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INFLUENCE OF FINANCING DECISION ON OPERATIONAL SUSTAINABILITY OF NGOS IN NAKURU COUNTY, KENYA

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Abstract: **Due to poor financial management practices, NGOs face challenges in operational sustainability as they are faced with donor withdrawals and subsequent collapse of the NGOs. Therefore study examined the influence of financing decisions on operational sustainability of NGOs in Nakuru. Theory that was used in the study was Contingency theory. The study adopted explanatory research design. The target population of the study included 158 managers from finance and accountant departments who were the study respondents. Simple random sampling technique method was employed where 59 respondents were selected. Data was collected from the respondents by use of structured questionnaires which was constructed on a 5-point Likert scale. Questionnaires were tested for reliability and validity. Data was collected and analyzed using Statistical Package for Social Sciences (SPSS) IBM Version 24. This was done using both descriptive and inferential statistics. Descriptive statistics included percentages, frequencies, and means while inferential statistics included correlation analysis and regression analysis. The findings established that financing decisions had significant relationship of r=.575 with operational sustainability of the NGOs in Nakuru county. Therefore, the study concluded that financing decisions have a significant influence on operational sustainability of NGOs in Nakuru County, Kenya. The study recommended that the NGOs in Nakuru town should come up with a policy framework to help them with better financing decisions. This will help the NGOs avoid cases of poor resource allocation that jeopardize operational sustainability in the NGOs.**

Keywords: **Financing Decisions, Financial Management Practice, Nakuru county, Non-Governmental Organization, and Operational Sustainability.**

1. INTRODUCTION

Financial management consists of all the activities concerned with obtaining money and using it effectively and efficiently (Chris & Omwenga, 2017). Financial management involves careful planning and efficient use of resources. Proper financial management can ensure that financial priorities are established in line with organizational goals and objectives, spending is planned and controlled in accordance with established priorities and sufficient financing is available when it is needed both now and in the future (Shah, 2009). It's generally recognized that most developing countries have ineffective governmental financial control system. The serious deficiency in the financial control systems in most developing countries generally recognized as the major factor which facilitate the misuse of public resources and financial corruption in these countries (Teshome, 2018).

Accountability in NGOs is receiving increased attention. Beneficiaries are becoming more informed about what to expect from NGO services and are thus becoming more critical. Funding agencies are also becoming more insistent about accountability. These factors are increasing the pressure on NGOs to have policies, standards and benchmarks for services which the beneficiaries can understand so that they can make comparisons and judgements (Hendrickse, 2008). For an NGO, being accountable implies being able to demonstrate regularly that it uses resources wisely and that it does not take advantage of its special privileges to pursue activities contrary to its non-profit status. An accountable NGO is transparent, readily opening its accounts and records to public scrutiny by funders, beneficiaries and other stakeholders (Rahman, 2014).

Foundations and other donors increasingly want access to up-to-date information about an organization's operations and finances and how the organization is collecting the information. Organizations are tired of seeing the ad hoc, often questionable data that many nonprofits throw together at reporting time (Bray, 2010). Accountability for non-profit organizations is both a legal and ethical obligation for organizations that use resources received to further their charitable mission (Gordon et al., 2010). In the past decade, the push for accountability in the public sector has crossed over into the non-profit sector, with efforts evident in many prominent organizations such, as Big Brothers Big Sisters of America, Girl Scouts of America, the Child Welfare League of America, and United Way of America. For instance, The United Way Association of South Carolina now requires all organizations that it provides funding to complete comprehensive training and reports in order to continue receiving dollars (Lisa, Lynette & Kristy, 2012).

Globally many NGOs financial sustainability is uncertain. According to Aliya (2013) one of the greatest challenges facing non-profit organizations in Central Asia, particularly Kazakhstan and Kyrgyzstan, is how to sustain and support NGO activities financially. The primary reasons why NGOs need to find different strategies for long-term survival are: decreased donor funding in general, decreased allocations for the region, donor focus on new markets and decreased amounts for the social programs. The most sustainable financing strategy is to diversify income sources. A sustainable approach to NGO financing is one that avoids dependency on any single source of revenue, external or internal.

