# GRANT MANAGEMENT PRACTICES AND FINANCIAL SUSTAINABILITY AMONG NON-GOVERNMENTAL ORGANIZATIONS IN TAITA-TAVETA COUNTY: A CASE OF WORLD VISION KENYA

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## ABSTRACT

Non-Governmental Organizations (NGOs) play a huge part in the social advancement process in the different countries of the world. They are most instrumental especially where countries do not have enough money, where the prevailing political circumstances are hostile, avoidable or unavoidable environmental changes have resulted in natural disasters, presence of rampant ethnic strife, where the economic ability of the populace is so low that they are unable to procure basic goods and services are they social, economic and educational. The project studied the relationship between grant management practices and financial sustainability among Non-Governmental Organizations located in Taita-Taveta County. General objective was to evaluate the relationship between grant financial management and sustainability of Non-Governmental Organization in Taita-Taveta County Kenya, a case study of World Vision Kenya. Specific objectives was to determine the effects of strategic financial planning on the financial sustainability of non-governmental organizations in Taita-Taveta County Kenya, to find out the effects of financial management on the financial sustainability of non-governmental organizations in Taita-Taveta County Kenya and to assess the effects of donor relationship management on the financial sustainability of non-governmental organizations in Taita-Taveta County Kenya. The project was a case study of World Vision Kenya. The targeted population were staff of world Vision Kenya, Community Based Organizations in partnership with Word Vision and Students attached to World Vision. The study sampled 40 respondents. Purposive sampling was used to select the 40 employees giving a sample of 40 respondents. The study was be based on primary data. The data was collected through structured questionnaire. Content validity index was used to establish whether the questionnaire measure what it was to measure. Test reliability was done where cronbach's Alpha was used to measure reliability. The Chi-square test of association demonstrated a statistically significant relationship between donor relationship management and financial sustainability, emphasizing the pivotal role of cultivating and maintaining strong ties with donors for the long-term financial health of NGOs. Both strategic financial planning and donor relationship management were identified as significant contributors to the odds of achieving financial sustainability. This underscores the importance of not only formulating robust financial strategies but also fostering effective donor relationships as integral components of organizational financial viability but the study did not find a statistically significant effect of grant income diversification on the odds of financial sustainability.

## INTRODUCTION

### Background of the problem

Non-Governmental Organizations (NGOs) play a huge part in the social advancement process in the different countries of the world. They are most instrumental especially where countries do not have enough money, where the prevailing political circumstances are hostile, avoidable or unavoidable, environmental changes have resulted in natural disasters, presence of rampant ethnic strife, where the economic ability of the populace is so low that they are unable to procure basic goods and services, are social, economic and educational.

Financial sustainability is to the survival of an organization. Bowman, (2019) defines financial sustainability as the ability of a Non-Governmental Organization (NGO) to maintain financial capacity over a period of time. Renz and David (2010) define financial sustainability as the ability of an NGO to develop a range of resources so that it could continue with its activities after the withdrawal of donor funding. Financial sustainability is crucial for the long-term survival and effectiveness of all types of NGOs (Dresner, 2016). The challenge is how to achieve such levels of financial sustainability.

The financial sustainability of an NGO depends on its ability to source for funding especially from donor agencies (Babbie, 2002). Major NGOs in the world have collapsed due to funding challenges. A major British NGO (Childhood Development & Aid (CDA)) collapsed in 2002 due to poor financial management (The Regional Environmental Center (REC), 2006). The general reserves were negative for five years with the organization relying on restricted grants – which meant that income fluctuated a great deal (falling by almost 50% between 2000 and 2001).

Another major NGO that ceased operations was a major American NGO, Academy for Educational Development (AED). The NGO experienced financial issues in December 2010 after USAID suspended its funding to AED because of corporate misconduct, funds mismanagement, and lack of internal controls (Chikoto, 2014). Despite spearheading major projects in the world for over 50 years, AED collapsed in less than three months after the withdrawal of funding by USAID. Financial sustainability has a major challenge to Non-Governmental Organizations. Bromideh, A. (2011), states that Non-Governmental Organizations in Central Asia are unable to sustain and finance their activities. They accrue the financial unsustainability of the NGOs to decreased donor funding, decreased allocations for the region, donor focus on new markets and decreased amounts for the social programs.

There is need to diversify income to remain sustainable financially. Renz, (2010) reported that 52% of NGOs in USA experienced cuts in funding due to the economic down turn in the country. NGOs in the country experienced financial woes due to cuts on federal and state funds to the NGOs. Akingbola (2004) indicated that in Canada the local NGOs face financial challenges which made some of the organizations to cease operation. In a study on 19 Sub-Saharan African countries, USAID (2010) found that only 6.2% of the NGOs in Africa were financially sustainable. The study concluded that local Nongovernmental Organizations (LNGOs) provided excellent service, but lacked financial sustainability due to overdependence on external donors as the only source of funding. The low financial sustainability of the NGOs in Africa was also attributed to poor performing economies that could not generate donations to the NGOs from local sources like the government, individuals and corporates.

Many of the local NGOs in Africa were found to be weak and unable to compete with international NGOs for donor funding. Okorley and Nkrumah (2012) in their study on the financial sustainability of NGOs found that 26% of the NGOs in Ghana were not sustainable. The study indicated the availability of funds, quality material resources, supportive leadership, development of needs-based and demand-driven programmes, and effective management affected the sustainability of local NGOs.

Lack of funds was found to be the major factor that affected the sustainability of NGOs as indicated by 82% of the respondents. In 1995, reports on a survey by the Independent Development Trust appeared in the media, signaling that many NGOs in South Africa were in serious financial difficulty, and that a number had collapsed (Harding, J. ,2014).

Many scholars on the sustainability of LNGOs, including concurred that financial sustainability remained one of the major challenges that LNGOs face Harding, J. (2014). Abdelkarim (2012) noted that it is only organisations capable of building sound financial systems and attracting or generating steady income flows that will be able to continue to 4 exist. To be able to generate a positive balance sheet that allows a LNGO to continue to exist. To be able to generate a positive balance sheet that allows a LNGO to continue in operation and accord itself flexibility to respond to ever-changing environment and needs, sound financial management practices, management competence, good donor relationship management and a diversified funding base are imperative (Leon, 2011).

Kenya has witnessed increased growth of the NGO sector. According to the NGO coordination board (2019) there were approximately 15,374 NGOs operating in Kenya. In 2019, the sector contributed over Kshs. 100 billion to the Kenyan economy. Currently there are many national, regional and international NGOs in Kenya. However, the sustainability of NGOs in Kenya has been a challenge. Karanja and Karuti (2017) in their study found that majority of NGOs in Kenya face funding challenges, have an unreliable source of funding and are unable to meet the tough conditions set in accessing the funds. This shows that NGOs face financial sustainability issues.

### Statement of the Problem

The Non-Governmental Organization sector has experienced rapid growth and involvement in achieving increased economic involvement over the last decade (Anheier and Salamon, 2006). These organizations play a vital role in a country including provision of health services, promotion of public governance, economic growth and development by contributing to GDP approximately Ksh. 80 billion per year (NGO Coordination Board, 2014). However, despite the benefits accrued from the NGOs, most of them have been established not to be financially sustainable with only 10% of the NGOs achieving the desired financial sustainability levels (Nuka, 2017). This has resulted with the donor funding reduce significantly by more than 20% and 510 NGOs' licenses being withdrawn due to lack of accountability and dwindling financial sustainability (NGO Coordination Board, 2018). This study will investigate whether Financial Management practices affects financial sustainability of NGO in Taita Taveta County.

Financial sustainability of NGOs has become a global concern in the wake of global financial crisis, which has reduced donor funds from developed economies to developing countries. NGOs play an important role in developing countries like Kenya and as such, their financial sustainability is very important not only for the NGOs but for the Kenyan economy. This study intends to evaluate the relationship between grant financial practices and financial sustainability of NGOs in Kenya based on the following variables; strategic financial planning, grant income *diversification, donor relationship management and Risk Management.*

## Objectives of the Study

### General Objective

The General objective of the study was to evaluate the effects of grant management practices on the financial sustainability of Non-Governmental Organization in Taita-Taveta County Kenya.

### Specific Objectives

The Specific Objectives were:

i. To determine the effects of strategic financial planning on the financial sustainability of non-governmental organizations in Taita-Taveta County Kenya.
ii. To assess the effects of grant income diversification on the financial sustainability of non-governmental organizations in Taita-Taveta County, Kenya.
iii. To assess the effects of donor relationship management on the financial sustainability of NGOs in Taita Taveta County.

## Research Hypothesis

**$H_{O1}$** There is no significant relationship between grant management practices and financial sustainability of NGOs in Taita Taveta County

**$H_{O2}$** Strategic financial planning does not significantly affect financial sustainability of non-governmental organizations.

