DETERMINANTS OF FINANCIAL SUSTAINABILITY OF NON-GOVERNMENTAL ORGANIZATIONS IN MOMBASA COUNTY, KENYA

Nalivata, K. K., Muli, S., & Nyamongo, M.

The Strategic Journal of Business & Change Management
ISSN: 2312-9492 www.strategicjournals.com

Vol. 9, Iss. 1, pp 59 – 76. January 13, 2022. www.strategicjournals.com, ©Strategic Journals

DETERMINANTS OF FINANCIAL SUSTAINABILITY OF NON-GOVERNMENTAL ORGANIZATIONS IN MOMBASA COUNTY, KENYA

[1] Nalivata, K. K.,[2] Muli, S., & [3] Nyamongo, M.

[1] MBA Candidate, School of Business, Kenya Methodist University [KEMU], Kenya
[2,3] Lecturer, Department of Finance and Accounting, School of Business, Kenya Methodist University [KEMU], Kenya

Accepted: January 10, 2022

ABSTRACT

The purpose of this research was to find out what factors are responsible for NGOs' financial viability in Mombasa County, and to provide a solution to that issue. The descriptive research design was utilized in this study. The study population consisted of 67 non-governmental organisations based in Mombasa County. The sample size for the research consisted of 134 respondents in 67 registered NGOs. The main data was gathered via the use of questionnaires. Correlation and regression analyses were carried out in order to establish the connection between the different research variables. All the three variables financial sources, Strategic financial planning and budgeting (0.037, 0.000 and 0.016) had a p value less than the significance level of 0.05, indicating that all the independent variables are important for financial sustainability, which is contrary to popular belief. According to the findings of the research, in order for non-profit organisations to be financially sustainable, they must have a variety of sources of funding, which may include local or international sponsors, in order to avoid the initiatives they support from being derailed. In order to guarantee that funds are effectively used, non-governmental organisations encourage the input of shareholders who are the beneficiaries of the initiatives and who assist the NGO in obtaining lower-cost resources from local sources throughout the budget planning process. According to the findings of the research, non-governmental organisations should diversify their revenue sources to include public, local, and national government, as well as private sector companies, rather of depending only on overseas donations. NGOs should not only develop strategic plans, but also evaluate them on a regular basis to ensure that they are still relevant. Accounting rules and recording processes should be properly recorded and made into written policies. Furthermore, non-governmental organisations should put in place sufficient internal controls to ensure that the money given by donors are used in a transparent and accountable manner.

Key Words: *Financial Sources, Strategic Financial Planning, Budgeting, Financial Stability*

CITATION: Nalivata, K. K., Muli, S., & Nyamongo, M. (2022). Determinants of financial sustainability of non-governmental organizations in Mombasa County, Kenya. *The Strategic Journal of Business & Change Management,* 9 (1), 59 – 76.

INTRODUCTION

As a result of the United Nations Groups' establishment in 1945, which recognized the need to provide a consultative role to organisations that were neither governments nor member states, the term "non-governmental organisation" (NGO) was coined to refer to organisations that were neither governments nor member states (Willett, 2018). According to Manrique (2011), the early history of NGOs may be found in three places: African culture and traditions, a closer examination of early Christian missionary ventures, and ultimately Colonial rule beginning in the nineteenth century. During the colonial period, the modern concept of a non-governmental organization (NGO) emerged in Kenya (Mbote, 2018). Despite the colonial government's opposition to freedom of association, a few religious and humanitarian organizations, as well as people's organizations, were permitted (Kingoro and Bujra, 2009). Prior to the 1980s, the government was the primary provider of social services to its residents.

The NGO Coordination Act (1990) defines a non-governmental organisation (NGO) as a private intentional gathering of people or affiliations that does not work for profit or for other business purposes, but that has coordinated themselves broadly or globally to help general society everywhere and for the advancement of social government assistance, improvement, noble cause or exploration in the areas comprehensive of, yet not confined to, wellbeing, alleviation, agribusiness, training, industry and the stockpile of conveniences and administrations.

There is additionally a worldwide upsurge in the development of NGOs. This upsurge accompanies contest for subsidizing which as a rule apparently favors bigger NGOs. They totally rely upon the contributor resources and they by and large don't have systems or tasks to broaden their wellsprings of resources bringing about office conclusion by numerous NGOs. Albeit global benefactors are the significant wellsprings of subsidizing, the level of their commitment has consistently declined. This has influenced tasks of NGOs in many agricultural nations (Lekorwe and Mpabanaga, 2018).

Financial sustainability of an organization is the ability of the firm to take advantage of opportunities and react to unexpected opportunities and at the same time maintaining balance in the operations of the organization (Bowman, 2019). Sustainability in NGOs is regarded as the efficient use of resources and generation of wealth to positively contribute to a functioning economy, society and physical environment. Fulfilling NGO mission, goals and serving stakeholders is fundamental for NGO sustainability. The availability of funds, innovative leadership and well-managed programs contribute to the sustainability of NGOs (Arhin, Kumi, and Adam 2018). Changing trends in development aid adversely affects the financial sustainability of NGOs, in the process crippling their capacity to effectively deliver aid and achieve their missions and visions (Hayman 2016).

Financial resources provide a significant portion of the most critical resources available to nonprofit organisations that depend on growth and endurance; as a result, it is critical for them to maintain a strong financial position and execute their strategies in order to achieve their goals. Maintainable associations have been found to have at any rate: A sustainable mission and key heading, the fundamental abilities to draw in resources from an assortment of nearby and worldwide sources, abilities and capacity to oversee resources adequately and effectively and any exertion at hierarchical recovery (Ogre and Gitoho 2005).

Financially sustainable NGOs in agricultural nations are key partners in enlarging the arrangement of fundamental administrations to the residents, particularly poor people. Assuming NGOs are not financially sustainable, it is hard for them to proceed with their work soon (Hollis and Sweetman, 1998). Unsustainable NGOs may offer their types of assistance today yet won't keep on doing as such in future since they will be no more. (Schreiner, 2018). Financial sustainability is an essential structure block for the drawn out endurance and viability of a wide range of NGOs. As per The Regional Environmental Center (REC), report (2016) significant NGOs on the planet have imploded because of subsidizing difficulties and poor monetary administration.