In most developing countries such as Ghana, NGOs have been associated with several weaknesses including lack of experienced manpower, limited financial assistance, having short range objectives, yielding to political influences and corruption (Okorley & Nkrumah, 2012). Jalil (2011), for instance, argued that not all NGOs have the time and expertise to efficiently manage all their programs, or even to ensure full involvement of communities. These perceived weaknesses, perceptibly, present a major threat to organizational sustainability of many local NGOs in developing countries. That is, the ability or capacity of the NGOs to endure – internal and external factors that affect their operations and survival (Geelsa, 2010).

The non-profit sector derives funds from a complex range of bodies which include private donor funding from for example foundations such as Ford, Mott, the Open Society, Kellogg, Mellon, Rockerfeller and Carnegie; private sector funding in the form of for-profit organisations engaged in education, arts, music, drama, environmental activities and so on; government agencies and from government and international donors. These organizations in order for them to continue funding these organizations require accountability in their financial management (Harding, 2014). This study therefore seeks to establish the influence of prudential financial management on operational sustainability of NGOs in Nakuru county Kenya.

Global Perspectives

Financial management determines the organizational decisions that institutions make they are tools used to analyze and make the decisions. The lasting and temporary resolutions models share similar objective of improving worth of company by making sure that gains from capital is higher than the cost of capital, while not taking much economic risks (Pandey, 2010). Financial management practices applied the models of money, time and risk and the way they are relate to each other (Gitman, 2011).Czarnitzki and Hottenrott (2011) examined the relation between working capital management and profitability of small and medium-sized enterprises in Germany by controlling for unobservable differences. The result indicates that SMEs have an optimal working capital level that maximizes their profitability.

In their paper which analyzed local government performance in Brazil Gomes, Alfinito and Albuquerque (2013), corroborated the idea that financial sustainability is associated with financial performance. In their opinion it is important, that when assessing local government performance it is also important to assess the institution's sustainability, flexibility and vulnerability. The paper suggests that in order to attain financial performance, local government needs to manage debt to adequate levels (facilitating affordability to repay this debt), and manage infrastructure and assets towards long-term economic and social sustainability. 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 the3 NGOs. Akingbola (2013) indicated that in Canada the local NGOs face financial challenges which made some of the organizations to cease operation.

A review on financial management practices in Australia, the UK and the USA McMahon, Holmes, Hutchinson and Forsaith (2013), in their review the context of financial management practices includes the following areas: accounting information systems, financing decisions, investing decisions. However, these previous researchers though looked into financial management; they did not include other key areas like working capital management which would include accounts receivable, inventory, and cash management and accounts payable management financial practices.

A sound financial management system that supports financial sustainability of a NGO should be able to produce relevant types of financial statements on a regular basis. It should address issues such as the required types of financial statements; set periods for regular reviews of the statements; ease of comprehension of the statements produced; involvement of board members in fiscal oversight; and a dedicated board committee to look into financial issues (Leon, 2011).

Regional Perspectives

Financial management practices entail how an organization manages its financial resources so as to ensure proper coordination and maximum returns (Akaba, 2015). The study by Nguyen (2011) stressed that financial management is made of fixed assets management, capita structure management, financial planning, working capital management, financial reporting and accounting information system. However, according to Meredith (2013), financial management is concerned with all areas of management, which involve finance not only the sources, and uses of finance in the enterprises but also the financial implications of investment, production, marketing or personnel decisions and the total performance of the enterprise.

On factors influencing financial sustainability of local NGOs: A case study of Zimbabwe, Saungweme (2014) found out that most of the local Non-governmental organizations are financially unsustainable and risk closing down and stopping service delivery to the needy not reached by government or private sector programmes if external donors pull out. Local Non-governmental organizations in Zimbabwe need to change their approach to financial sustainability and start thinking hard about raising own incomes and establishing systems and processes that ensure longevity of their missions beyond external donor funding.

On their financial sustainability of NGOs Okorley and Nkrumah (2012) 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.