**$H_{O3}$** Grant Income Diversification does not significantly affect financial sustainability of NGOs in Taita Taveta County.

**$H_{O4}$** Donor relationship management does not significantly affect financial sustainability of NGOs in Taita Taveta County

### Significance of the Study

The findings of the study would be of great benefit to the management of local NGOs in Kenya. The study would create an understanding on the relationship between grant management practices and financial sustainability of Non-Governmental Organization in Taita-Taveta County Kenya. That would enable the management to design strategies aimed at enhancing financial sustainability of their NGOs.

The study would provide an insight to policy makers in designing policies that would enhance financial sustainability of local NGOs in Kenya. These policy makers include The NGO Board, The Government Authorities, Partners Organizations, Donor Regulatory Board.

The study would also provide basis for further research as well as provide literature review for existing literature. The study would add to the body of knowledge on factors affecting financial sustainability of local NGOs.

## Scope of the study

This study established the relationship between grant management practices and financial sustainability of Non-Governmental Organization in Taita-Taveta County Kenya. The study targeted employees of World Vision Kenya and its Partners. The study was based on the variables of strategic financial planning, donor relationship management, grant income diversification and their effects on the financial sustainability of local NGOs in Taita-Taveta County, Kenya. The study took a period of 12 months.

### LITERATURE REVIEW

The section reviewed the literature on the financial sustainability of local NGOs.

### Theoretical Review

Resource-dependency theory was first introduced by Jeffrey Pfeffer and Gerald R. Salancik in their influential book "The External Control of Organizations(1978): According to the resource

dependence theory (RDT), organizations are resource-insufficient and work to obtain and maintain resources from their surrounding environment.
Resource Dependency Theory (RDT) is a social theory that explains how organizations depend on external resources to function effectively and how these dependencies can influence their behavior and decision-making. RDT posits that organizations rely on external resources such as funding, knowledge, technology, and personnel to survive and achieve their goals, and that the nature of these dependencies can shape their behavior and priorities.

Local NGOs deal with volatile demands, unstable funding flows, and a greater reliance on outside donors (Moore, 2010). Therefore, organizational behavior is a reflection of how an NGO manages its reliance on an outside resource and the demands that follow from a donor in control of the resources. The degree of resource dependence frequently determines an NGO's financial behavior, which in turn affects the NGOs' financial viability (Scott, 2004). Donors may withhold funding if an NGO doesn't comply with the requirements set by the external funders, which could cause the NGO to struggle financially. Due to unstable funding flows, the NGO might not be able to fund the projects.

Resource Dependency Theory provides a framework for understanding the complex relationships that organizations have with their external environment and the strategies that they use to manage these dependencies and maximize their effectiveness. The theory was relevant to study objectives in that the degree of resource dependence frequently determined NGO's financial management practices and behavior, which in turn affects the NGOs' financial sustainability.

## Stakeholders Theory

The stakeholder theory was originally proposed by R. Edward Freeman in his 1984 book "Strategic Management: A Stakeholder Approach". Freeman defined stakeholders as "any group or individual who can affect or is affected by the achievement of the organization's objectives", and argued that businesses should consider the interests of all stakeholders, not just shareholders or owners, in their decision-making processes.

The stakeholder theory suggested that an organization has a responsibility to not only its shareholders but also to other stakeholders who are affected by its actions, including employees, customers, suppliers, and the wider community. In the context of an NGO, stakeholders may include donors, beneficiaries, volunteers, partners, and regulatory bodies, among others. The financial sustainability of an NGO depends on its ability to attract and retain resources, including funding, volunteers, and partnerships, among others. By adopting a stakeholder perspective, an NGO can better understand the needs and expectations of its various stakeholders and develop strategies to meet their interests while also achieving its mission.

For example, an NGO that takes into account the interests of its donors may develop fundraising strategies that are transparent and accountable, and that demonstrate the impact of their donations. Similarly, an NGO that takes into account the interests of its beneficiaries may develop programs that are responsive to their needs and that empower them to participate in decision-making.
The theory was relevant to the study in that by considering the needs and expectations of its various stakeholders, an NGO can enhance its financial sustainability by building trust and goodwill among its supporters, partners, and beneficiaries, and by ensuring that its programs and activities are relevant and impactful.

### Institutional Theory

The institutional theory, as outlined by Scott in 2004, was another theory that was pertinent to the study. The institutionalization of norms and rules satisfies and benefits society, according to institutional theory. Institutional theory focuses on the more complex and durable facets of social structure. It considers the methods by which established structures, such as schemas, rules, norms, and routines, come to serve as authoritative standards for social behavior. It looks into how these elements are produced, disseminated, adopted, and modified over time and space, as well as how they deteriorate and become obsolete. Although the stated topic was stability and order in social life, organizations are compelled to pay attention to conflict and change in social structures as well as consensus and conformity (Scott, 2004). The theory offered a set of guidelines for behavior that could be used to establish, nurture, and uphold societal expectations and, as a result, foster a productive organization-society interface. The theory was relevant to the study in that a company must adhere to a specific code of conduct that meets social expectations in order to receive funding and donor trust. This guaranteed the financial stability of NGOs and the timely funding of their projects. The theory relatds to the objectives of this study in that it considered the methods by which established structures, such as schemas, rules, norms, and routines, come to serve as authoritative standards for financial sustainability.

### Contingency Theory

The contingency theory of leadership was developed by Fred Fiedler in the 1960s. Fiedler was a psychologist and professor at the University of Illinois at Urbana-Champaign, and his research on leadership focused on identifying the factors that influence leadership effectiveness.
Contingency theory is a leadership theory that suggested that the effectiveness of a leader depends on the specific situation or contingency they are in. The theory proposed that there was no one-size-fits-all approach to leadership and that the most effective leadership style depends on the characteristics of the leader and the situation they are leading in.
Contingency theory suggested that there was no one "best" way of organizing and managing an organization. Instead, the optimal approach depends on the specific circumstances and environment in which the organization operates. The theory was relevant to the financial

sustainability of NGOs, as it highlighted the importance of adapting to changes in the external environment, including changes in funding sources, donor priorities, and regulations.

NGOs operated in complex and dynamic environments, and their financial sustainability depended on a range of internal and external factors. By using a contingency approach to financial management, NGOs identified the most effective strategies for achieving financial sustainability given their unique circumstances. That involved diversifying funding sources, developing partnerships with other organizations, or adopting innovative approaches to fundraising and resource mobilization.

Furthermore, contingency theory could help NGOs to navigate the challenges associated with financial sustainability in an uncertain and unpredictable environment. For example, if donor priorities changed, NGOs may need to adjust their strategies and funding sources accordingly. By adopting a contingency approach, NGOs could be more responsive to changes in the external environment, and would be able to achieve long-term financial sustainability.

In summary, contingency theory was highly relevant to the financial sustainability of NGOs. By adopting a flexible and adaptive approach to financial management, NGOs can respond to changes in the external environment, and increase their chances of achieving long-term financial sustainability.

## Power Relations Theory

Neo-institutional theorists DiMaggio and Powell created the power relations theory in 1983. Due to their asymmetrical power relationships with their funding, NGOs are changing, and power relations theory explains institutions. According to DiMaggio and Powell (1983), the greater an organization's reliance on its trading partners, the more similar the organizations become. Coercion and compliance, according to Wallace, Bornstein, and Chapman (2006), are crucial concepts to grasp in order to comprehend the interaction between local NGOs and their foreign donors.
Donor organizations hold sway because they grant access to funding. These funders determine the goals and requirements for grants, and there are serious repercussions if local NGOs do not receive these funds (Markowitz & Tice, 2002). Coercion may involve force because donors have control over the money and can decide to stop giving (Wallace et al. 2006). This implies that in order for Kenyan NGOs to receive funding, they must comply with the requirements set by the donors. If these requirements are not met, the NGOs risk missing out on funding and becoming unable to support their activities and projects. As a result, the NGOs might become financially unviable. The study theory related to the study objectives in that in order for NGOs to receive funding, they must comply with the requirements set by the donors.

## Empirical Review

### Financial Planning and NGOs' Financial Sustainability

Milelu (2018) examined financial planning's effect on Nairobi based NGOs' financial sustainability and found that the way organizations managed their funds was guided by proper financial planning policies; the organizations' operations are done depending on budgetary allocations and that the organization periodically review their budgets and any financial plans to confirm their agreement with the institutional mission. Failure by an organization to properly engage in sound financial planning can lead it to run the risk of focusing on the daily financial challenges and this can lead on loss of focus on its long-term financial goals. This was also consistent with Rono (2012) who opined that dependence on international funding reduces local NGOs independence and ability to set own agendas and which is a common concern for NGOs internationally.