Accomplishing financial maintainability includes planning financial administration frameworks that give the data which empowers administrators to settle on solid financial and automatic choices, and accordingly improves the effectiveness of the association; investigating expenses to recognize possible expense reserve funds and creating approaches and procedures for decreasing expenses and improving financial projections/planning and; resource assembly through planning a far reaching resource preparation methodology, Building ability to create and advertise fruitful tasks to draw in new contributors (Renz, David and partners, 2010).

Numerous global benefactor associations reserve programs for a brief timeframe, as an impermanent measure to hold over an emergency or to start a change. These resources rely generally upon the patterns in the western world. The givers may not additionally genuinely consider the legitimacy of the undertaking proposition in its unique circumstance, and may here and there take part in projects on unproved trial techniques, which may obliterate the native endeavors for all time. There are times when ventures began with much exposure and abundance reserves, draw in individuals with wrong thought processes, and don't support the endeavors to accomplish their objectives. Such projects, which change their concentrate like clockwork to get to new resources, are probably not going to make the ideal effect (Banks, Hulme, and Edwards 2015).

A study conducted by the United States Agency for International Development (USAID) in 2019, found that just 6.2 percent of non-governmental organisations in Sub-Saharan Africa are financially self-sufficient.1 The study further revealed that NGOs provided excellent aid but lacked financial sustainability because of their over expenditure on external donors as the lone source of funding. The poor financial management of NGOs in Africa is also attributed to helpless, economic performance that cannot make donations to NGOs from nearby sources, such as government, people and businesses. Large numbers of the nearby NGOs in Africa are powerless and unfit to rival global NGOs for contributor financing (USAID, 2019).

Despite the quickly declining economy, NGOs have set out on help, backing, natural recovery, and local area strengthening projects to help weak rustic residents in Zimbabwe. Guaranteeing financial maintainability in provincial advancement programs has been a test since awards and gifts, which have been sole wellsprings of financing, have since lost energy because of givers' evolving needs (Stephen et al. 2018).

Countless NGOs in Zimbabwe have stopped tasks because of inside issues going from defilement to inappropriate responsibility and straightforward constructions, financial botch and lack of common sense measures (Salama et al. 2019). Contributor offices have forced genuine conditions (legitimate responsibility and bookkeeping structures) when financing neighborhood NGOs, as they fear putting their resources in useless ventures that don't profit networks. The whole reliance of NGOs on the contributor local area may contrarily influence help conveyance in the networks they serve (Kumi, Ibrahim, and Yeboah 2019).

In a non-industrial nation like Kenya, where the public authority thinks that its difficult to manage the numerous financial issues looked by its general population, the part of NGOs in adding to settle and support government strategies to resolve these issues is indispensable. Thinking about the kind of work and level of activities, there are numerous sorts of NGOs, including trusts, social orders, cooperatives, social government assistance associations, proficient affiliations, associations, and so forth (Imtiaz R. 2016). NGOs are generally accepted to be more proficient than true guide organizations in conveying unfamiliar guide to poor people and destitute in beneficiary nations. Wright (2015) states that the administrations given by NGOs are essential as they center around the holes not tended to by the public authority and private areas. Nonetheless, as the total populace and economy develops, the holes appear to bourgeon past the methods for nongovernmental association with maintainability turning into a distant.

Mombasa County is home to about 67 legally registered and active non-governmental organisations. Some of these non-governmental organisations have established permanent headquarters in Mombasa, while others have just established branch offices in Mombasa to enable them to reach the Kenyan Coastal region. Nonetheless, with declining contributor subsidizing, a few NGOs branches in the space are confronting conclusion because of the financial manageability basic. Along these lines, the NGOs settled in the space may likewise confront difficulties in broadening wellsprings of resources through speculation because of the current chances around there (NGO Coordination Board, 2019).

The negative consequences of donor withdrawal for Kenyan non-governmental organisations may be effectively mitigated if the NGOs adopt practices that would enable them to be financially self-sufficient. For example, it has been discovered that the vast majority of non-governmental organisations such as KWT and Kenya Blind and Low Vision Persons have included themselves in pay-producing exercises, others have combined their exercises with individual NGOs, others have joined forces with the public authority, and the remainder have moved quickly to change their approaches, designs, activities, and undertakings in order to fit in with the rest of the world (Chauvet, Collier, Duponchel, 2019). The examination intends to investigate the critical determinants of financial manageability of NGOs, with a specific focus on NGOs operating within Mombasa County, in response to the revolt of issues and consequences associated with contributor withdrawal from subsidizing NGOs' activities throughout the country and specifically in the County of Mombasa, as well as the battles that the NGOs are fighting to support their missions.

Statement of the Problem

An NGO's sustainability is based on its capacity to continue operating and providing project benefits to the main target population after a donor's financial support has been terminated or suspended (Joshi 2016). According to Malunga and Banda (2016), the environmental influence of an organisation, its credibility, and its responsibility to its stakeholders are the three most important components of long-term sustainability. Malunga and Banda (2016) believe that an organization can secure its long-term viability by employing one of two strategies: the Conventional Approach or the Organizational Development Approach. They reached the resolution that the two methodologies are viable, although one is more compelling over the long run.

For non-profit organisations to be secure and successful, they must have a solid financial basis. It may be essential for the non-profit organisation to develop a range of resource bases, as is increasingly the case, in order to retain its institutional structure and continue to offer benefits to the target client population after donor financial support has been exhausted. Several non-profit organisations (NGOs) have had to shut their doors due to a lack of funding.

The number of non-governmental organisations (NGOs) in Kenya has been steadily increasing on an annual basis, with the vast majority of them depending on foreign contributions to fund their operations. Nonetheless, the deteriorating state of an unknown item has a significant influence on their ability to endure.. Legitimately, a few NGOs will fall because of practically no financing. This will happen to the detriment of the financial mission that the NGOs are introduced on, along these lines highlighting the need of NGOs to turn out to be financially sustainable, inclusion by NGOs in pay producing exercises, ability of faculty overseeing.

Most exploration concentrates on NGOs in Kenya center around the results of expanding wellsprings of assets, center around the results of projects, limit building and government association instead of on authoritative cycles and influences affecting hierarchical mission sway. Little notice is made on financial sustainability maybe in light of the fact that the NGOs have been customarily connected with apparently limitless financing from unfamiliar benefactors. As a result, the purpose of this research is to determine the variables that influence the financial sustainability of non-governmental organisations in Mombasa.