Local Perspectives

Financial management is a critical element of the management of a business as a whole, within this function the management of its assets is perhaps the most important. In the long term, the purchase of assets directs the course that the business will take during the life of these assets, but the business will never see the long term if it cannot plan an appropriate policy to effectively manage its working capital (Kamande, 2015).

On the operational management practices applied by pharmaceutical companies in Kenya Onyango (2010) noted that the adoption of OM practices in the pharmaceutical sector is in the infancy stage but its importance is appreciated. Macharia (2013) studied the effect of enterprise Resource planning systems on management accounting practices in NGOs and found that ERP systems' implementations have a weak positive effect on management accounting practices in NGOs operating in Kenya.

The sustainability of most NGOs depend on how they strategize to attract donor funding and subsequently how well they utilize those funds to meet stated project objectives. Hence the ability to attract funding agencies through proposal development and fundraising which depend on financial credibility of the recipient organization past experience and track record which solely depend on sound financial management and internal control systems. Credible NGOs are able to attract many donors because reliance on a single donor means doom to the survival of the organization Nyakwaka (2010).

Sustainability of NGOs is influenced positively by a number of management factors and management capabilities. These included proper governance structures, top management that understands the purpose of the organization and take the lead in its achievement, a leadership with all the required qualification, skills, competence and experience, a management that adopts staff policies that motivate and retains employees within the organization. Leadership approaches adopted also helped the organization to meet its objectives (Muriithi, 2014).

Non-governmental Organizations in Kenya

In Kenya, NGO growth has truly been staggering; in 1974, there were only 125 NGOs in Kenya, by 1990 there were over 400 registered with the government, soaring nearly to 3000 in 2004 and well over 4200 by 2007 (Brass 2010 citing National Council of NGOs, NGO Coordination Board, 2006). The current number of registered NGOs is 7082 (NGO Coordination Board, 2014). Most of the NGO funding is derived from foreign sources, indeed most NGOs in Kenya-whether established within the country by Kenyan citizens or abroad are funded via international sources or local private sources. Of the 4211 organizations listed in the Kenya's government NGO Board database in December 2006, only 663 (about 16%) submitted a return with funding source information in the most recent return year, 2005. In these return figures 91% of funds were listed as coming from international sources. Of the other 9% of funds, 8% came from local private sources, with only 1% of the NGO funds being derived from the Government of Kenya at the national or local level. Over 35% of the organizations received funding entirely from abroad, with organizations receiving funds from a mix of local and international sources (an additional 25% of organizations) getting 71% of their funds from abroad on average (Brass, 2010).

Nakuru County in Kenya is home to about 79 duly registered and active NGOs (NGO Coordination Board, 2014). Some of these NGOs are headquartered there while others have simply set up their branch offices in Nakuru to enable them to access the western parts of the country while maintaining proximity to Nairobi. Logistically, Nakuru County is convenient in resupplying the western and mostly arid and semi-arid lands (ASAL) in the north. However, with declining donor funding, some NGOs branches in the area are facing closure due to the financial sustainability imperative. In the same vein, the NGOs headquartered in the area may also face challenges in diversifying sources of funds through investment due to the existing opportunities in the area (Kerine 2015).

2. STATEMENT OF THE PROBLEM

A not-for-profit organization (NGOs) generally does not have continuous supply of cash flow unlike commercial enterprise because it depends on resource providers that are not engaging in an exchange transaction. The resources provided are directed towards providing goods or services to a client other than the actual resource provider. Thus the not-for-profit must demonstrate its stewardship of donated resources; money donated for a specific purpose must be used for that purpose. According to UN (2009), most NGOs in Kenya and Africa in general, depend on donor funding or external support agents to sustain their programmes and projects. This explains why their financial resources follow a boom-and burst trend leading to close down of many NGO‟s without a clear vision and mission. After getting the funds, some organizations do not bother to prepare the financial statements stating the uses of these moneys. This is why there is no proper leadership and management of the funds. Where funds are misappropriated, the result is the subsequent withdrawal by donor agencies leading to collapse of projects. Over-reliance on external donor funds has led to the inability of NGOs to sustain themselves or their projects. The management and reporting activities of a not-for-profit must emphasize stewardship for these donated resources. The staff must be able to demonstrate that the dollars were used as directed by the donor. Therefore NGOs loyalty and accountability has been toward their external donors rather that to the local stakeholders. This further erodes credibility. Until recently, NGOs have not considered local donors as a possible source to support the activities of the sector. The NGO sector now finds itself in a dilemma of how to mobilize local resources from a society that sees the sector as well funded by external donors, having a questionable impact on society, and poor credibility and image (Waiganjo, Ng'ethe & Mugambi, 2012). This poses a threat to the operational sustainability of NGOs in Kenya. NGOs have played a significant role in improving the welfare of the society making their operational sustainability to be of paramount importance to the society. This study therefore seeks to examine the influence of financial management on operational sustainability of NGOs in Nakuru County.