The study further, declared that proper financial planning practices were vital to NGOs for moral reasons and long and short-term plans, so the associations could satisfy their mission and commitments to individuals and partners and additionally accomplish their objectives. He further, argued that "sound financial planning and organizational frameworks will aid in persuading donors that the local NGOs have solid financial controls that would guarantee that money given would be utilized for the intended purpose.

The study population of the research was 80,200 Kenyan NGOs' employees, the study had a sample of 100 participants, analysis of research data was done using quantitative techniques and that study focused on three variables. However, the current study had a sample 67 respondents of 224 employees of NGO in Nairobi, Kenya, the study used qualitative technique and focused on four variables. Shigoli (2018) investigated the factors influencing donor funded projects' strategic implementation of Kenyan NGOs with particular reference to International Rescue Committee, Kenya and the study indicated that despite the availability of notable opportunities to enhance how 19 managers are making key decisions on investment, structuring and financing them, large projects often encounter financial distress.

Large project proportion are not meeting their objectives and only 40% of objectives align with the strategy of organization. Donors keep track of their finances to specific expenses and most don't permit their beneficiaries using the money in covering overhead costs (fundraising, human resources and capital costs). Additionally, funders operate with fixed durations for which they are providing finances, it ranges between 1-3 years (Shigoli, 2018).

The environment in which projects are operated can be a bit unpredictable and uncertain, and this can indirectly or directly affect the financial resources that are available for the duration of the project presenting a form of risk that needs to be managed. The study used was descriptive study design targeting 146 individuals and a sample size of 44 respondents. 3 variables were used. However, the current research targeted 224 staffs of the organization with a sample size of 67 participants and 4 variables were used for the research. Mutinda and Ngahu (2016) examined the financial sustainability determinants of Nakuru County NGOs and the findings suggested that financial controls' value, as a tool for managing finances depends on their capability in tracking the expenses and disclosing the parts of weakness in financial planning management system resulting into fund loss.

The managers should make sure that their organizations include strong financial controls in their financial planning able to curb the possibility of organizational risk given that the funders are sensitive particularly in misappropriations that may result to stoppage of funding.

The study drew a conclusion that a crucial role is played by financial management systems in the NGOs' financial sustainability. The study targeted 168 programme managers of 56 registered NGOs in Nakuru, Kenya, with 96 participants being the sample size. However, the current study emphasized on NGO in Nairobi with 68 participants as the selected sample size. 20 Mohamoud and Muturi (2017) investigated factors influencing local NGOs' financial sustainability in Somalia. The study found out that financial strategies play a notable role in NGOs' sustainability. They suggested that management capabilities and management factors including financial planning and proper governance structures positively influence NGOs' sustainability. Further, the sector faced challenges like absence of financial Planning.

It further acknowledged that sustainability is enhanced by financial strategies development and execution and fund allocation for local non-government organization activities. A sample size of 94 staffs was obtained. Puntland state of Somalia based NGOs' management team formed the target group, the current study targets employees of all cadres in the organization in Nairobi, Kenya and a sample size of 67 respondents were obtained. Kristin (2016) investigated financial sustainability of Canadian NGOs and discovered that different NGOs employed financial instruments to cater for future risks that are unexpected like donor withdrawals or financial shortage.

Financial sustainability is being reliant on prudent financial planning, therefore the financial standing of NGOs must be gauged and reported. Priority is not given to profitability by NGOs. Financial reporting is the type of financial information utilized by NGOs to help in making decisions. Proper practices of reporting should go past just accounting practices like disbursement and deposit records to add comparing real expenditure against historical spending and budget (Kristin, 2016). The study examined five different NGOs operating in three different sectors in Canada, qualitative data analysis was used.

## Strategic Donor Fund Management and NGOs' Financial Sustainability

Shigoli (2018) examined the factors influencing donor-funded projects' strategic implementation in NGOs in Kenya particularly to International Rescue Committee. The study suggested that 21 managing donor funds involves various aspects, with procedures typically covering statutory requirements like compliance with procurement guidelines, project funds timing and disbursement and reports. Financial resources from donors often have a set of requirements which relate to accountability and addressing project and financial performance. Majority of the donors need organizations to give periodical financial reports and narratives reviewing the projects' performance and progress against the original formulated budgets in the contracts, time lines, indicators, intended results and goals (Shigoli 2018). The research used descriptive design and targeted 146 individuals.

The sample size of the study was 44 respondents, with 33 respondents having completed and returned the questionnaires, the study used three variables for the research and the study focused on a case study of international rescue committee Kenya. However, the current study targeted 224 staffs with a sample size of 68 participants, four variables were used and focused on a case study of Islamic Relief Kenya. Wachira (2016) studied the donor fund management's effect on Kiambu County NGOs' financial sustainability. It was disclosed that majority of the participants asserted that donor fund management affected an organizations' financial sustainability to a great extent and that organizations with aligned networks with funders with regular communications and organizations that made sure they accounted for donor funds; had good connections with the funders; had many donors funded projects hence their firms many return donors.

The study targeted a population of 38 NGOs in Kiambu County, with 190 participants (5 staff from every NGO). However, the current study targeted a population of 224 staffs and 67 respondents, the study was undertaken in Nairobi with a specific reference to one NGO. Shivairo and Were (2017) studied the factors affecting project sustainability of Nairobi County's NGOs. It was found that adequate internal controls are incorporated in the NGOs as a means of 22 cost management so as to aid in attaining project sustainability. This indicates that internal controls have been properly established across the NGOs. Additionally, according to the study, the NGOs had been hampered by inadequate competencies.

The study discovered that the NGOs had integrated adequate budgetary controls as a cost management means so as to enable the attainment of project sustainability. This also indicates that NGOs in Kenya have prioritized budgetary control in their operations. The study recommended that Kenyan NGOs need to invest more efforts in establishing the proper cost management practices in their organizations to ensure that they are able to improve their ability to remain sustainable. From a target group of 240 employees of the 6 NGOs, probability sampling technique was utilized in drawing a sample of 150 participants, data collected was analyzed using

Quantitative technique, and result presentation done using pie charts and frequency distribution tables. However, the current study used a target population of 224 staffs of NGO in Nairobi and 67 participants as a sample size was adopted and results were presented informs of tables and frequencies. Ali (2016) studied donor relationship practices' effect on Garisa County NGOs' financial sustainability and drew a conclusion that NGOs' financial sustainability is enhanced by effective communication with funders. Additionally, in effective organizational management, dialogue and good communication are key. Further, donor segmentation entails using various strategies and engagement level for donors based on the size of the grant and characteristics of other funders. 228 top managers from Garissa based NGOs was targeted with 90 managers drawn as the sample size and standard deviation, percentages and tables generated quantitative reports. However, the current study target population of 224 staffs of a Ngo in Nairobi, Kenya and a sample size of 67 staffs were taken these generated reports inform of tables and percentages. 23 Seyeoum (2015) investigated charity organizations' financial sustainability in Ethiopia. The study found that institutions can also give funders the choice on if they wish to be requested for a particular fund.
Revising the modality of requesting call for proposal and commitment for capacity building, transparency and feedback methodology on proposed appraisal, willingness and shared values among NGOs to better serve society and also mobilization from people volunteerism and corporate efforts has to be fueled towards changing attitude of the public (Seyoum, 2015) .Others would prefer that the GNO does not prompt but to take such a decision by themselves, where there is a request for particular funds, NGOs make sure are appropriate considering the donor's financial reliability. The study analyzed data quantitatively, the target population for the study was 1054 Ethiopian residents' charities from 38 organizations and 30 samples of the residents were randomly selected, exploratory research design was deployed.

## Strategic Income Diversification

Wachira (2016) examined "factors that affect local NGOs' financial sustainability in Kiambu County." The study found that NGOs are funded by donors and other sources like income generating activities derived from several sources, the finding also highlights donor funding as not 16 the only source of finance for funding sustainability to be achieved. Implying that even with the Kiambu County having various funding/financing sources, majority got funding form donors. From the findings it indicated that organizations highly depended on donors for funding; did fundraising from external donors and took part in income generating activities and established that the institution did not solely depend on donor funding for financing.

The research emphasized on the NGOs in Kiambu County only and involves 38 NGOs and a respondent of 180 employees in the county and used STATA for analysis of data and simple random technique was used. However, this study involves only one NGO which is Islamic relief Kenya, SPSS was used to evaluate and the respondents were 67 employees of the organization. Omeri (2015) investigated "the influence of income diversification on NGOs' financial sustainability in Nakuru County." The research established that income diversification and having a financial strategic plan would significantly affect the financial sustainability of NGOs. The high donor financing dependence was inclining interventions in matching priorities of donors which means that a diverse resource base should developed by NGOs to meet their objectives and not those of the donors and be "independent".

