

INFLUENCE OF FUNDING ON THE FINANCIAL SUSTAINABILITY OF LOCAL NON-GOVERNMENTAL ORGANIZATIONS' PROGRAMS IN KENYA: A SURVEY STUDY OF MOMBASA COUNTY

¹Irene Kalunda Kiminza, ²Dr. Fred Mugambi

¹ Master of Business Administration option Finance student, College of Human Resource Development
² (Phd), Senior Lecturer, COHRED, Jomo Kenyatta University of Agriculture and Technology

Abstract: The study sought to establish the influence of funding on the sustainability of programs of local non-governmental organizations in Mombasa County, Kenya. To achieve this, the study was guided by the following specific objectives: To determine the influence of the financial system on the sustainability of local NGOs programs and activities in Mombasa County; To determine the extent to which grant policies affect the sustainability of local NGOs programs and activities; To investigate the funding structure and its influence on sustainability of local NGOs programs and activities and; To establish the effect of budget variance on the sustainability of local NGOs programs and activities. Descriptive survey design was used for analyzing the influence of funding on the sustainability of programs of local non-governmental organizations in Mombasa County. The target population for this study was 97 NGOs that have been in existence for a period of not less than five years and operate in Mombasa County. Data collected was largely quantitative and was analyzed by descriptive analysis including SPSS (V. 21.0) and MS Excel. Quantitative data was presented through the use of statistical techniques such as bar charts, pie charts, percentages and frequency counts. Qualitative data was presented descriptively. From the findings presented majority of the respondents covered in this study were male, on distribution of respondents by the highest level of education attained, majority of the respondents had a degree followed by those who had a Diploma. Majority of the organizations are registered as Non-governmental organization (NGO). The findings indicate that nearly all, organizations received funding from external donors. From the findings it can be majority organizations represented in the study got funding from the external donors. The study findings showed that the funding of NGOs came from sources such as traditional fundraising as indicated by most of the respondents. The study results indicate that most of the respondents were of the opinion that grant policies affect the sustainability of local NGOs programs and activities. The findings reveal that majority of the local non-governmental organizations with access to funding have committees at the top of their organizations structure, with executive committees leading followed by organizations led by non-executive committees, few organizations are led by the boards. The study concluded that NGOs receive funds mostly from external donors and other private donors. International donors are more often restrictive on the kind of activities that can be carried out with their donations. Though some NGOs have invested in economic activities to get extra funds for their activities, these types of investments are rare and occur at small quantities. Finally, the study concludes that majority of local NGOs that have access to funding from both internal sources were community-based organizations. The recommendation is that the government should consider funding local NGOs as they play a crucial role in community development. This will enable them initiate and implement development projects while

limiting dependency on external funding. Finally there commendation is that the Local NGOs should strengthen their institutions of governance; strong boards and committees made up of members with skills from diverse backgrounds, competence and expertise are more likely to attract multiple sources of funding to implement their strategic plans.

Keywords: influence of funding, sustainability, programs, NGOs, strategic plans.

1. INTRODUCTION

1.1 General Objective:

The study sought to establish the influence of funding on the financial sustainability of programs of local non-governmental organizations in Mombasa County, Kenya.

1.2 Objectives of the Study:

1. To determine the influence of the financial system on the financial sustainability of local NGOs programs and activities in Mombasa County.
2. To determine the extent to which grant policies affect the financial sustainability of local NGOs programs and activities in Mombasa County.
3. To investigate the influence of funding structure on financial sustainability of local NGOs programs and activities in Mombasa County.
4. To find out how the sources of funding influences the sustainability of local NGOs programs and activities in Mombasa County.

1.3 Research Hypothesis:

1. **H₁** Financial systems greatly influence the financial sustainability of local NGOs programs and activities in Mombasa County.
2. **H₂** There is a strong relationship between grant policies and the financial sustainability of local NGOs programs and activities in Mombasa County.
3. **H₃** Sources of funding affects the effectiveness of financial sustainability of local NGOs programs and activities in Mombasa County.
4. **H₄** The funding structure greatly affects and the financial sustainability of local NGOs programs and activities in Mombasa County.

2. LITERATURE REVIEW

2.1 Introduction:

This chapter reviews relevant literature on the influence of funding on the sustainability of programs of local non-governmental organizations. The chapter develops theoretical review, conceptual framework, empirical review that was used in the study in regard to each variable in the study. The review identified research gaps and areas that have been recommended for further research.