3. OBJECTIVE OF THE STUDY

The study sought to assess the influence of financing decisions on operational sustainability of NGOs in Nakuru county Kenya.

4. RESEARCH HYPOTHESIS

Financing decisions have no statistically significant influence on operational sustainability of NGOs in Nakuru County Kenya.

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5. CONCEPTUAL FRAMEWORK

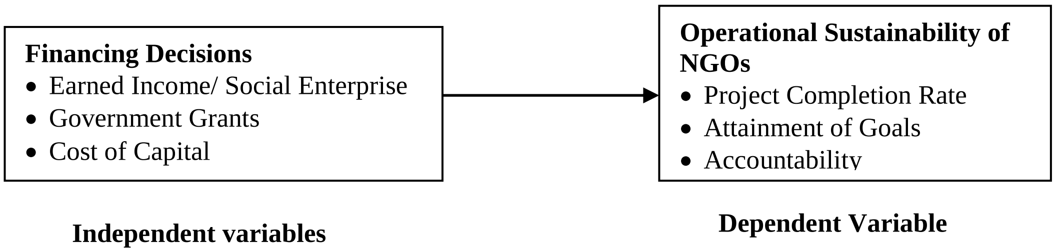

Figure 1: Conceptual Framework

6. THEORETICAL REVIEW

The Contingency Theory

Contingency theory was developed by Pike in 1986. This theory aimed at explaining various financial management concepts. The theory holds that there are various contextual factors that determine how an organization operates such as technology and the external environment (Henri, 2006). As described by Chanhall (2003), these factors will affect the organization's structure, which will then influence the design of the financial system. Efficiency in operations will only be attained by having a balance between the corporate setting and how the financial system operates.

The theory concentrates mainly on three aspects of the corporate context that are assumed to have an association to operate, design of aspect in the financial system. This entails the ordinary investment outcomes history, professional competency degree and capital budgeting control policy. While the contextual factors describe why accounting systems vary based on the particular organization, the theory makes the assumption that organizations do not have similar accounting system and thus attain different financial performances. This may be explained by the different contextual factors surrounding the firms. Therefore resource allocation to financial management practices should be made while giving consideration to these factors (Pike, 1986).

According to (Axelsson, Jackovicka & Kheddache, 2002) more effort will be devoted to budgeting in an adverse financial situation, since it will no longer be as simple to find an acceptable budget and there will be a need for more frequent follow up. These arguments have been applied to capital budgeting procedures by Haka, Gordon & Pinches (1985). They argue that the implementation of sophisticated capital budgeting procedures is one of many means of coping with acute resource scarcity. Another argument is that since the main value of adequate investment rules is in distinguishing profitable from unprofitable projects, highly profitable firms are expected to derive less benefit from such techniques than would less successful firms with history of marginal projects (Axelsson et al, 2002).

Therefore, in this study appropriate financial management practices should be chosen after evaluating the particular business setting to ensure its appropriate intended purpose. A positive influence on the NGO's operational sustainability will be attained when a balance is met between the corporate setting and the financial system operations.