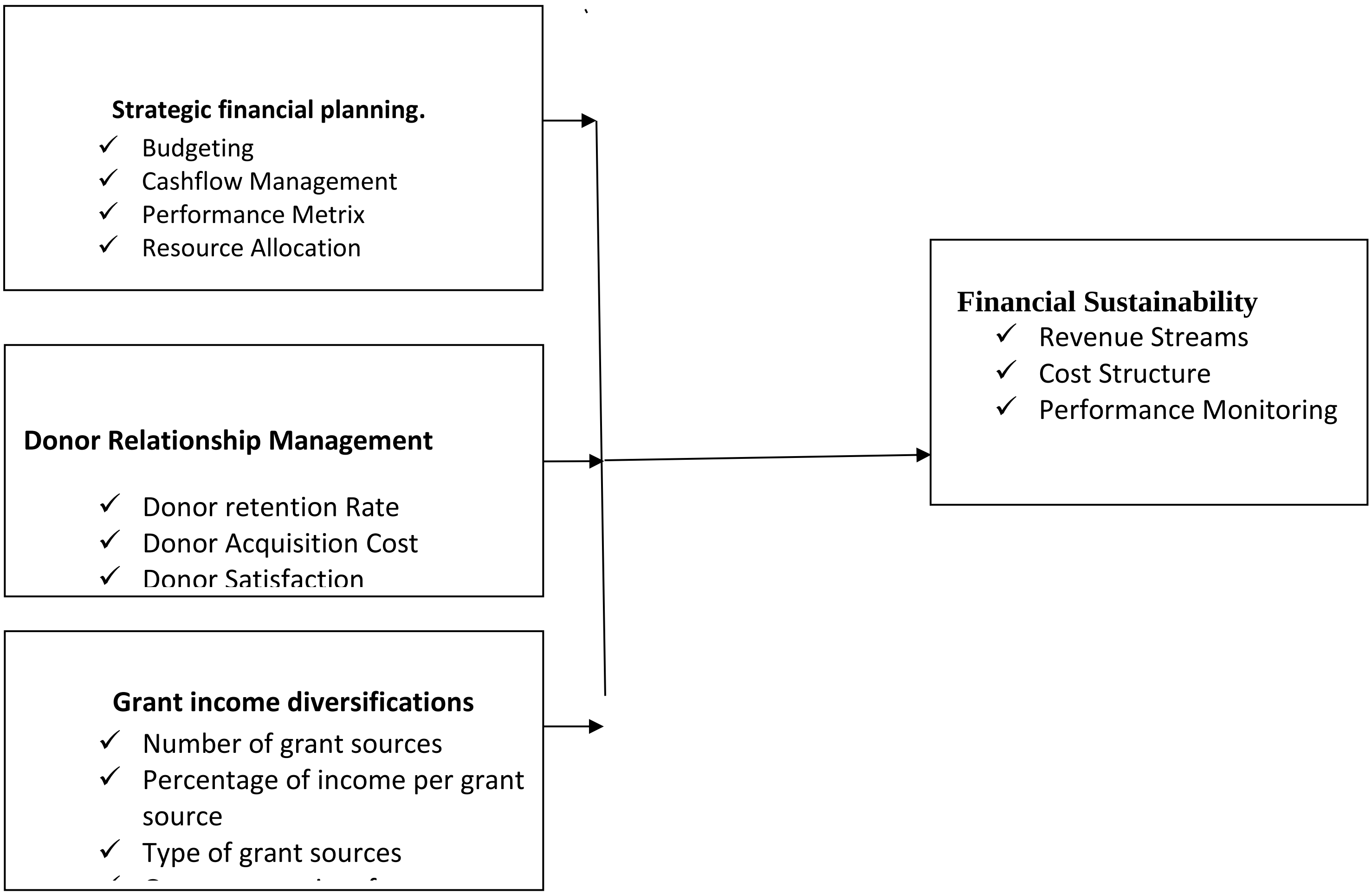
Domestic funding sources were promising since NGO operations are being viewed by local charities to mitigate the society challenges, meaning that NGOs should develop strategies encouraging the public in stepping in and filling the financial support gap the foreign funders have left. The study recommended that NGOs in Nakuru County should consider local sources of funds to reduce their overreliance on donor aid which was increasingly becoming unreliable. A sample size of 154 was obtained from 249 active and registered NGOs, the descriptive statistics used was chi-squares and three parameters/variables for the study was used. However, the current study used 67 respondents out 224 population size on a case study of NGO in Nairobi and descriptive statistics used were frequencies and percentages. Despard, Nafziger-Mayegun, Adjabeng and Ansong (2017) examined the effect of revenue diversification on monetary stability among Sub-Saharan Africa NGOs.

The study suggested that the need to be able to cover rising operation costs remains one of the major reasons as to why NGOs should pursue income diversification. Non-governmental organizations, just like other business enterprises have to incur various operational costs in their day to day running and with donor funding being restricted to execution of identified programs, the need for the NGOs to have other income sources to meet their daily expenses have grown.
The study focused on NGOs in sub-Sahara Africa, data was collected using online survey of 170 NGOs and results were analyzed using probit regression. However, the current study used multiple regression model. The study focused a case of a NGOs in Kenya and questionnaires were mainly used in data collection. Islam (2016) study examined the NGO vulnerabilities in terms of donors and resource dependence and resource dependence. The study observed that in a bid to achieve financial sustainability when faced with declining financial support from external donors, NGOs have scaled up their activities aimed at sourcing for funds at community levels and made use of local corporate donors in an effort to raise money and other support as well as seeking local and national government support.

The study further argued that the NGOs should diversify their funding base to strengthen their organization. A single donor dependence would be discouraged by a wide range of private and public sources thus, rather than a few, donor power would be dispersed amongst various agencies. The chances are minimal that NGOs would host governmental or be close to foreign motives if they don't depend fully on them for resources, enhancing room and autonomy for advocacy. The study analyzed three NGOs located in Lebanon and used three variables.

## Conceptual Framework

This framework outlines the flow of influence of independent (grant financial management) variable on dependent variable (Financial sustainability)




**Independent variables** **Dependent variable**

## Operationalization of Variables

*Table 2.1:Operationalization of Variables*

| Type of variable | Variable | Indicators | Scales | Collection tool | Type of Analysis |
|---|---|---|---|---|---|
| **Independent** | Strategic Donor | Donor Segmentation<br>Providing Accountability<br>Meaningful communication | Ordinal | Questionnaire | Descriptive |
| | Fund management | | | | |
| | Strategic financial planning | Budget Control<br>Financial Analysis<br>Stock Selection | Ordinal | Questionnaire | Descriptive |
| | Strategic income diversification | Risk of Management • Economic Downturn • Flexibility in Financial Management | Ordinal | Questionnaire | Descriptive |
| **Dependent** | Financial Sustainability | Adequacy of resources ratio<br>Self-Sufficiency ratio<br>Reliance on revenue source ratio | Ratio/ordinal | Questionnaire | Descriptive |

## Summary of the Literature Review and the Gaps

Financial sustainability includes prudent financial management, the mobilization of resources, and the generation of income or self-financing (Abdelkarim, 2012). In order for an NGO to be able to respond quickly to new demands and changes in the operating environment, it is necessary for it to be financially sustainable (Leon 2011).

According to Saungweme (2014)'s regression analysis, income diversification, own income generation, and effective donor relationship management all had smaller but significant effects on the financial sustainability of local non-governmental organizations. Additionally, he discovered that the maximum survival ratios, such as self-sufficiency, were only 22 days. According to Ali (2012), the majority of NGOs in Kenya are not financially viable.

Global Network's www.ngo.org/ngoinfo/define.html claims. A non-governmental organization (NGO) is any voluntary, non-profit group of citizens that is set up at the local, state, or federal levels. NGOs perform a range of service and humanitarian functions, bring government concerns to light, advocate for policies, monitor them, and promote political participation by disseminating information. They are task-oriented and motivated by people who share a common interest. Some are structured around particular concerns, like human rights, the environment, or health. They offer analysis and knowledge, act as early warning systems, and support the monitoring and execution of international agreements. Depending on their objectives, where they are located, and the mandate of a specific institution, their relationships with the offices and agencies of the United Nations system vary.

World Vision Kenya an NGO, was the focus of the study's primary research.
World Vision is an international organization of Christian advocacy, relief, and development, World Vision works with children, families, and communities to fight injustice and poverty. Regardless of gender, race, ethnicity, or religion, World Vision serves all people.
Robert Pierce established it as a nonprofit organization in 1950 to assist missionaries in times of need. Work on development was added to World Vision's goals in 1975. It operates in more than 90 countries and generates $1.01 billion in total revenue from grants, sales, and foreign donations (2016).
With area programs—long-term development programs—spread across 33 counties nationwide, World Vision has a substantial program reach in Kenya. In 1974, World Vision Kenya was established.