Purpose of the Study

The studies goal was to determine the factors that influence the financial sustainability of non-governmental organisations in Mombasa, the study's goal is to conduct a survey. The specific objectives were;

- Determine the influence of sources of finance on the financial sustainability of local non-governmental organisations in Mombasa County.
- Evaluate the influence of strategic financial planning on the financial sustainability of non-governmental organisations in Mombasa County.
- Ascertain the influence of budgeting on the financial sustainability of non-governmental organisations in Mombasa County.

The study was guided by the following hypothesis;

- $H0_1$ Financial sources have no influence on the financial sustainability of local non-governmental organisations in Mombasa County.
- $H0_2$ Financial sustainability of non-governmental organisations in Mombasa County is not significantly affected by strategic financial planning.
- $H0_3$ Budgeting has no major influence on the financial sustainability of non-governmental organisations in Mombasa County.

LITERATURE REVIEW

Theoretical Literature

Resource mobilization theory

McCarthy and Zald developed the resource mobilization theory in 1977. The theory of resource mobilization places resources at the core of social movement analysis, emphasizing movement members' abilities to obtain resources and organize others to achieve the movement's aims (McCarthy and Zald, 1977). Resource mobilisation is essential for social movements to be effective since dissent and grievances alone will not bring about social change. This theory is predicated on the assumption that persons are reasonable. Consider the costs and advantages of participating in the movement and only act if the benefits surpass the drawbacks. It considers social organisations to be goal-oriented, but it believes that organisation is more essential than resources in achieving those goals.

The theory of social development mobilisation of resources explains how friendly developments gather resources from within and outside their growth for achieving goals (Jenkins, 1983). According to resource activation theory, social growth occurs as a result of effective resource preparation and the expansion of individual political liberties. Both tangible and non-material resources may be prepared as a result of social changes. Non-material resources include authenticity, dedication, social connections, organisations, individual associations, public consideration, authority, moral responsibility, and fortitude, while material resources include cash, associations, labour, innovation, correspondence methods, and broad communications (Fuchs, 2016).

According to resource mobilisation theory, social development organisations with weak or resource-poor clients need outside assistance and subsidisation. Heart constituents and receiver constituents are the two types of people that work with social development organisations. Inner voice components are often sought for and obtained by social processes. People or groups outside of the

The Strategic Journal of Business & Change Management. ISSN 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

social development who have an ethical stake in the social development's purpose, goal, or mission are referred to as soul components. The social development and wide communications are in charge of defining the message and character of the social development. Small voice constituents will generally provide more when receivers are defined, either by the social development itself or by wide communications, to emphasise common characteristics with inner voice constituents, according to resource activation researchers (Paulsen and Glumm, 2016).

Structuration Theory

The idea of structuration theory is inserted in the rationale of confining the specialist for this situation – the social business person from the construction making out of the community or society. It is established by Bourdieu and Wacquant (2016).

The prologue of Giddens' 1984 Structuration theory seems to owe a great lot to the seeming unjustified separation, reminiscent of conventional explanations of public action, which is supported by the6666 obvious divide between large-scale and microscopic examinations of social marvels (Sewell, 1992). While the grandiose worldview lauded society as a unit of inquiry, the tiny academics embraced the notion of a person as an investigation unit in the awareness of social reality, as espoused by structuralism and functionalist theories. The concept of construction duality is critical to structuration, since it conveys the potential that design is both the medium and consequence of the activities that constitute social frameworks.

Burnham (1998) adds that social action is comprised of practises that are grounded in reality and represent the competent and learned accomplishments of human experts. Several of the theory's premises include the following: public activity is not the sum total of all miniature level activity; the miniature perspective can also help clarify public activity; the repetition of individual specialists' demonstrations repeats structures; social constructions are neither sacred nor permanent. Additionally, it emphasises that societal structures force the actions of individual experts, and that design and activity compel one another in a progressive way (Popenoe, 2016). Giddens articulates the following key concepts: norms and resources; social frameworks; office and multiplication; organisation and change; and determinism and voluntarism (Haralambos and Holborn, 2003). Apart from confirming that structuration theory is the most current in a long line of attempts to address one of the central problems in friendly examination, namely the office structure conundrum.

Stakeholder Theory

Stakeholder theory maintains that investors' interests do not have to be detrimental (Freeman, 2018). Additionally, it maintains that an organisation may advance the interests of its Stakeholders without jeopardising the interests of its larger investors. According to stakeholder academics, the association's financial well-being is determined by its Stakeholders' resource allocation in light of the association's operations (Fooman, 2015).

Additionally, stakeholder theory states that the association's purpose is to create an incentive for each of its stakeholders by converting their stakes into goods or administrations (Clarkson, 1994). Stakeholders are defined as any group or individual who has an interest in the achievement of an association's goal. This theory was completed in light of the firm's financial theory.

As a result, the stakeholder theory outperforms the office theory in terms of explaining the role of corporate administration by emphasising the many components of a company. As a result, lessees, customers, employees, banks, governments, and society are all considered critical stakeholders. Identified with the preceding discussion, John and Senbet (1998) provide an in-depth examination of the Stakeholders' view of corporate governance, which emphasises the existence of many groups

The Strategic Journal of Business & Change Management. ISSN 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

with competing interests in the firm's responsibilities. They also emphasise the critical role of non-market instruments such as board size and council structure in company performance. Stakeholder theory has gained prominence as a result of many scientists recognising that the actions of a corporation have an effect on the external climate, necessitating accountability of the organisation to a larger group than just its investors.

Institutional Theory

The institutional theory explores the outside pressures that influence the conduct of organizations to receive certain authoritative practices (Hirsch, 1975; Lai et al., 2016). Institutional researchers contend that the conduct of organizations is principally influenceed by its encompassing foundations: the social psychological, regularizing, and regulative constructions that gave dependability and aggregate importance to social conduct (Scott, 2016). As such, institutional theory depends on the view that institutional pressing factors and social communications influence the detailing of authoritative activities or practices. Notwithstanding, more than essentially proposing that activity is a response to outside pressures, institutional theory questions the idea of social decisions and asks how they are framed, intervened and diverted by the institutional climate (Wooten and Hoffman, 2018).

An organization is an emblematic and social framework containing agent, constitutive and regularizing rules, along with an administrative component that characterizes a typical importance framework and leads to unmistakable entertainer and activity schedules (Scott, 2003). Institutional theory has been created to disclose how associations react to the climate. It contends that associations are influenceed by standardizing pressures from both outer sources; such may incorporate culture (Zucker, 2003).