7. EMPIRICAL REVIEW

Financial Decisions and Operational Sustainability of NGOs

Financing decisions relate to the raising of finance from various resources which will depend upon decision on type of source, period of financing, cost of financing and the returns thereby (Kiita, 2013). Financial decisions involves the determining when, where and how much capital to acquire in pursuit of making profit. Leverage decision is useful in showing the extent of the assets financed by the loans (Cui, DE Jong & Ponds, 2011). The dividend decision involves a query of whether a company should allocate all or a fraction of the profits it earns in the form of dividends to the stakeholders, or should it plough all the profits back into the business (Al-Malkawi, Rafferty & Pillai, 2010). In regard to investment decisions, Donald (2010) argued that it is a key decision involving mobilization of resources to undertake a given activity with expectation of future returns.

An empirical study was carried out to establish whether there was a relationship between capital structure and profitability of MFIs in Kenya. The study found that the capital structure decision is crucial for any business organization. The decision is important because of the need to maximize returns to various organizational constituencies, and also because of the impact such a decision has on an organization's ability to deal with its competitive environment. From the findings the study found that that most of MFIs in Kenya were using equity and or donations as their main source finances in Kenya which accounted for by 72.42% and 27.58% in form of debt. The study further found that there exist a positive relationship between capital structure and profitability of MFIs in Kenya (Kibet, 2009).

A financial decision is the adaption of the broad objectives, strategies and other plans of an organization into financial terms (Atieno, 2013). According to Atieno (2013), financial decision is a continuous process of directing and allocating financial resources to meet strategic goals and objectives. The output from financial planning takes the form of budgets. Understanding past performance and translating that insight into forward looking targets to align business results with the corporate strategy is key to driving shareholder value. A financial plan consists of sets of financial statements that forecast the resource implications of making business decisions. For example, a company that is deciding to expand e.g. by buying and fitting out a new factory will create a financial decision which considers the resources required and the financial performance that will justify their use (Arnold & Chapman, 2014).

On the impact of corporate financing decision on corporate performance in the absence of taxes: panel data from Kuwait stock market, Mohamad (2016) examined the relationship between financing decisions such as capital structure, capital budgeting techniques and dividend policy along with the firm's attributes. The study examined the impact of industrial sectors and financial performance using the panel data of 80 listed companies in Kuwait. The results of this study suggest that, contrary to the Trade-off Theory of capital structure, there is a negative association between the level of debt and financial performance. This can be attributed to the high cost of borrowing and the underdeveloped nature of the debt market in Kuwait. Given the unique tax environment in Kuwait, using debt does not seem to be sufficient to outweigh the costs of using debt, including the high interest cost.

Operational Sustainability of NGOs

Operational sustainability is the ability to meet the present needs without compromising the ability to meet the future needs or the ability of future generations to meet their own needs. Unsustainable operations accommodated for either by developing sustainable operations or by planning for a future lacking in resources currently required. While numerous organizations could become institutionally sustainable within 2-3 years, financial sustainability remains a distant goal. NGOs will need to do their best to diversify their sources of funding in their bid to become more independent, as well as to widen and deepen their constituency to be able to use their membership for voluntary tasks as well as membership fees. Although many organizations have governance structure in place, it is often focused on conformance with regulations. And this is very important, but governance should also support the organization's efforts to improve performance. (Gathee, 2013)

In practice organizations mostly tend to aim towards sustainability by increasing efficiency in the way in which resources are utilized. It is the core of organizational effectiveness and connected to all other key components. Sustainable strategies must therefore be considered in the areas of strategic direction, spiritual values, moral values, governance, management practices, human resources, impact of service delivery, financial resources and external relations. Sustainable organizations have been found to have at a minimum. A clear mission and strategic direction, the necessary skills to attract resources from a variety of local and international sources, skills and ability to manage resources effectively and efficiently and any effort at organizational regeneration (Okeke, Munene, Kakuo, 2017).

Other factors recognized as promoters of sustainability initiatives are institutional mechanisms such as communication and training. In order to achieve a high degree of organizational commitment and to remove obstacles to changes of attitude and involvement, well defined training and communication plans are key factors in promoting a clear understanding of the role and importance of sustainable practices for organizational strategy and goals (Maira & Marlei, 2010). They discuss the role of communication and reporting mechanisms in building and legitimizing corporate sustainability initiatives and helping to reduce the sense that sustainability and businesses are incompatible. From this standpoint, corporate reports may be seen as a tool for promoting adequate education and information, as pointed out by Maira and Marlei (2010).