## RESEARCH METHODOLOGY

### Introduction

The methodology employed in this study was described in detail in this chapter. The research design, target population, sampling technique, data collection, validity, reliability, and data analysis and presentation are specifically highlighted.

### Research Design

The study used a descriptive research design as its foundation. The main application of descriptive design was the creation of numerous visual representations of data or information in order to numerically describe it (Orodho, 2008). Data was collected using a questionnaire, and both descriptive and inferential statistics were used to analyze the data. Due to the nature of the research, it was possible to apply the findings to a larger population (Mugenda & Mugenda, 2003). The study's methodology (donor relationship management, financial Planning, Financial Risk Management and Financial Funding Diversification ) and its relationship to the financial sustainability of regional NGOs in Taita-taveta County are considered relevant aspects of the design. The study's research design enabled the researcher to use a subset of the population and extrapolated the results to the entire population (Mugenda & Mugenda, 2014). The study involved some of the personnel working in the local NGOs' finance divisions.

### Target Population

The targeted population of the study was all the employees of World Vision in Taita Taveta County. World Vision Kenya is a division of World Vision, an international Christian humanitarian organization that works in over 100 countries. World Vision Kenya works to improve the lives of Kenyan children, families, and communities by addressing' poverty, education, healthcare, and other development issues.

Individual contributors, corporations, foundations, and government grants all contribute to World Vision Kenya's fundraising. They also work with local partners and stakeholders to ensure that their programs are implemented effectively and sustainably.

The study specifically targeted employees of World Vision Kenya in all the departments such as finance and Administration, Operations and Human Resources departments of the institution. The study also targeted Community Based Organization funded by World Vision Kenya in Taita Taveta County and Community members benefiting from Operations of World Visions Kenya in Taita Taveta County.

### Sample and Sampling Procedure

A sample of 40 respondents was involved in the study. This comprised of staff of world Vision Kenya in Taita Taveta County, Community Based Organizations (CBOs) partnering with WVK in the County and Community Members within Taita Taveta County. The study used purposive sampling to select the 40 respondents in World Vision in Taita Taveta County.

The sampling method employed in selecting the sample size was based on expert opinion. Consulting with experts in the field was also helpful in determining the appropriate sample size, as they may have experience with similar studies and can provide insights into the feasibility and generalizability of the study findings.

### Research Instruments

The study was based on primary data. The data was collected through a semi-structured questionnaire. The questionnaire contained closed ended questions. Closed ended questions gave the respondents options to choose from. The justification for using this instrument was that questionnaires were simple to quantify and analyze, ensured confidentiality and kept track on those who did not return the questionnaire on time and need to be reminded (Bryman & Bell, 2016).

### Data Collection Procedure

The questionnaires were self-administered through google forms method. Google forms is a cloud-based tool which can be accessed from anywhere with internet connection. Respondents completed questionnaire on their computer, tablet, or smartphone, making participation more convenient. The researcher could access real-time feedback as responders completed to the questionnaire using Google Forms. This allowed tracking of progress and monitoring the response rate during the data collection process.

### Data Analysis and Presentation

SPSS was used to generate descriptive statistics such as frequencies. Inferential statistics was also used in data analysis. That included Chi-square test and logistic regression analysis which were done to determine the relationship between the study variables.

The logistic regression model is as defined below:

logit $(p) = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3$

where:

$p$=probability of experiencing improved financial sustainability

$x_1$= Strategic financial planning

$x_2$= grant income diversification

$x_3$= donor relationship management

$\beta_0$ is the intercept term

$\beta_1$, $\beta_2$, $\beta_3$ are the coefficients estimates for the independent variables

## DATA ANALYSIS AND PRESENTATION

This study sought to evaluate the effects of grant management practices on the financial sustainability of non-governmental organizations in Taita Taveta County using World Vision as a case study. The Statistical Package for Social Sciences (SPSS) was used to clean, code, and analyze the data based on each independent variable. Both descriptive and inferential statistics for the study variables are presented in this chapter. The associations between the various variables were assessed using cross tabulations and chi-square correlations. The 5% level of significance was used. The chapter begins by presenting the response rate and the results of a pilot study. This is followed by descriptive statistics, inferential statistics and then the results of the statistical model fitted to the data.

### Response Rate

Fincham (2008) defines the response rate as the percentage of individuals who responds to the survey out of the total number targeted individuals in a study. The study targeted 40 respondents from the World Vision Kenya in Taita Taveta county. However, 34 questionnaires were filled correctly and returned. This translates to 85% response rate. This response rate was considered adequate as recommended by Babbie (2002).

The high response rate is commendable as it minimizes the risk of non-response bias and ensures that the data collected is representative of the entire target population (Fincham, 2008). A high response rate also strengthens the reliability and validity of the findings, making them more robust and trustworthy for drawing conclusions and making recommendations based on the study's results.

### Reliability Test

According to Kimaku (2021), reliability checks for the degree of consistency in a research instrument. Cooper and Schindler (2001) explains reliability of research as determining whether the research truly measures that which it was intended to measure or how truthful the research results are. Cronbach’s Alpha method, which is a widely used measure of internal consistency and reliability of a scale or questionnaire, was used. Data reliability played an important role towards generalization of the gathered data to reflect the true characteristics of the study problem (Klein & Ford, 2003). Cronbach’s Alpha values of 0.7 and above are considered adequate. The average Cronbach’s Alpha value was 0.812 as shown in table 4.1 below meaning the items under each variable, were consistent.

***Table 4. 1 Reliability Test***

| Variables | Cronbach's Alpha | No. of items |
|---|---|---|
| Strategic financial planning | 0.910 | 7 |
| Grant Income Diversification | 0.823 | 4 |
| Donor relationship management | 0.620 | 7 |
| Financial sustainability | 0.894 | 3 |
| **Average Cronbach's Alpha for all variables** | 0.812 | 21 |

## Validity of the Research Instrument

Validity is the extent to which the research survey is precise and allows for the drawing of relevant conclusions from the findings. It is the degree to which the conclusions drawn from the data analysis accurately reflect the phenomenon under investigation (Smith & Davies, 2018). Wiersma and Jurs (2009) define validity as the extent to which an instrument's results accurately reflect the concept or constructs it is designed to measure. Both construct validity and content validity were used in this study to determine whether an instrument measures the construct that it is intended to measure. Content validity assesses whether an instrument's items cover the whole range of the construct that is being assessed.

According to Saunders et.al (2015), construct validity is the extent to which measurement questions accurately reflect the constructs that researchers are trying to measure. The questionnaire in this study was divided into sections based on the research's aims, with each component evaluating data pertinent to a particular objective and in line with the conceptual framework of the investigation, to ensure construct validity.

The study dealt with different groups of experts and lecturers in the field of financial sustainability and issued them with the questionnaires. The experts were required to assess if the questionnaires evaluate the effects of grant management practices on the financial sustainability of non-governmental organizations. The instruments were adjusted in accordance with the recommendations by the experts.

## Descriptive Statistics for the Demographic characteristics

In this section, descriptive statistics are used to give more information about the demographic characteristics.

### Respondents' Gender

The pie-chart in Figure 4.1 below provides a visual representation of the gender distribution among the respondents in the study. The data, collected from a sample of 34 participants, reveals that the majority of respondents were male, comprising 55.9% of the total sample. In contrast, the female respondents constituted a smaller percentage (44.1%).

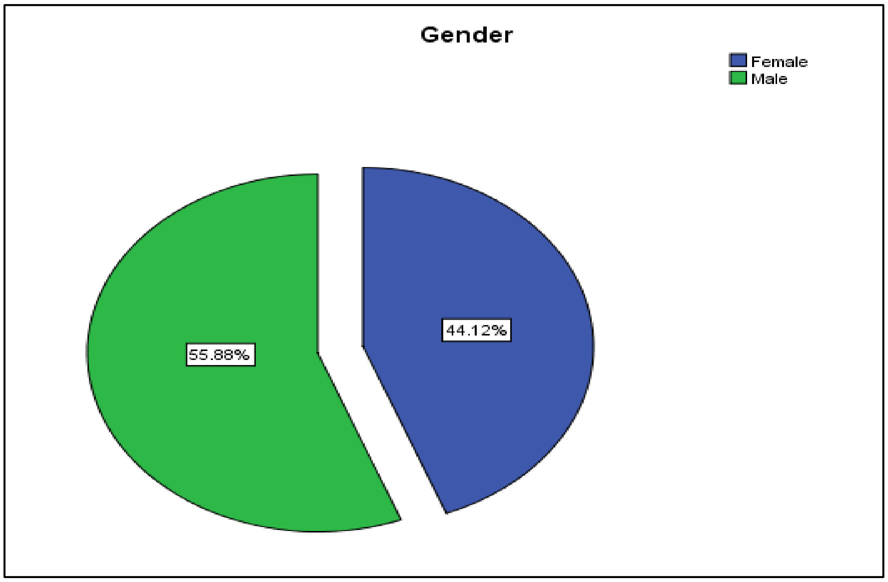



*Figure 4.1 Respondents Gender*

### Respondents' Level of Education

Presented in table 4.2 are the results for the distribution of the respondents by education level. Majority of the respondents (47.1%) reported that they have attained the undergraduate education level. This is followed by the post-graduate level (38.2%), KCSE and below (8.8%) and the diploma holders (5.9%).

