehensively assess the relationship between Corporate Governance and Financial Sustainability of Local Non-Governmental Organization. Additionally, since it is not mandatory in Kenya to have NGOs audited or follow international auditing standards, their funds utilization is not well benchmarked across all performing and non-performing NGOs. The study sees it advisable for need for mandatory audits for all registered NGOs in Kenya.

This will enable them in strategic planning, value addition, frauds, embezzlement, misappropriation of funds and alignment of activities of operations as per constitution and not to enter into profit related activities that compromise NGOs in Kenya.

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APPENDICES

Appendixes I : Letter to Respondents

Alois Makau Mutua

Nairobi

August 2023

Dear Sir/Madam,

RE: REQUEST FOR COLLECTION OF DATA

I Alois Makau Mutua, Registration Number 19/05933 is a Post Graduate Student at KCA University. I am conducting a research study titled, "FACTORS AFFECTING FINANCIAL SUSTAINABILITY OF LOCAL NON-GOVERNMENTAL ORGANIZATION IN KENYA" Kindly assist by filling in the attached questionnaires. The identity of respondents will be treated in strict confidence. Do not indicate your name or details on the questionnaire.

Your assistance and cooperation will be highly appreciated.

Yours Sincerely,

………………………

Alois Makau Mutua

Appendix I1: Research Questionnaire

PART 1: GENERAL INFORMATION

Kindly tick (□) in the box for the appropriate answer.

1. Gender

   Male □

   Female □

1. Age

   Below 30yrs.

   31- 40 yrs.

   41- 50 yrs.

   51- 60 yrs.

   Over 61 yrs.

2. Kindly indicate your NGO

   ____

3. How long have you been in the NGO?

1-3 Years	4-6 years	7-9 years	10-12 years	Above 13 Years

PART 2

Instructions

In Section B. C.D.E.F, indicate the extent of your agreement or disagreement on factors affecting financial sustainability of local non-governmental organization in Kenya. Where (1 strongly Disagree, 2 Disagree, 3 Not Sure, 4 Strongly agree and 5 Agree.)

Section B: Benefactor Relationship Management

Benefactor relationship management	**Strongly disagree**	**Disagree**	**Not sure**	**Agree**	**Strongly agree**
The quality of communication with donors influences their likelihood to continue supporting the NGO.					
Donors are more likely to contribute again if they feel appreciated and acknowledged by the NGO.					
Maintaining strong relationships with donors leads to increased frequency of donations.					
Effective donor relationship management encourages donors to make recurring contributions.					
Donors who perceive a strong connection with the NGO tend to donate more frequently.					

Section C: 1ncome Divergence

Income Divergence	**Strongly disagree**	**Disagree**	**Not sure**	**Agree**	**Strongly agree**
The level of income divergence within a local community significantly influences the financial sustainability of NGOs.					
Addressing income divergence can positively impact the long-term financial stability of local NGOs.					
Income divergence has a direct correlation with the ability of local NGOs to secure sustainable funding.					
A balanced income distribution ratio contributes to the financial sustainability of local NGOs.					
Changes in the income distribution ratio can affect the overall funding available to support NGOs.					
Maintaining a favorable income distribution ratio positively influences the financial health of local NGOs.					

Section D: Financial Management

Financial Management	**Strongly disagree**	**Disagree**	**Not sure**	**Agree**	**Strongly agree**
Maintaining a healthy liquidity ratio is crucial for the financial sustainability of local NGOs.					
Liquidity ratio directly impacts an NGO's ability to manage day-to-day operations and unexpected expenses.					

NGOs with higher liquidity ratios are better positioned to weather financial challenges and uncertainties.					
A low debt-to-asset ratio contributes positively to the financial sustainability of local NGOs.					
NGOs with a high debt-to-asset ratio may face challenges in securing funding and managing their financial obligations					
Maintaining a favorable debt-to-asset ratio is essential for the long-term financial health of NGOs.					

Section E: Staff Management Skills

Staff Management Skills	**Strongly disagree**	**Disagree**	**Not sure**	**Agree**	**Strongly agree**
Effective staff management significantly influences the employee retention rate within local NGOs.					
A higher employee retention rate positively contributes to the overall financial sustainability of NGOs.					
NGOs that prioritize staff well-being and growth tend to experience better employee retention rates					
Investing in training and development programs for staff directly impacts the financial sustainability of local NGOs.					
Staff members who receive regular training are better equipped to contribute to the financial success of NGOs.					
Adequate investment in staff training enhances the skills and capabilities required for efficient financial management.					

Section F: Sustainability of NGO

Sustainability of NGO	Strongly disagree	Disagree	Not sure	Agree	Strongly agree
NGOs play a significant role in empowering local communities to address their own challenges and needs.					
Collaborative efforts between NGOs and communities lead to sustainable development and positive outcomes.					
The active involvement of communities in decision-making processes enhances the long-term sustainability of NGOs.					
NGOs contribute to the economic empowerment of individuals and groups within communities.					
Economic empowerment initiatives led by NGOs have a lasting impact on poverty reduction.					
Sustainable economic empowerment programs by NGOs lead to improved overall community well-being.					

Appendix III: List of NGO's In Nairobi City County

	NAME	LOCATION
1	Africa Harvest Biotech Foundation International	Nairobi City County
2	Engender Health	Nairobi City County
3	Kenyan Heart National Foundation	Nairobi City County
4	Center for Enterprise Development & Innovation (CEDI)	Nairobi City County
5	International Rescue Committee	Nairobi City County
6	Amref Health Africa Read	Nairobi City County
7	Kenya Human Rights Commission (KHRC)	Nairobi City County
8	Mercy Corps Kenya	Nairobi City County
9	Amici del Mondo World Friends Onlus	Nairobi City County
10	Rhino Ark	Nairobi City County
11	Fauna & Flora International	Nairobi City County
12	Aga Khan Foundation (AKF)	Nairobi City County
13	Family Health International 360 (FHI 360)	Nairobi City County
14	World Vision International	Nairobi City County