Managing operations effectively and efficiently according to Akpotu and Jasmine (2016) is key to holistic attainment of goal therefore it is critical in measuring performance. Operational sustainability simply denotes capacity to maintain input-output relationship in a coordinated manner that maximizes output and desired targets without compromising the capacity to attain long-term or future goals. Ensuring specificity in the emergent operational sustainability construct is also imperative, bearing this in mind, the literature on operational effectiveness though has understandably had scanty attention, and there is need for typical measures on operational sustainability. Operational sustainability according to Perez (2009) is yet to have a consensus on what parameters are applicable in its measures. However, there exist anecdotal positions that are largely indicative of the construct. In this circumstance, the validity of the measures still remains contentious. All the same, there is theoretical strength in the work of Romirez (2010) which has operationalized operational sustainability of firms relying on capacity to timely meet customer demands, timely demand and supply of inputs for production or service rendering, quality in final product relative to competitors, cross functional interface for operational synergy, consistency in production capacity improvement amongst others. Remirez taxonomy is illustrative of the multiple measures that aptly give meaning in terms of measurement for the operational task in organizations. In the banking sector that is characteristically competitive, operational strength is strategic to attainment of goals (Akpotu & Jamine, 2016). This simply means that it must be precisely denoted either in quantitative or qualitative measure.

According to Pathfinder International (2010), many analysts divide sustainability into components which include organizational, financial, programmatic or technical, and even community sustainability. Also, it is clear that sustainability depends on the following beliefs among stakeholders: that the organization is providing beneficial, desired, and high quality services; that financial stability and growth are feasible; that leadership and management are excellent and motivated; and that sustainability initiatives are in harmony with stakeholders‟ beliefs. Pathfinder International, states that all these elements envelop constructive aspects of Non-Governmental Organization (NGOs).

According to Bowman (2011), an organization that is sustainable in the long term but unsustainable in the short term is likely to be short of cash. Conversely, an organization that is sustainable in the short term but not in the long term may have adequate cash but inflation will cause the value of its assets to erode over time. This, in turn, will cause the quantity and quality of services to diminish unless capital campaigns periodically bring infusions of new assets. The ultimate strategic goal of nonprofits’ financial outcomes is merely a means to accomplishing an organization’s social mission (Hackler & Saxton, 2007). Thus, a non profit organization’s ability to pursue its mission (i.e., providing consistent and quality programming and services) and its financial sustainability are linked.

According to Okorley and Nkrumah (2012), organisational sustainability is looked at by local NGOs from several aspects of organisation's activities. The scope includes the availability of funds, availability and quality of material resources, supportive leadership, development of needs-based and demand-driven programme and effective management. Okorley and Nkrumah continue to state that all these factors greatly affect the effectiveness and survival of local NGOs.

8. RESEARCH METHODOLOGY

The study employed explanatory research design. The design allowed the researcher to expose the respondents to a set of questions to allow comparison. The study focused on the registered and active NGOs in Nakuru. There are 79 registered NGOs operating in Nakuru. The study targeted financial officers and accountants working in every NGO in Nakuru. Therefore the study targeted a total of 79 respondents employed as finance officers in the NGOs. The study used sampling technique to select the respondents used in the study. 59 respondents were selected as the study respondents. The study employed the use of questionnaires as the main tools for collecting data. Questionnaires enabled the researcher to reach a large sample within a short time. The questionnaires were composed of short structured closed ended statement constructed on a 5 point Likert scale. The questionnaire was pilot tested for reliability and validity. The Cronbach’s alpha coefficient was used to to indicate the reliability of the questionnaire. Data collected from the questionnaires was analyzed, summarized, and interpreted accordingly with the aid of descriptive (Frequencies, percentages, means and standard deviations) as well as inferential (Pearson product moment correlation coefficient) statistics. Statistical Package for Social Sciences (SPSS) was used to analyse the collected data. The findings were presented in the form of tables and discussions thereof.