*Table 4.2: Education level of the respondents*

| | Frequency | Percent |
|---|---|---|
| Diploma | 2 | 5.9 |
| KCSE and below | 3 | 8.8 |
| Post graduate | 13 | 38.2 |
| Undergraduate | 16 | 47.1 |
| Total | 34 | 100.0 |

### Respondents' Length of Service

The respondents were requested to indicate how long they have worked at World Vision Kenya. Notably, the group consisting of respondents who have worked at the organization for above 10 to 15 years is the largest, accounting for 32.4% of the sample as a whole. Respondents who have worked at the institution for between 1 to 5 years make up the second-largest segment, accounting for 29.4% of the sample. Furthermore, equal number of the respondents (14.7%) reported that they have worked for World Vision Kenya for above 5 years to 10 years and above 15 years. The smallest percentage of the respondents (8.8%) indicated that they have worked for the organization for less than 1 year.

***Table 4.3: Length of service in World Vision***

| | Frequency | Percent |
|---|---|---|
| Above 10 years to 15 years | 11 | 32.4 |
| Above 15 years | 5 | 14.7 |
| Above 5 years to 10 years | 5 | 14.7 |
| Between 1 to 5 years | 10 | 29.4 |
| Less than 1 year | 3 | 8.8 |
| Total | 34 | 100.0 |

## Descriptive Statistics for the Study Variables

The respondents were asked to rate the extent of agreement with statements pertaining to the different grant management practices in relation to financial management and sustainability of Non-Governmental Organization in Kenya. The rating was done on a 5-point likert scale where the following codes were used: 5=Strongly Agree, 4=Agree, 3=Unsure, 2=Disagree, 1=Strongly Disagree. The descriptive statistic for the four study variables are presented in the following sections.

The descriptive statistics for strategic financial planning-related questions in this study, which sought to ascertain respondents' opinions of various facets of strategic financial planning-at World Vision Kenya, are provided in this section. The frequency and percentage of replies for each category—which ranges from "Strongly Disagree" to "StronglyAgree"—are shown in the table 4.4.

## Descriptive Statistics for Strategic Financial Planning

When asked if the organization prepares annual budgets to guide spending, 76.5%, 20.6% and 2.9% of the respondents strongly agreed, agreed and were unsure respectively. None of the respondents disagreed with this aspect.

Regarding the statement that "My Organization prepares Multi-year budgets", a sizable 70.6 % said they strongly agree with this statement whereas 14.7% agreed with the statement. That being said, 8.8 % were unsure about the claim and a mere 2.9% of the respondents disagreed with the claim.

***Table 4.4 Organization Prepares Annual Budgets to Guide Spending***

| Organization Prepares Annual Budgets to Guide Spending | Strongly Disagree | Disagree | Unsure | Agree | Strongly Agree |
|---|---|---|---|---|---|
| My Organization prepares annual budgets to guide spending | 0(0.0%) | 0(0.0%) | 1(2.9%) | 7(20.6%) | 26(76.5%) |
| My Organization prepares Multi-year budgets | 0(0.0%) | 1(3.0%) | 3(9.1%) | 5(15.2%) | 24(72.7%) |
| In my Organization regular comparison of actual expenditure and budgets are determined and corrective action taken. | 0(0.0%) | 0(0.0%) | 1(3.0%) | 6(18.2%) | 26(78.8%) |
| My Organization has a clearly defined system of resource allocation | 0(0.0%) | 0(0.0%) | 2(5.9%) | 10(29.4%) | 22(64.7%) |
| My organization prepares Annual Cash Flow Statements | 0(0.0%) | 0(0.0%) | 3(8.8%) | 8(23.5%) | 23(67.6%) |
| In my organization expenditure outside the budget requires director’s approval and must be fully justified | 0(0.0%) | 1(2.9%) | 6(17.6%) | 4(11.8%) | 23(67.6%) |
| In my organization administration and overheads expenditure has a ceiling which is set in relation to expected funding | 0(0.0%) | 0(0.0%) | 4(11.8%) | 6(17.6%) | 24(70.6%) |

When the respondents were asked if in the organization conducts regular comparison of actual expenditure and budgets and corrective action taken a majority (76.5%) strongly agreed with this statement and 17.6% agreed with the statement indicating that they perceive the organization embraces comparison of expenses versus the budget and then take the measures to ensure adherence. However, 2.9% of the respondents had a divided opinion on this statement.

Regarding the question on if the organization has a clearly defined system of resource allocation, a bigger percentage (64.7%) of the respondents strongly agreed followed by 29.4% of the respondents who agree with the statement. Only 5.9% of the respondents had a neutral opinion whereas none of the respondents disagreed with the statement. This is suggestive that indeed the organization has well defined procedures for allocating resources, perhaps to avoid mismanagement and wastage of the available resources.

The results further show that majority of the respondents had a positive opinion regarding the statement that "the organization prepares annual cash flow statements", that is, 67.6% and 23.5% of the respondents strongly agreed and agreed to the statement respectively. A total of 3 out of the 34 respondents (8.8%) were unsure about the statement, whereas none of the respondents disagreed with the statement.

When a question was posed to ascertain if in World Vision Kenya expenditure outside the budget requires director's approval and must be fully justified, majority (67.6%) of the respondents strongly agreed. This was followed by 17.6% of the respondents who had unsure opinion, then 11.8% of the respondents who agreed with the statement and lastly 2,9% comprising of the respondents who disagreed with the statement. This is an implication that the organization's management discourages expenses outside the allocated budget unless there is proper justification(s) for such expenses.

Regarding the question on if in the organization administration and overhead expenditure has a ceiling which is set in relation to expected funding, a majority (70.6%) of the respondents strongly disagreed followed by 17.6% of the respondents who agree with the statement. Only 11.8% of the respondents had a neutral opinion whereas none of the respondents disagreed with the statement.

## Descriptive Statistics for Grant Income Diversification

The grant income diversification related questions aimed to gauge how respondents perceive the organizations initiatives to encourage diversification or attraction of grants from different donors/sources. The participants were asked if the organization has multiple grant sources of income. Approximately 58.8% of the respondents strongly agreed while 20.6% agreed with the statement indicating the organization's effort to ensure continuous cash flow. Moreover, approximately 14.7% were unsure about the claim reflecting a degree of a balanced perspective. Conversely, 5.9% of the respondents disagreed with the statement.

The second question was whether different donors collaborate to fund projects for the organization. Here, a majority (58.8%) of the respondents strongly agreed while 26.5% agreed with the statement. Approximately 11.8% were unsure about the statement while only 2.9% disagreed with the statement. These indicate that the organization's donors have a good will to work together for the good of World Vision Kenya. Table 4.5 below shows the summary results for the grant income diversification related aspects.

***Table 4.5 Descriptive Statistics grant income diversification***

| Grant income diversification related questions | Strongly Disagree | Disagree | Unsure | Agree | Strongly Agree |
|---|---|---|---|---|---|
| My organization has multiple grant sources of income. | 0(0.0%) | 2(5.9%) | 5(14.7%) | 7(20.6%) | 20(58.8%) |
| In my organization different donors collaborate to fund projects. | 0(0.0%) | 1(2.9%) | 4(11.8%) | 9(26.5%) | 20(58.8%) |

| | | | | | |
|---|---|---|---|---|---|
| Our organization gets short term and Long term grants from donors | 0(0.0%) | 0(0.0%) | 4(11.8%) | 8(23.5%) | 22(64.7%) |
| In my organization the average Grant Source time frame is 3years. | 1(3.1%) | 2(6.3%) | 9(28.1%) | 9(28.1%) | 11(34.4%) |

Concerning the statement that the organization gets shot term and long term grants from donors, about 64.7% strongly agreed while 23.5% of the respondents agreed with the statement. The remaining percentage (11,8%) comprised of those who had a neutral opinion about the statement. This is an indication that the organization accepts all the grants irrespective of whether they are long-term or short-term which apart from diversification ensues that the organization has continuous cash flow.