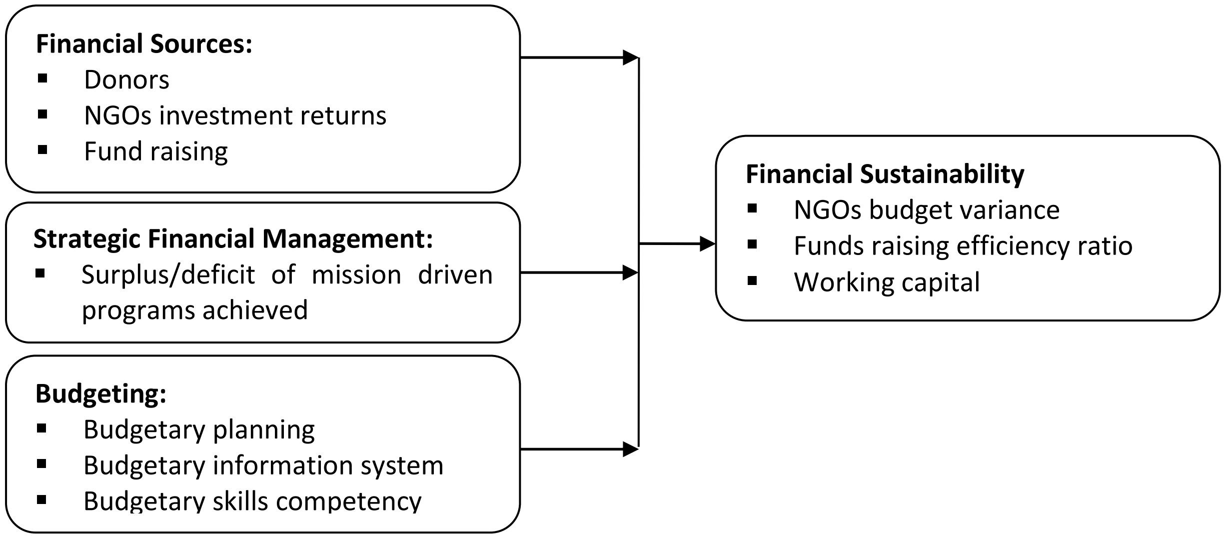
Empirical Review

Omeri (2017) established that pay improvement and having a financial essential arrangement will significantly affect the financial sustainability of NGOs in Nakuru County, Kenya. The investigation suggested that NGOs in Nakuru County ought to consider nearby wellsprings of resources to lessen their overreliance on donor help which was progressively getting questionable. Comparable view was communicated by Bell et al. (2018) who recognized 15 finances source expansion as the main vital choice needed to empower NGOs accomplish long haul financial practicality. Kabdiyeva (2017) examined creating manageable NGOs in Kazakhstan and declared that for NGOs subsidizing to be feasible, they should try not to depend on a solitary income source whether inside or remotely. The investigation noticed that building up a fit among outside and interior financing is foremost for really at that time can a NGO foot its costs both authoritative and operational, while they make the most of their ability to choose their own projects without the influence of the contributor.

According to Lewis and Kanji (2017), financial arrangements remain one of the core components of the financial management frameworks for non-benefit organisations. Financial arrangement allows non-governmental organisations to focus on both short- and long-term important goals, usually linked with accessibility and subsidy scheduling. It is not possible to participate in persuasive financial arrangements that an association is most likely not able to achieve its most notable potential.

An examination by Moreno (2017) noticed that donors are quick to perceive how a NGO assigns the resources mentioned for in their budgetary evaluations. Where the givers feel a generous measure of the resources will be coordinated towards exercises that don't straightforwardly add to the expressed program or cause, the benefactors may pull out their financing or essentially cut it down. It is subsequently significant that NGOs plainly characterize their expenses in order to know wherein regions to give need while doing assignments for reserves looked for.

An investigation by Andreas (2016) singles out the solid reliance on outside financing by NGOs as an extreme issue for the drawn out sustainability and improvement of NGOs. Global donors operate according to their goals and undertake board styles, and neighboring NGOs have to meet their needs to be monetized. Because NGOs need to respond to the evolving needs of their nearby involvement, the creative progress of NGOs may be forced by standardized assessment methods for unknown governments and worldwide institutions.



Independent Variables **Dependent Variable**

Figure 1: Conceptual Framework

METHODOLOGY

A descriptive research approach was used to assess the influence of NGOs in Mombasa County. The study's target demographic consisted of 67 legally recognized NGOs that submitted financial reports in Mombasa County as part of its research (National NGO Survey Report 2015). Managers and financial officials from registered NGOs in Mombasa County took part in the research. Environmental protection, water service provision, humanitarian help, health promotion, peace building initiatives, welfare, and youth and children educational support were among the NGOs targeted. The study used census sampling method. The sample size for the research consisted of 134 respondents in 67 registered NGOs in Mombasa County. The researcher used questionnaires with closed-ended questions based on the study goals. The data analysis method includes organising the collected data, coding, modifying, and cleaning the data in preparation for processing using SPSS and Excel. The coded data were put into the SPSS software, which converted it to a database and analysed it. Correlation analysis was used to ascertain the relationships between the dependent and independent variables. The following was how the multiple regression models was calculated:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Y = Financial Sustainability (value of dependent variable)

β_0 = Constant Variable

X_1 = Funding Sources

X_2 = Strategic Financial Management

X_3 = Budgeting

E = An error term

$\beta_1 \ldots \beta_3$ = The coefficients for the independent variables.

FINDINGS

Financial Sources

Table 1: Financial Sources

Financial sources	Mean	Std. Dev
The NGO largely relies on donor funds for it to operate	3.17	1.16
The NGO is well financed from various sources	3.31	1.24
Local financing for my NGO is turning out to be progressively dependable	3.08	1.28
Having numerous wellsprings of assets expands the odds of NGOs being money related manageable	3.27	1.21
The cost of programme equipment accounts for more than half of the total programme expenditure.	3.40	1.25
Salaries and benefits for programme personnel (direct and indirect) account for more than half of the total programme expenditure (direct and indirect).	3.17	1.16
Training materials such as charts, pencils, and notepads, among other things, account for more than half of the programme expenditure.	3.42	1.27
Over the last three years, the number of individuals who have been trained or reached has risen.	3.41	1.16
Management interacts with stakeholders on a regular basis to discuss their information requirements.	3.33	1.28