2.2 Theoretical Review:

2.2.1 Budgetary Incremental Theory:

Reddick (2003) argues that literature on budgetary decisions in the public sector is dominated by the theory of incrementalism and its various meanings. This theory suggests that policy makers use the rule of the thumb in order to deal with technical complexity of expenditure decisions. The nature of these simple decision rules has been investigated by studies of budgeting in International Organizational, National Governments, State and Local Governments. A recent application of incrementalism at the sub national level was an examination of local government expenditure in the United Kingdom (UK). The people who design the budget are concerned with relatively small increments to an existing base denoted as a fair share. It follows that budgeting is incremental to the extent that it results in marginal change in expenditure. Evidence of substantial annual shifts in spending would counts as evidence of non-incremental budgeting. Incrementalism has two core attributes-marginality and regularity in outputs.

2.2.2 The Monetary Approach Theory:

Krueger (1983), the approach originated from the work of a group of economists, primarily teaching at or trained at the University of Chicago led by Mondell and Jonhson. That work had been preceded by the work of Polak and others at the IMF in the late 1950s and early 1960s. Praise (1961) and Kemp (1962) had earlier provided models capturing the essentials features of the monetary stocks flow adjustments process that were surprisingly neglected by the profession.

2.2.3 The Systems Theory:

The system theory was developed by biologist Ludwig Von Bertalanffy. Littlejohn (1983) defines a system as a set of objects or entities that interrelate with one another to form a whole. System theory is basically concerned with problems or relationships, of structures, and of inter-dependence, rather than with the constant attributes of object. The systems theory views an organization as a social system consisting of individuals who cooperate within a formal framework, drawing resources, people, finance from their environment and putting back into that environment the products they produce or the services they offer. This theory is based on the view that managers should focus on the role played by each part of an organization; rather than dealing separately with the parts (Hannagan, 2002).

2.3 Review of Variables:

2.3.1 Financial systems and how they influence local NGOs programs and activities:

Financial systems refer to accounting records and financial statements showing performance and cash flow projections that determine financial sustainability of local NGOs programs and activities. Khan & Hare (2005) noted that for the NGO to be financially sustainable it must have financial systems and procedures that provide clear and timely accounts of the financial position of the organization, reduce the costs of providing services, recover costs of service provision from clients and community, raise resources through institutional earnings and use assets to attract and leverage resources from the community, the government and different donors.

2.3.2 Grant policies and its influence on the sustainability of local NGOs programs and activities:

A policy is a statement of intent and is implemented as a procedure adopted by the board or senior governors. This is a process of making important organizational decision on the basis of how the decision will affect them. Policies are clear simple statements of how your organizations intend to conduct its services action or business. Policy is a principle or protocol to guide decision and achieve rational outcomes. A policy is a guide of action, outlines rules, and reflects values and beliefs state and intention of doing something (Adapted by rural communities, impacting policy- A work book, 2005).

Grant policies can be important because they influence how contracts are prepared, the duration of funding, and what is funded. OECD report (1989) identified important donor policies related to factors that affect programs sustainability. These included: Planning horizon, delivery and contracting mechanisms and operation and maintenance costs (Lyson et al 2001).It is now widely recognized that the usual three to five year planning horizon for development programs and projects is often inadequate in terms of promoting sustainable benefits, particularly when behavioral and institutional change are included in the objectives or if there are multiple local agencies involved or a wide geographical spread (Clark, 2006).

2.3.3 Funding structure and its influence on sustainability of local NGOs programs and activities:

Programs funding is a way of raising capital for a programs to be implemented in a number of different ways through bank loans, borrowing grants among other factors. It is based on non-resource or limited resources that are available where programs debt and equity used to finance the programs as being paid back by the cash flow generated by the programs or progress of the assets. It's a brilliant financing solution that demand as long term lending approach and also pay back period (Richards, 2006).Programs funding can also be raising funds to finance an economically separable capita investment programs. He further describes that is a financing a particular economic unit in which a leader is satisfied to look initially to the cash flow and earning that particular economic unit as the source of funds which later will enable the programs manager to repay the loan and the asset of the economic unit as collateral for the loan (Freeman, 2003).

2.3.4 Sources of Funds on the Sustainability of local NGOs Programs and Activities:

In their study of East African local NGOs, Semboja and Therkildsen (2005), found that much local NGO funding comes from international donors. Hulme and Edwards (2001 cited in Barr et al., 2005) also emphasize the role of international donors in local NGO funding. Lee (2001) also revealed that there are three sectors from which NGOs can derive their resources. These are the private sector, the general public and government/public sector. Resources from each of these

sectors can originate from both external sources (i.e. international) and local (i.e. domestic or municipal public and private donors). More (2005) in a similar vein indicates that NGO revenue falls within three broad categories. They include government funding, private giving and self-generated income.