The last question on grant income diversification was if the organization's average grant source time frame is 3 years. A total of 32 staff responded to this statement. A majority (32.4%) of the respondents strongly agreed while 28.1% agreed with the statement. In a similar vein, 28.1% of the respondents neither agreed nor disagreed with the statement. About 6.3% and 3.1% of the respondents disagreed and strongly disagreed with the statement respectively.

Descriptive Statistics on Donor Relationship Management

The descriptive statistics for donor relationship management related questions are presented in table 4.6. The statement "In my organization the minimum period that we partner with our donors is at least three years" attracted diverse opinions. A majority (39.4%) were unsure about the statement while 36.4% strongly agreed with the statement. Conversely, 15.2% and 9.1% strongly disagreed and disagreed with the statement respectively. This indicates that quite a considerate number of the staff at the organization may not be aware of the minimum period of partnership with their potential donors.

Regarding the statement that "it's is very costly for the organization to acquire new donors", a majority of the respondents are unsure, 24.2% disagree, 21.2% strongly agree while 18.2% strongly disagree. This is an implication that most of the respondents in general didn't agree with the statement, meaning the acquiring of new donors may not be costly as it was alluded by the statement.

About the statement that "the organization sends regular financial and operational reports to donors", a majority (85.3%) of the respondents strongly agreed while the remaining percentage (14.7%) were unsure about the statement. This is indicative that the organization values reporting and is transparent on its expenditures and operations. The same trend is seen in the statement on whether the organization's donors are satisfied with the reports that they receive in relation to the utilization of their funds. Here again, a majority (73.5%) of the respondents strongly agreed while the remaining percentage (26.5%) were neutral about the statement an indication that the donors believe in the financial and operational reports provided by the organization.

*Table 4.6 Descriptive Statistics for donor relationship management related questions*

| donor relationship management related questions | Strongly Disagree | Disagree | Unsure | Agree | Strongly Agree |
|---|---|---|---|---|---|
| In my organization the minimum period that we partner with our donors is at least three years | 3(9.1%) | 5(15.2%) | 13(39.4%) | 0(0.0%) | 12(36.4%) |
| It is very costly for my organization to acquire new donors. | 6(18.2%) | 8(23.5%) | 12(6.4%) | 0(0.0%) | 7(21.2%) |
| My organization sends regular financial and operational reports to donors. | 0(0.0%) | 0(0.0%) | 5(14.7%) | 0(0.0%) | 29(85.3%) |
| In my organization donors are satisfied with the reports that they receive in relation to utilization of their funds. | 0(0.0%) | 0(0.0%) | 9(26.5%) | 0(0.0%) | 25(73.5%) |
| In my organization donors are encouraged to visit projects implemented using donor funds. | 1(2.9%) | 1(2.9%) | 4(11.8%) | 0(0.0%) | 28(82.4%) |
| Our donors adhere to the terms of partnership and do not terminate the MOU before its expiry date. | 0(0.0%) | 3(8.8%) | 7(20.6%) | 0(0.0%) | 23(67.6%) |
| My organization has multiple donors | 0(0.0%) | 2(5.9%) | 4(11.8%) | 0(0.0%) | 28(82.4%) |

The respondents were further asked to rate the statement that “In my organization donors are encouraged to visit projects implemented using donor funds”. A significant percentage (82.4%) strongly agreed, 11.8% were unsure, while 2.9% of the respondents equally disagreed and strongly disagreed with the statement. When the claim that “the organization’s donors adhere to the terms of partnership and do not terminate the MOU before its expiry date” was posed to the respondents, 69.7% strongly supported the claim, 21.2% were unsure while 9.1% were unsure with the claim. This is an indication that the donors respect the MOUs signed between them and the organization. Lastly concerning the statement that the "organization has multiple donors", a majority (82.4%) of the respondents strongly agreed with the statement while 5.9% disagreed with the statement. Approximately 11.8% of the 34 respondents were unsure about the statement. This is an indication of the diversification of the organization in terms of donors which ensures continuous availability of funds for different projects and social networking.

### Descriptive Statistics for financial sustainability related questions

The descriptive statistics for financial sustainability-related questions based on the responses of 34 participants is as shown in table 4.7. The respondents were asked if sustainable funding has helped their organization to implement diverse programmatic interventions. Approximately 58.8% of respondents strongly agreed, and 26.5% agreed with this statement, indicating a positive perception of the influence of sustainable funding on the implementation of diverse programmatic interventions. However, 11.8% were neutral, and 2.9% disagreed, suggesting varying opinions regarding the sustainable funding aspect.

When the statement "In my organization we have sufficient, appropriate and continuous funding for our work" was posed, 47.1% of participants strongly agreed, 29.4% agreed with this statement, indicating the staff's awareness of the availability of funds to support the organization's projects. However, 14.7% were neutral, and 8.8% disagreed and strongly disagreed, reflecting some diverse opinions regarding this measurement.

Regarding the statement "The average costs incurred in our organization over a long period of time is consistently less than the income for operations", a majority (42.4%) of the respondents strongly agreed followed by those who were unsure with the statement (27.3%). Approximately 24.2% of the respondents agreed while 3% disagreed or strongly disagreed with the statement. This is an indication that most of the staff believe that the expenses for their organization are less than the income for the operations.

***Table 4.7 Descriptive Statistics for financial sustainability related questions***

| Financial sustainability related questions | Strongly Disagree | Disagree | Unsure | Agree | Strongly Agree |
|---|---|---|---|---|---|
| Sustainable funding has helped my organization to implement diverse programmatic interventions | 0(0.0%) | 1(2.9%) | 4(11.8%) | 9(26.5%) | 20(58.8%) |
| In my organization we have sufficient, appropriate and continuous funding for our work. | 1(2.9%) | 2(5.9%) | 5(14.7%) | 10(29.4%) | 16(47.1%) |
| The average costs incurred in our organization over a | 1(3.0%) | 1(3.0%) | 9(27.3%) | 8(24.2%) | 14(42.4%) |

long period of time is consistently less than the income for operations.

## Requisite Tests

## Multicollinearity Test

Multicollinearity is the undesirable situation where the correlations among the independent variables are strong. For Regression to be applicable, there should not be strong relationships among variables. Statistics used to measure multicollinearity include tolerance and Variance Inflation Factor. Tolerance of a respective independent variable is calculated from $1 - R^2$. A tolerance with a value close to 1 means there is little multicollinearity, whereas a value close to 0 suggests that multicollinearity may be present. The reciprocal of the tolerance is known as Variance Inflation Factor (VIF). A VIF of around or greater than 10 indicates there is multicollinearity associated with that variable. Table 4.8 shows the values of the statistics, obtained from the data.

The table indicates the test results for multicollinearity, using both the VIF and tolerance. With VIF values being less than 5, it was concluded that there was no presence of multicollinearity in this study.

*Table 4.8 Table of Multicollinearity Statistics*

| Model | Collinearity Statistics | |
|---|---|---|
| **Variable** | **Tolerance** | **VIF** |
| Strategic financial planning | .653 | 1.533 |
| Grant Income Diversification | .552 | 1.813 |
| Donor relationship management | .748 | 1.336 |

## Inferential Analysis

## Chi-Square Test

The Chi-square test, often called the Pearson Chi-square test, is a statistical technique used to evaluate the association or independence between two categorical variables (Waller & Johnson, 2013). Researchers frequently use it to determine whether two features or characteristics that can be divided into distinct groups or levels have a significant association (McHugh, 2013). By using this test, researchers can determine whether the associations they find between these variables are real or just the result of chance.

This study sought to evaluate the effect of grant management practices (i.e. sustainable financial planning, grant income diversification and donor relationship management) on the financial sustainability. These variables are categorical in nature and therefore this section seeks to investigate if there is any association between the individual grant management practices and financial sustainability. The results are presented in table 4.9.

***Table 4.9 Chi-Square Test results for the association (outcome = financial sustainability)***

| Variable | Pearson Chi-square Value | df | Asymp. Sig |
|---|---|---|---|
| Strategic financial planning | 11.943 | 8 | 0.154 |
| Grant Income Diversification | 12.293 | 8 | 0.139 |
| Donor relationship management | 16.610 | 8 | 0.034 |

In this case the null hypothesis for the Chi-square test is that there is no association between grant management practice and financial sustainability. The null hypothesis is tested against the alternative hypothesis that there is a statistically significant association between grant management practice and financial sustainability. In this test the null hypothesis is rejected whenever the p-value is less than or equal to the level of significance (in this case, 5%).