Source: Researcher, 2021

The study aimed to determine the influence of financial sources on NGOs' financial sustainability in NGOs in Mombasa County. In the findings in Table 1 the researcher sought respondents' views on whether the NGO largely relies on donor funds for it to operate indicated a mean of 3.17. When asked whether the NGO is well financed from various sources indicated a mean of 3.31. Local financing for my NGO is turning out to be progressively dependable indicated a mean of 3.08. Having numerous wellsprings of assets expands the odds of NGOs being money related manageable indicated a mean of 3.27. The cost of programme equipment accounts for more than half of the total programme expenditure indicated a mean of 3.40. Salaries and benefits for programme personnel (direct and indirect) account for more than half of the total programme expenditure (direct and indirect) indicated a mean of 3.17. Training materials such as charts, pencils, and notepads, among other things, account for more than half of the programme expenditure indicated a mean of 3.42. Over the last three years, the number of individuals who have been trained or reached has risen indicated a mean of 3.41. Management interacts with stakeholders on a regular basis to discuss their information requirements indicated a mean of 3.33.

Strategic Financial Planning

Table 2: Strategic Financial Planning

Strategic Financial Planning	Mean	Std Dev.
The NGOs prepare occasional spending plan from its long term objectives	3.38	1.25
The NGO occasionally audits the financial plans and other money related arrangements to check whether they concur with its main goal	4.03	1.16
The Organization conducts frequent budget versus Actual Analysis	3.66	1.30
In the previous years the organization experienced deficit in their budget	3.77	1.14
In the previous years the Organization has been experiencing surpluses in the budgets	3.23	1.12

Source: Researcher, 2021

In the preceding Table 2, the researcher sought respondents' opinions on the influence of strategic financial planning on the financial sustainability of NGOs in Mombasa County. The NGOs prepare occasional spending plan from its long term objectives indicated a mean of 3.38. The NGO occasionally audits the financial plans and other money related arrangements to check whether they concur with its main goal indicated a mean of 4.03. The Organization conducts frequent budget versus Actual Analysis indicated a mean of 3.66. In the previous years the organization experienced deficit in their budget indicated a mean of 3.77. In the previous years the Organization has been experiencing surpluses in the budgets indicated a mean of 3.23.

Budgeting

Table 3: Budgeting

Budgeting	**Mean**	**Std Dev.**
Participants in the budgeting process are representatives of the organization's stakeholders.	3.26	1.35
Before they are accepted and implemented, proposals are thoroughly examined and discussed by all parties involved in the process.	3.36	1.26
Management consults with and receives advice from expert advisers when it is deemed necessary.	3.13	1.32
Stakeholders are provided with complete and accurate information about the organization's operations.	2.91	1.36
Every financial period, a budget is created and adhered to strictly.	3.25	1.34
Financial accounts and management reports are delivered on schedule and with accuracy.	3.44	1.20
Financial statements and management reports are important tools in the decision-making and planning process, respectively.	3.31	1.21
Every set of financial accounts published by the NGO is accompanied by a set of explanations.	3.34	1.33
Stakeholders have an opportunity to evaluate to what degree their requirements are taken into consideration in a certain proposed or adopted budget.	3.28	1.26

Source: Researcher, 2021

In table 3 above, the researcher sought respondent's views to examine the influence of strategic financial planning on NGOs' financial sustainability in NGOs in Mombasa County. Participants in the budgeting process are representatives of the organization's stakeholders a mean of 3.26. Before they are accepted and implemented, proposals are thoroughly examined and discussed by all parties involved in the process indicated a mean of 3.36. Management consults with and receives advice from expert advisers when it is deemed necessary indicated a mean of 3.13. Stakeholders are provided with complete and accurate information about the organization's operations indicated a mean of 2.91. Every financial period, a budget is created and adhered to strictly indicated a mean of 3.25. Financial accounts and management reports are delivered on schedule and with accuracy indicated a mean of 3.44. Financial statements and management reports are important tools in the decision-making and planning process, respectively indicated a mean of 3.31. Every set of financial accounts published by the NGO is accompanied by a set of explanations indicated a mean of 3.44. Stakeholders have an opportunity to evaluate to what degree their requirements are taken into consideration in a certain proposed or adopted budget indicated a mean of 3.28.

Financial sustainability

Table 4: Financial sustainability

Financial sustainability	**Mean**	**Std Dev.**
The NGO has reliable source of finance	3.14	1.17
There is sufficient distribution of assets for all undertakings in our NGO	3.70	1.03
Ventures are finished in time as indicated by the arranged spending plan	3.11	1.02
The NGO has accumulated less obligations in the most recent years contrasted with the past	3.71	1.03
The NGO dependably has enough cash for all possibilities	3.31	1.02
The NGO has well arrangement on reserve maintainability	3.54	1.03

Source: Researcher, 2021

In Table 4 above, the researcher analyzed NGOs' financial sustainability in NGOs in Mombasa County. The NGO has adequate funding indicated a mean of 3.14. There is sufficient distribution of assets for all undertakings in our NGO indicated a mean of 3.70. Ventures are finished in time as indicated by the arranged spending plan indicated a mean of 3.11. The NGO has accumulated less obligations in the most recent 3 years contrasted with the past indicated a mean of 3.71**.** The NGO dependably has enough cash for all possibilities indicated a mean of 3.31. The NGO has well arrangement on reserve maintainability indicated a mean of 3.54.

Correlation Analysis

Pearson Bivariate correlation coefficient was used to compute the correlation between the dependent variable (NGOs' financial sustainability) and the independent variables (Financial sourcing, Strategic financial planning and Budgeting). The correlation coefficient spans from -1.0 (perfect negative correlation) to +1.0 (perfect positive correlation) and the connection is considered to be linear (perfect positive relationship) (Sekaran, 2015). When determining the strength of the connection between dependent and independent variables, a correlation coefficient was computed for each variable (Kothari, 2013).