9. FINDINGS AND DISCUSSIONS

The researcher distributed 59 questionnaires out of which 45 questionnaires were returned. This represented a response rate of 76%. It is desirous by every researcher to seek 100% response rate but this normally not possible in research due to sampling measurement and coverage errors. A response rate below 51% is considered inadequate in social sciences (Pinsonneault & Kraemer, 1993). Babbie (1990) suggested that a response rate of 60% is good; 70% is very good. Hence, the response rate of 76% in this study was characterized as very good.

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9.1 Descriptive Statistics

9.1.1 Financing Decisions in NGOs

Analysis was done to assess respondents' views in regard to financing decisions in NGOs in Nakuru County. The distribution of responses in frequencies and percentages across the likert scale was established as well as the means and standard deviations. The findings from the analysis were as presented in Table 1.

Table 1: Descriptive Statistics on Financial Decisions

	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean	Std. Dev
Our NGO finances their operations through donor financing	35.6	51.1	8.9	0	4.4	4.13	.919
Our NGO use donations from corporate companies as their main source of finances	8.9	37.8	22.2	31.1	0	3.24	1.004
Our NGO makes wise financial decisions to maintain financial flexibility and ensuring survival of the business	26.7	24.4	26.7	20.0	2.2	3.53	1.160
Our NGO is able to solicit for government grants to finance its operations	6.7	40.0	26.7	4.4	22.2	3.04	1.278
Various stakeholders have helped finance the operations of this NGO	11.1	24.4	20.0	37.8	6.7	2.96	1.167
Managers make financial decisions on how much to finance capital investments	28.9	57.8	0	13.3	0	4.02	.917
The NGO runs some income generating projects that helps fund its operations	8.9	24.4	40.0	17.8	8.9	3.07	1.074
Valid N (listwise)	45						

Findings established that majority of the respondents agreed that their NGO finances their operations through donor financing. 86.7% of the respondents strongly and/or agreed that their NGOs finance their operations through donor financing registering a mean of 4.13 and a standard deviation of .919. Further, the respondents agreed that their NGO use donations from corporate companies as their main source of finances where 37.8% of the respondents strongly agreed while 8.9% of them agreed recording a mean of 3.24 and a standard deviation of 1.004. A mean of 3.53 and a standard deviation of 1.160 were registered where 51.1% of the respondents strongly and/or agreed that their NGO makes wise financial decisions to maintain financial flexibility and ensuring survival of the business. In addition, a mean of 3.04 and a standard deviation of 1.278 were registered where 46.7% of the respondents strongly and/or agreed, 20.0% of them were not sure while 44.5% of the respondents strongly and/or disagreed that their NGO is able to solicit for government grants to finance its operations. On the other hand, respondents disagreed with the statement that various stakeholders have helped finance the operations of this NGO. 37.8% of the respondents disagreed while 6.7% of them strongly agreed. This assertion had a mean of 2.96 and a standard deviation of 1.167. Further, the researcher observed that majority of the respondents agreed that managers make financial decisions on how much to finance capital investments. 57.8% and 28.9% of the respondents agreed and strongly agreed respectively registering a mean of 4.02 and a standard deviation of .917. It was also established that respondents were not sure whether the NGO runs some income generating projects that helps fund its operations. 40.0% of the respondents were neutral recording a mean of 3.07 and a standard deviation of 1.074. Save for two items on financing decision practices, all the other items had standard deviation values greater than one indicating that the respondents had very diverse opinions in regard to most of the items.

9.1.2 Operational Sustainability of NGOs

The study further sought to examine respondents' views in regard to operational sustainability of NGOs in Nakuru county Kenya. The frequencies expressed in percentages were examined across the Likert scale. The means and standard deviations of the responses were also computed. The findings from the analysis were as presented in Table 2.