The results in table 4.9 reveals that, in the current study, there is no significant association between strategic financial planning and financial sustainability (Chi-square statistics=11.94, p=0.154). This is because the p –value is less than 0.05. The same conclusion applies to grant income diversification and financial sustainability (Chi-square statistics=12.29, p=0.139). However, the results points to the decision to reject the null hypothesis that there is no association between donor relationship management and financial sustainability and conclude that (as per the current study) there is a statistically significant association between managing donor relationship and financial sustainability of the organization. This is due to the fact that the p-value associated with the chi-square statistics for donor relationship management (p=0-034) is less than 0.05. This emphasizes the role that donor relationship play in enhancing financial sustainability of non-government organizations in Kenya.

## Logistic regression Analysis

The logistic regression analysis was performed to evaluate the effect of grant management practices (i.e. sustainable financial planning, grant income diversification and donor relationship management) on the financial sustainability, which is a binary outcome variable indicating the status of financial sustainability,(1= “Improved" or 0="Not improved"). This binary outcome variable was computed from the factor score of all aspects/statements related to financial sustainability. In this case, logistic regression analysis is important for understanding the factors that significantly contribute to enhanced financial sustainability within a non-government organization.

The table 4.10 below displays shows the overall goodness-of-fit statistics for the logistic regression model adopted in this study. From the results, it's evident that the logistic regression model with the independent variables: sustainable financial planning, grant income diversification and donor relationship management fits better than a model without the independent variables. This is because the p-value<0.001 which is very small compared to the assumed level of significance for this study (i.e. 0.05).

***Table 4.10: Model's goodness-of-fit test***

| Likelihood Ratio test | df | Sig. |
|---|---|---|
| 30.275 | 3 | .000 |

Dependent Variable: Financial sustainability

Model: (Intercept), SFP_fac_score, GID_fac_score, DRM_fac_score

a. Compares the fitted model against the intercept-only model.

Table 4.11 shows the coefficient estimates of the predictor (independent) variables. From the results it's clear that strategic financial planning has a positive coefficient which indicates that it positively affects financial sustainability. Specifically, the results suggests that improving/enhancing strategic financial planning increases the probability of experiencing an improved financial sustainability by about 23.6%, holding all other independent variables constant. The effect of strategic financial planning is statistically significant at 5% level of significance owing to the small p-value of 0.008.

***Table 4.11: Coefficient estimates***

| Parameter | B | Std. Error | 95% Wald Confidence Interval | | Sig. | Exp(B) |
|---|---|---|---|---|---|---|
| | | | Lower | Upper | | |
| (Intercept) | .594 | .0545 | .487 | .701 | .000* | 1.811 |
| SFP_fac_score | .212 | .0792 | .056 | .367 | .008* | 1.236 |
| GID_fac_score | -.092 | .0793 | -.248 | .063 | .245 | 0.912 |
| DRM_fac_score | .321 | .0616 | .200 | .442 | .000* | 1.379 |
| (Scale) | .085[a] | .0224 | .051 | .143 | | |

Dependent Variable: Financial sustainability

Model: (Intercept), SFP_fac_score, GID_fac_score, DRM_fac_score

a. Maximum likelihood estimate.

In this study Grant Income Diversification (GID) does not influence the chances of experiencing financial sustainability.The results further show that grant income diversification does not significantly influence financial sustainability ($p=.245 < 0.05$). On the other hand, donor relationship management has a very strong positive influence on financial sustainability ($p<0.001$). Specifically, an enhanced donor relationship management is associated with about 37.9% increase in the probability of having an improved financial sustainability, holding all the other independent variables constant.

The logistic regression model fitted as per the results in table 4.11 is:

logit $(p) = 0.594 + 0.212x_1 - 0.092x_2 + 0.321x_3$

where,

$p$=probability of experiencing improved financial sustainability

$x_1$= Strategic financial planning

$x_2$= grant income diversification

$x_3$= donor relationship management

The logistic regression analysis reveals that only strategic financial planning and donor relationship management play significant roles in influencing financial sustainability improvement within non-government organizations. Between these two factors, donor relationship management is more influential predictor of improved financial sustainability than strategic financial planning.

## Summary, Conclusions and Recommendations

A thorough overview of the results of this study is presented in this chapter. Specifically, a summary of the findings, conclusions and recommendation are presented in this chapter. The aim of the study was to evaluate the effects of grant management practices on the financial sustainability of non-governmental organizations in Taita Taveta County using World Vision as a case study. Likert scale-based questionnaires were used in the study, and statistical test and analysis, such as Chi-square test and regression analysis was performed on the data gathered.

## Summary of findings.

Effects of Grant Income diversification on the financial health of non-profit organizations

Grant income diversification was found to have no significant effect on the odds of financial sustainability. These suggested that continuously improving strategic financial planning and donor relationship management can increase the chance of experiencing financial sustainability. The results of this study concur with the findings by Smith and Jones (2018) who found that effective strategic financial planning positively affect financial performance. A study conducted by Smith et al. (2018) explored the relationship between donor engagement strategies and financial sustainability in a sample of 150 nonprofit organizations.

One study by Smith et al. (2018) investigated the impact of diversification on the financial health of non-profit organizations. The results suggested that diversifying grant income streams positively influenced financial sustainability by mitigating the risks associated with dependency on a single funding source. Similar to our study, a research by Jones and Brown (2019) found that excessive diversification might not always lead to improved financial sustainability for non-profits.

### Effects of Donor Relationship Management on the Financial Sustainability of NGOs

The research found a positive correlation between the implementation of effective donor relationship management practices and increased donor retention rates, leading to enhanced financial stability over time. This concurs to the finding of this study and underscores the importance of cultivating and maintaining strong relationships with donors to secure ongoing financial support. The Chi-square test of association revealed that there was statistically significant association between donor relationship management and financial sustainability (p value=0.034). The logistic regression analysis revealed that both strategic financial planning and donor relationship management have a significant positive effect on the odds of financial sustainability. Organizations attempting to diversify too broadly may face challenges in developing specialized expertise or responding to the specific requirements of different grantors, potentially affecting overall efficiency and mission alignment. The study emphasized the importance of a balanced portfolio of grants from different donors and sectors in enhancing overall financial resilience. Contrastingly, the study by Smith et al. (2018) investigated the impact of diversification on the financial health of non-profit organizations and found that diversifying grant income streams positively influenced financial sustainability by mitigating the risks associated with dependency on a single funding source.

### Conclusion

The findings of this study illuminate critical insights into the factors influencing the financial sustainability of non-governmental organizations (NGOs) in Kenya. The Chi-square test of association demonstrated a statistically significant relationship between donor relationship management and financial sustainability, emphasizing the pivotal role of cultivating and maintaining strong ties with donors for the long-term financial health of NGOs.

Moreover, the logistic regression analysis provided nuanced insights into the impact of strategic financial planning and donor relationship management. Both were identified as significant contributors to the odds of achieving financial sustainability. This underscores the importance of not only formulating robust financial strategies but also fostering effective donor relationships as integral components of organizational financial viability.

Interestingly, the study did not find a statistically significant effect of grant income diversification on the odds of financial sustainability. This suggests that while diversification is often considered a prudent financial strategy, its direct influence on financial sustainability in the context of Kenyan NGOs may be nuanced or dependent on other factors not explicitly explored in this study.

## Recommendations

From the findings of this study, the following recommendations are made:

### Enhancing Donor Relationship Management:

Given the significant association between donor relationship management and financial sustainability, NGOs should prioritize the cultivation of strong, transparent, and mutually beneficial relationships with donors. Regular communication, impact reporting, and responsiveness to donor expectations can contribute to sustained financial support.

### Strategic Financial Planning:

The positive impact of strategic financial planning on financial sustainability underscores the need for NGOs to engage in comprehensive financial forecasting, budgeting, and resource allocation. Organizations should continually assess and adapt their financial strategies to align with evolving organizational goals and external factors.

### Grant Income Diversification Considerations:

While the study did not find a direct association between grant income diversification and financial sustainability, it is essential for NGOs to carefully evaluate their funding portfolio. Diversification may still bring resilience in the face of changing funding landscapes. Organizations should explore various funding sources but also consider the specificities of their mission and operational context.

## Future Research

The main objective of this study was to evaluate the effects of grant management practices on the financial sustainability of non-governmental organizations in Taita Taveta County using World Vision as a case study. Future research should focus on the following:

i. Longitudinal Studies: Conducting longitudinal studies—which monitor personnel over a longer period of time—can be beneficial for future research. This method would offer a more thorough comprehension of the ways in which financial is affected over time by grant management practices.

ii. Comparative Studies: Comparative research can be useful in determining the ways in which different NGOss are affected differently by grant management practices. Finding optimal practices and contextual variations may be aided by this.

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