Table 5: Pearson Correlation Coefficient

		Financial sustainability	**Financial Sources**	**Strategic Financial planning**	**Budgeting**
Financial Sustainability	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	109			
Financial Sources	Pearson Correlation	.381**	1		
	Sig. (2-tailed)	.000			
	N	109	109		
Strategic financial planning	Pearson Correlation	269**	.321**	1	
	Sig. (2-tailed)	.000	.000		
	N	109	109	109	
Budgeting	Pearson Correlation	.425**	.353**	.504**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	109	109	109	109

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

Source: Researcher, 2021

According to the results in Table 5, there is a good connection between funding sources and the financial sustainability of non-profit organisations (r = 0.381, P = 0.001). As a result, an increase in financial resources leads to an increase in the financial sustainability of non-profit organisations. A positive correlation coefficient was also found for strategic financial planning (r = 0.269, P = 0.001), as was the case for tactical financial planning. This implies that an improvement in strategic financial planning will result in an increase in the financial sustainability of non-profit organisations. Finally, the findings of the research revealed a statistically significant positive connection between budgeting and NGOs' financial sustainability (r = 0.425, P = 0.001), indicating that the adoption of budgeting leads to an improvement in NGOs' financial sustainability.

Regression Analysis

The findings of the inferential statistics are discussed using a regression analysis which included the study of the connection between the independent factors and the dependent variable.

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.861[a]	.741	.673	.71694

Predictors: (Constant), Financial sources, Strategic financial planning, Budgeting.

Source: Researcher, 2021

Table 6 above showed that there is a significant positive connection between independent variables (Financial sources, Strategic Financial Planning, Budgeting) and financial sustainability of NGOs in Mombasa County NGOs. The R-squared is the percentage of variation in the dependent variable explained by the independent variables. From the results, the R-squared was 0.741, which indicates that the three independent variables (Financial source, Strategic Financial Planning and Budgeting) can explain 74.1 percent of dependent variable variance' (financial sustainability in NGOs in Mombasa County). Other variables not included in this research explain 25.9 percent of the variance in the dependent variable (financial sustainability of NGOs in Mombasa County).

Table 7: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	39.751	2	19.876	320.573	.000[b]
	Residual	6.537	106	.062		
	Total	46.288	108			

a. Dependent Variable: NGOs' Financial sustainability

b. Predictors: (Constant), Financial sourcing, Strategic financial planning & Budgeting.

Source: Researcher, 2021

The ANOVA statistic was employed to determine the suitability of the regression model under consideration. The significance F value was found to be 320.573 (p = 0.001), which indicates a statistically significant result. In other words, the regression model that was produced was fit and statistically significant, and it may thus be considered appropriate for use in making predictions.

The Strategic Journal of Business & Change Management. ISSN 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

Table 8: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.725	.432		4.605	.000
	Financial Sources	.259	.166	.732	2.896	.037
	Strategic financial planning	.537	.192	.818	2.338	.000
	Budgeting	.458	.174	.681	5.762	.016

a. Dependent Variable: NGOs' Financial sustainability

Source: Researcher, 2021

A regression coefficient of 0.259 was found between financial sources and the financial sustainability of NGOs. This means that for every unit increase in financial sourcing, an additional 0.259 was found to increase the financial sustainability of NGOs.

The results also revealed that the connection between financial source and financial sustainability was statistically significant, as shown by the p value (0.037), which was less than the threshold of significance of 0.05. The results of the research by Wamiori, Namusonge, and Sakwa (2016), which investigated the influence of access to financing on the financial performance of manufacturing companies in Kenya, are consistent with the findings of the previous study. In the research, it was discovered that having access to financing had a favourable influence on the financial performance of manufacturing companies. It was suggested in a study by Karanja (2017) on the financial sustainability of non-governmental organisations in Isiolo County that funding in NGOs is a challenge, and that this has resulted in many projects coming to an abrupt end. The study concluded that non-governmental organisations should focus on more sources of funding for their projects, and partner with more donors, rather than focusing on a single donor.

The regression coefficient for strategic financial planning was found to be 0.537, which indicates that every unit improvement in strategic financial planning results in a 0.537 increase in the financial sustainability of non-profit organisations. Strategic financial planning had a p value of 0.000, which is less than the threshold of significance of 0.05, indicating that strategic financial planning is important for financial sustainability, which is contrary to popular belief. The findings above are consistent with those of a study by Gunderson (2017) on Best Practices for Not-for-Profit Internal Control, which found that effective financial management, including funds flow control systems, financial analysis, financial planning, and plan implementation, are required for financial sustainability to be successful. In accordance with a study by Elliott (2018), a financial plan enables a non-profit organisation to maximise the application of its limited financial resources to the intended cause, which may in turn inspire donors to continue to provide their support in the knowledge that the funds will be used to the greatest extent possible.

The aforementioned findings revealed that budgeting had a P value (0.16) that was lower than the significance threshold of 0.05, indicating that there is a significant relationship between budgeting and financial sustainability in non-profit organisations. These results are consistent with those of a research conducted by Mpofu (2016) on the cultural capital and the sustainability of non-governmental organisations' development projects in Zimbabwe, which found that a well planned budget offers a guideline for expenditure. According to a research conducted by Nyakwaka (2017), the financial viability of most NGOs is dependent on how effectively they plan to obtain donor money and, as a result, how well they budget and use those funds to achieve the stated project goals. In addition, according to a study conducted by Waiganjo (2018) on the strategies adopted by nongovernmental organisations in Africa to increase financial sustainability, proper budgeting, internal financial funding, strategic alliances, and organisational structure all contributed to the financial sustainability of nongovernmental organisations in Africa.

CONCLUSIONS AND RECOMMENDATIONS

On the basis of the results, the research suggests that in order for non-governmental organisations to be financially sustainable, they must have a diverse source of funding in order to avoid derailment of the projects intended. As a way of preventing NGOs from rely heavily on the sponsors, most of them have invested in various business where they generate some income which is used in running the NGO's projects. With time, the NGOs will stand alone and be able to rely on the source of income they generate from their investments.

NGOs sponsors many development projects in the community and due to this, they undertake strategic financial planning whereby, they ensure that the projects being implemented are viable and the money allocated to them is adequate and used effectively without being wasted. During financial planning, NGO seek professional intervention from external experts so as to make sure that they seal all the loopholes which may lead to waste of resources and by doing so they ensure financial sustainability.

Budgeting is key in ensuring financial sustainability in NGOs and this is because the NGOs allocate the finance they have and the one they project to have in the financial year in to projects to be implemented. In order to ensure that finances are well utilized, during budget preparation, the NGOs welcome the view of shareholders who are the beneficiaries of the projects who help the NGO in sourcing cheaper resources locally. For money to be allocated to a project, proper scrutiny is done by the NGO and the stakeholders so as to ensure full implementation of the project.

The study recommended that, the public, local and national governments and private sector companies should all be considered as potential revenue sources for non-profit organisations, rather than depending only on overseas donations. Non-governmental organisations should also establish their own revenue-generating operations, which will allow them the priority to spend their financial resources as they see fit.