Table 2: Descriptive Statistics on Operational Sustainability of NGOs

	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean	Std. Dev
Our NGO manage its operations effectively and efficiently in order to attain the set goals	33.3	64.4	2.2	0	0	4.29	.589
Our NGOs involves stakeholders in realizing the organizational goals	4.4	44.4	20.0	31.1	0	3.22	.951
The organization is able to complete its project within the stipulated timelines	11.1	51.1	4.4	31.1	2.2	3.38	1.114
The completion of projects in time is due to effective financial management in our NGO	37.8	35.6	26.7	0	0	3.11	.804
Accountability in financial resources have ensured sustainability of NGOs	20.0	71.1	0	8.9	0	4.02	.753
Our NGO have a reporting mechanism which enable the accountability of the available resources	13.3	48.9	20.0	17.8	0	3.58	.941
Valid N (listwise)	45						

From the table it was indicated that majority of the respondents agreed that their NGO manage its operations effectively and efficiently in order to attain the set goals. 64.4% of the respondents agreed while 33.3% of them strongly agreed with a mean of 4.29 and a standard deviation of .589. Respondents agreed that their NGOs involve stakeholders in realizing the organizational goals. 48.4% of the respondents strongly and/or agreed recording a mean of 3.22 and a standard deviation of .951. On the assertion that the organization is able to complete its project within the stipulated timelines, 51.1% and 11.1% of the respondents agreed and strongly agreed. This assertion had a mean of 3.38 and a standard deviation of 1.114. 37.8% of the respondents strongly agreed and 35.6% of them agreed that the completion of projects in time is due to effective financial management in their NGO. A mean of 3.11 and a standard deviation of .804 were registered. Respondents agreed that (M=4.02, SD=.753) accountability in financial resources have ensured sustainability of NGOs where 91.1% of the respondents strongly and/or agreed. Finally, the researcher observed that their NGO have a reporting mechanism which enables the accountability of the available resources. 48.9% of the respondents agreed while 20.0% of them strongly agreed recording a mean of 3.58 and a standard deviation of .941. Apart from one item in the questionnaire, respondents were in consensus with the other items having standard deviation values less than one.

9.2 Correlation Analysis

9.2.1 Financing Decisions and Operational Sustainability of NGOs

The study examined the relationship between financing decisions and operational sustainability of NGOs in Nakuru county Kenya. Pearson product moment correlation coefficient was used in this endeavor. The findings from the analysis were as presented in Table 3

Table 3: Correlation between Financing Decisions and Operational Sustainability

		Financing Decisions
Operational Sustainability	Pearson Correlation	.575**
	Sig. (2-tailed)	.000
	N	45

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

The Table 4.9 demonstrated the existence of an average positive significant (r=.575, p=.000) relationship between financing decisions and operational sustainability of NGOs in Nakuru county. Hence, the operational sustainability of NGOs is dependent on financing decisions in the NGOs. Hence making the right financing decisions goes a long way in enhancing the operational sustainability of the NGOs. As such, ensuring operational sustainability in NGOs would be dependent on the right choices in financing decisions. Kibet (2009) found out that decisions are important because of the need to maximize returns to various organizational constituencies, and also because of the impact such a decision has on an organization's ability to deal with its competitive environment. A financial plan consists of sets of financial statements that forecast the resource implications of making business decisions. For example, a company that is deciding to expand e.g. by buying and fitting out a new factory will create a financial decision which considers the resources required and the financial performance that will justify their use (Arnold & Chapman, 2014).

10. CONCLUSIONS AND RECOMMENDATIONS

10.1 Conclusions of the Study

The study concluded that financing decisions significantly influence operational sustainability of NGOs. Various sources of financing were highlighted to be relied on by the NGOs including donor financing, government grants and shareholders investments. Various other means of financing could be explored with better financing decisions. As such, the operational sustainability of NGOs is significantly dependent on the financing decisions of its top management.

10.2 Recommendations of the Study

The study recommended that the NGOs in Nakuru town should come up with a policy framework to help them with better financing decisions. Findings indicated that financing decisions significantly influence the operational sustainability of the NGOs. Hence, a good policy framework will ensure that financing decisions are made based on a given standard. This will help the NGOs avoid cases of poor resource allocation that jeopardize operational sustainability in the NGOs.

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