NGOs should not only develop strategic plans, but also evaluate them on a regular basis to ensure that they are still relevant. Accounting rules and recording processes should be properly recorded and made into written policies. NGOs must properly adopt financial controls and financial monitoring methods in order to protect the money of their organisations from being misappropriated. NGOs should ensure that the budgeting techniques utilized for financing operations and projects remained within the parameters established for financial sustainability.

A structure for non-governmental organisations should be developed that allows for regular and meaningful partnerships with funders in the implementation of their operations. Furthermore, non-governmental organisations should put in place sufficient internal controls to ensure that the money given by donors are spent in a way that is fully accountable to the donor.

Area for Further Studies

Other research may be done on the role of stakeholders in maintaining the financial sustainability of non-profit organisations. A comparable study may be conducted to determine the effect of investments on the financial sustainability of non-profit organisations. A similar research should be carried out in NGOs in other countries to see whether or not a comparable result can be obtained.

REFERENCE

Acholla, P.P.W. (2019). "Mobilizing additional Funds for secondary and higher Education in Kenya". *Kenya journal of Education* . 4 (1), 47-49.

Ademola, O. J. (2014). Working capital management and profitability of selected quoted food and beverages manufacturing firms in Nigeria. *Eur. J. Acc. Audit. Financ. Res*, *2*(3), 10 2

Aduogi, T.M. (2016). Contribution of income generating activities to financing secondary school education in Kenya: A case study of Eldoret municipality. *Education Research*, 2(2), 884-897.

Ahlin, C., & Jiang, N. (2018). Can micro-credit bring development? *Journal of Development Economics*, *86*(1), 1-21.

Ali, A. E. E. S. (2015). The Regulatory and Supervision Framework of NGO's in Kenya. *International Journal of Social Science Studies*, *3*(5), 123-130.

Allen, G. and Gale, D. (2016), .*Reserve Regulation: In Search of a Rationale*, in R. Arnott, B.

Andreas, D. (2016). Implementation of NGO–government cooperation policy documents: lessons learned. *The International Journal of Non-for-Profit Law,* 8(1), 3-5.

Arhin, A. A., E. Kumi, and M. S. Adam. 2018. "Facing the Bullet? Non-Governmental Organisations' (NGOs') Responses to the Changing Aid Landscape in Ghana." *Journal of Project Management*, 29: 348–360

Ayom, A. A. (2017). Internal Controls and Performance in NGOS: A Case of Management Sciences for Health South Sudan. *The American Journal of Sociology*, 82(6), 1212-1241.

Baldwin, R. and Cave M. (2015).*Understanding Regulation*: Theory, Strategy and Practice. Oxford, Oxford University Press.

Benston, W. (1997). *NGO's in Africa: Is it Either the Problem or the Solution*? World Development 25 (7): 1081-1093.

Berenbach, S. and Churchill, C. (1997). *Regulation and Supervision of NGO's Organisations*: Experiences from Latin America, Asia and Africa*. Washington, DC: USAID.*

Bowman, W. (2019). Financial capacity and sustainability of ordinary non-profits. *Journal of Nonprofit Management and Leadership,* 22(1), 37-51.

Buechler,M.,(2015). Beyond resource mobilization? Emerging trends in social movement theory. *Sociological Quarterly Journal,* 217-35

Charity, N. (2016). www.http://charitynavigator.org/

Clark, P. (2003). *Empowering Communities: A Casebook from West Sudan*, London, UK: Oxfam Publications.

Clarkson, M.B.E. (1994). *A Risk Based Model of Stakeholder Theory,* the Centre for Corporate Social Financial performance and Ethics. Toronto: University of Toronto.

Coff, R. (2015). When Competitive Advantage Doesn't Lead to Performance: The Resource Based View and Stakeholder Bargaining Power, *Organization Science* 1(15), 29-45.

Dong, H., & Su, J. T. (2010). The relationship between working capital management and profitability: a Vietnam case.

Dubochet, L. (2011) 'The Changing Role of Civil Society in a Middle-Income Country: A case study from India', Oxfam India working paper series, December 2013.

Edwards. B and McCarthy, J. (2016). *The Blackwell Companion to Social Movements*. Massachusetts: Blackwell Publishing. pp. 116–152.

Ernest L. Okorley, Edmund E. Nkrumah, (2018),"Organisational factors influencing sustainability of local non-governmental organisations: Lessons from a Ghanaian context", International Journal of Social Economics, Vol. 39 Iss: 5 pp. 330 – 341

Fooman, J. (2015). Stakeholder influence strategies. *The Academy of Management Review*, *24*(2), 191-205.

Freeman, E.R. (1984). Strategic Management. A Stakeholder approach, stakeholder theory of corporate governance.

Fuchs, C. (2016). The self-organization of social movements. *Systemic Practice and Action Research*, 19(1), 101-137

Gray, et al. (2009). Stakeholder Salience and accounting practices in Tanzanian NGOs. International journal of Public Sector Management.

Gyamfi, P. (2018). *Financing Local Non-Governmental Organizations in Ghana: Issues and Challenges*. . *The Journal of Development Studies*, 37(1), 25-56.

Hayman, R. (2016). "Unpacking Civil Society Sustainability: Looking Back, Broader, Deeper, Forward." *International Journal of Development and Sustainability* 26 (5): 670–680.

Hollis, A., & Sweetman, A. (1998). Microcredit: What can we learn from the past? Journal of Development Studies, 26(10), 1875-1891.

Imtiaz R. (2016). Inter Press Service: NGOs Regulatory Framework.

James, R. (2010), "Vices and virtues in capacity development by international NGOs", IDS Bulletin 41, 3: 31-24, ID S, Brighton.

Jenkins, C. (1983). Resource mobilization theory and the study of social movements. *Annual Review of Sociology*, 9(1), 527-554

Johnson, G., & Scholes, E. (1997). *Exploring Corporate Strategy,* 4th Ed. New Delhi, IN: Prentice Hall, India

Jonathan H. (2017) Turner (ed.)The Enduring Vitality of the Resource Mobilization Theory of Social Movements in, *Handbook of Sociological Theory*, .533-65

Joshi, U. (2016). *How to Ensure Sustainability.* New Delhi, IN: Prentice Hall, India.

Juma, K. (2016). An Examination into Factors Affecting Sustainability of Donor Funded Community Development Projects in Bungoma County. MBA Project, Kenyatta University, Nairobi, Kenya.

Kendall, D., (2016). Conscientiousness and managerial performance. *Journal of Occupational and Organizational Psychology*, 171-180

Kenya Gazette Supplement No. 146 (Bills No. 32), (2013). National Assembly Bills.Government Printer, Nairobi. Retrieved from: http://www.scribd.com/doc/188126631/Statute-Law-Misc-Amendment-Bill-2013-PBO-Act-Amendments.

Kenya Vision 2030. (2018). Retrieved from: http://www.Vision2030.go.ke.

Kingoro S. N & Bujra A. (2009). *Social Policy, Development and Governance in Kenya: The Contribution of Non – State Actors to Developemnt in Kenya.* Development Policy Management Forum, Nairobi.

Kothari, C.R. (2016) *Research Methodology Methods and Techniques*. 2nd Ed, New Delhi, IN: New Age International Publishers.

Leslie, A. (2018). *Social Movements and Democracy in Africa: The Influence of Women's Struggles for Equal Rights in Botswana (African Studies).* New York and London: Routledge

Lin, W. and Wang, Q. (2016). What helped Nonprofits Weather the Great Recession? Evidence from Human Services and Community Improvement Organisations. *Nonprofit Management & Leadership, 26(3),* 257-276

Lozano, R. (2018). Envisioning sustainability three dimensionally", *Journal of Cleaner Production*, 16(17), 1838-46.

Manrique M. (2011). Supporting Africa's new civil society: the case of Kenya. Policy Brief 99

Mbote P. K. (2018). *The Operational Environment and Constraints for NGOs in Kenya: Strategy for Good Policy and Practice.* IELRC Working Paper – Geneva: International Environment Law Research Centre

McCarthy, 1. D., Zald, M. N. *(1977).* "Resource Mobilization and Social Movements: A Partial Theory" (PDF). *The American Journal of Sociology. 82 (6): 1212–1241.*

McCarthy, J. D., & Mayer, N. Z. (2016). Resource Mobilization and Social Movements: A Partial Theory. *The American Journal of Sociology*, 1212– 1241.

Molyneux, M. (2009).Conditional cash transfers: a 'Pathway to women's empowerment'? Pathways of women's empowerment, Pathways Brief 5, IDS, Brighton.

Mufudza, T., Jengeta, M., & Hove, P. (2013). The usefulness of strategic planning in a turbulent economic environment: a case of Zimbabwe during the period 2007- 2009. *Business Strategy Series,* 14(1), 24-29.

Mugenda, M & Mugenda, G (2003). *Research Methods, Quantitative and Qualitative Approches,* Nairobi, KE: Art Publishers.

Mukanga, D (2011). *Sustainability strategies adopted by internationalNGOs in Nairobi, Kenya.* Nairobi,KE: MBA Thesis University of Nairobi.

Muriithi, C. W. (2018). Factors That Determine Sustainability of Non-Profit Organizations in Kenya, *International Journal of Voluntary and Nonprofit Organizations,* 28(5), 2124-2144.

Muriithi, C.W. (2014). *Factors that determine sustainability of Non-Profit Organizations in Kenya* (MSC Thesis). University of Nairobi, Kenya

NGO Coordination Board annual report (2010). Retrieved from: www.ngobureau.or.ke NGO Board. (2017). *About NGOs*.

NGO Coordination Board annual report (2016). Retrieved from: www.ngobureau.or.ke

Oberschall, A.,(1969). *Social Conflict and Social Movements*. Englewood Cliffs, N.J.: Prentice-Hall.

Obo, D. (2019). Financial sustainability in Ethiopia's organizations. *Journal of East European Management Studies*, 16(3). 215–236.

Ochieng, A.G. (2016). *The Effects of Funding Diversification on Financial Sustainability of Non-Governmental Organisations in Nairobi County. Unpublished Project In Partial Fulfilment of the Requirements for the ward of Msc Degree in Finance of the University of Nairobi.*

OECD (2011), Aid in Support of Women's Economic Empowerment, OECD, Paris.

Okorley, E.L. and Nkrumah, E.E. (2018). *Organisational Factors Influencing Sustainability of Local Gon-Governmental Organisations. International Journal of Social Economics, 39 (5) 330-341*

Omeri, K.L. (2015). Factors Influencing Financial Sustainability of Nongovernmental Organisations: A Survey of NGOs in Nakuru County, Kenya. *International Journal of Economics, Commerce and Management*, 3(9), 704-743.

Paulsen, R. & Glumm, K. (2016). Resource mobilization and the importance of bridging beneficiary and conscience constituencies. *National Journal of Sociology*, 9(2), 37-62. R

Paulsen, R. & Glumm, K. (2016). Resource mobilization and the importance of bridging beneficiary and conscience constituencies. *National Journal of Sociology*, 9(2), 37-62.

Pettey, J. G. (2018). *Ethical Fundraising: A guide for non-profit boards and fundraisers*. Hoboken, N.J: Wiley & Sons.

Porter, M. (1996). *What is Strategy.* Boston, MA: Harvard Business Review.

Renz, D.O. & Associates (2016). *Nonprofit Leadership & Management 4th Edition.* NJ: John Wiley & Sons Inc.

Rhoden, L. (2018). The Capacity of NGOs to Become Sustainable by Creating Social Enterprises. *Journal of Small Business and Entrepreneurship Development,* 2(2), 01-36.

Saungweme, M. (2018). Factors influencing financial sustainability of local NGOs in Zimbabwe. *International Journal of Economics, Commerce and Management*, 8(3), 56-61

Saungweme, M. (2018). Financial sustainability of local NGOs in Zimbabwe (Unpublished Thesis). Stellenbosch University, Zimbabwe.

Schreiner, M. (2018). Ways donors can help the evolution of sustainable microfinance organizations. Savings and Development, 24(1), 423-437.

Törnqvist, Annika and C. Schmitz (2009), Women's Economic Empowerment: Scope for Sida's Engagement, sida (Swedish international development cooperation agency) Working Paper, SIDA, Stockholm.

Willett, P. (2018). What is a Non-Governmental Organization*. Article 1.44.3.7 in UNESCO Encyclopedia of Life Support Systems. World Bank*

Wright, A. (2015). *Challenges in Achieving Non-profit Sustainability: A Study of the Social Service Non-profit Sector in the Central Okanagan.* Unpublished Dissertation, Okanagan College.