Salamon and Anheier (1996 cited in Barr et al., 2005) find that NGO funding comes from three main sources. These are the private sector, public sector and self-generating income. The authors found that 10 percent of the Local NGOs funding come from private charitable giving; 43 percent come from government support and public sector payments, including grants and contracts; and 47 percent come from private fees and payments, often originating in the sale of services or products

3. RESEARCH METHODOLOGY

3.1 Introduction:

This chapter presents the methodology that was used to carry out the study. It covered the research design, the target population, data collection instruments and procedures and the data analysis.

3.2 Research Design:

Descriptive survey design was used for analyzing the influence of funding on the financial sustainability of programs of local non-governmental organizations in Mombasa County. This survey study assessed the stated variables and their influence on local NGOs sustainability. Kombo and Tromp, (2006) argues that a survey design is appropriate for collecting, classifying, analyzing, comparing and interpreting data. Both quantitative (numbers) and qualitative (words) research methods can be used to complement each other. The interaction between the variables of this study investigated through a descriptive survey.

3.3 Sample size and Sampling Technique:

3.3.1 Sample Size:

According to Mugenda and Mugenda (2003), a sample of 10-30% is good enough if well-chosen and the elements in the sample are more than 30. The following formula was used in the study to determine sample size:

From the above population of 410 possible respondents, a sample of 30% of the population was taken using stratified random sample which gives each item in the population an equal probability of being selected. 123 respondents was selected representing a population of 410 using Stratified random sampling by taking 30% of the target population in each stratum.

The sample size of this study is calculated using formula suggested by (Cooper and Emory 1995) as shown below. Where:

n is the desired sample size (if target population is greater than 10,000)

Z is the degree of confidence chosen at 95% confidence level

P is the proportion in the target population estimated to have characteristics being measured

50% is chosen as recommended by Fisher et al (1999).

q is the proportion in the target population estimated having no characteristics being measured =0.3(1-p)

L is the level of statistical significance set at 5%

$$N1 = \frac{n}{1+(n/N)} = \frac{1.96^2 \times 0.3 \times 0.5}{(0.05)^2} = 123$$

N1 is a sample size when target population is less than 10,000

The sample size was 123.

3.3.2 Data Analysis:

In order to analyze collected data Mugenda, (2008) observed that, a researcher needs to have the following information about the statistical data analysis tools namely: descriptive, inferential and test statistics. Before processing the responses, the completed questionnaire was checked for completeness to ensure consistency. The data was then be coded to enable the responses to be grouped into various categories.

Data collected was largely quantitative and was analyzed by descriptive analysis including SPSS (V. 21.0) and MS Excel to describe the data and determine the influence of funding on the financial sustainability of programs of local non-governmental organizations in Mombasa County.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Whereby Y = financial sustainability of local NGOs programs and activities

X1 = Financial Systems

X2 = Grant policies

X3 = Sources Of Funding

X4 = Funding Structure

ϵ = Error term/Erroneous variables

4. DATA ANALYSIS AND PRESENTATION

4.1 Introduction:

This chapter presents data collected from the field, its analysis, and finally the interpretation of the findings on the influence of funding on the financial sustainability of programs of local non-governmental organizations in Mombasa County, Kenya. The data is presented in form of tables, charts and graphs.

4.2 Response Rate:

Out of the 123 respondents targeted by this study 104 filled in and returned the questionnaires making a response rate of 95%. This response rate was excellent and representative and conform to Mugenda and Mugenda (2003) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. This implies that based on this assertion, the response rate in this case of 95% is therefore very good.

4.3 Background information of the Respondents:

4.3.1 Distribution of Respondents by Gender:

The research sought to find out the gender distribution of the respondents as shown in the figure 4.1:

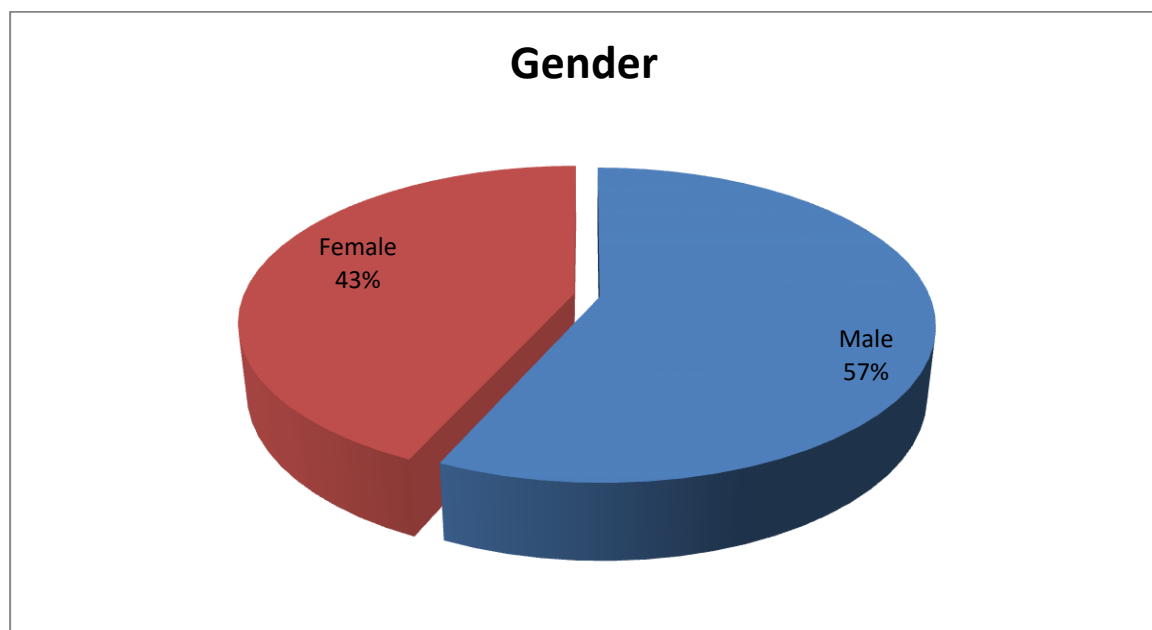


Figure 4.1: Distribution of Respondents by Gender

From the findings presented in Figure 4.1 above, 43% of the respondents covered in this study were female while male respondents made up 57% of the respondents. The majority of the respondents were male.

4.3.2 Distribution of Respondents by Age Bracket:

The study sought to find out the age distribution of the respondents as shown in the figure 4.2 below:

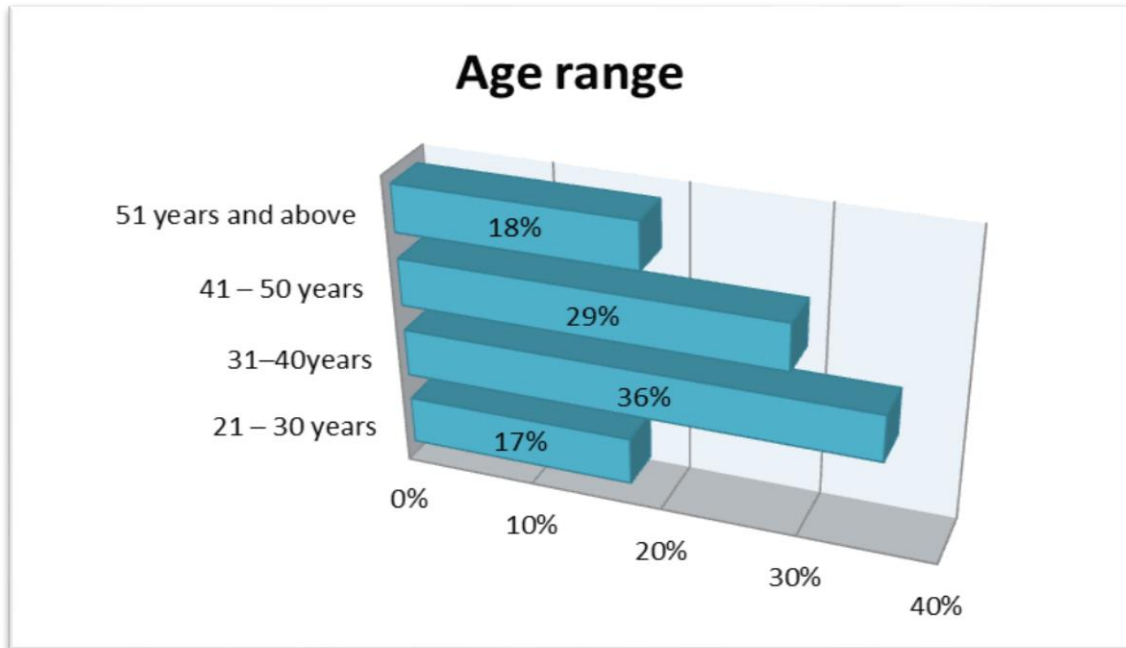


Figure 4.2: Age Bracket

Table 4.2 above presents findings on distribution of respondents by age category. From the findings, the age category of between 21 –30 years up the 17%of the respondents. Majority (36%) of the respondents were between 31-40 years, 29% of the respondents were between 41-50 years old while as 18% of the respondents Above 51 years old.

4.3.3 Distribution of respondents by level of education:

The study further sought to establish the highest level of education attained by the respondents as shown below:

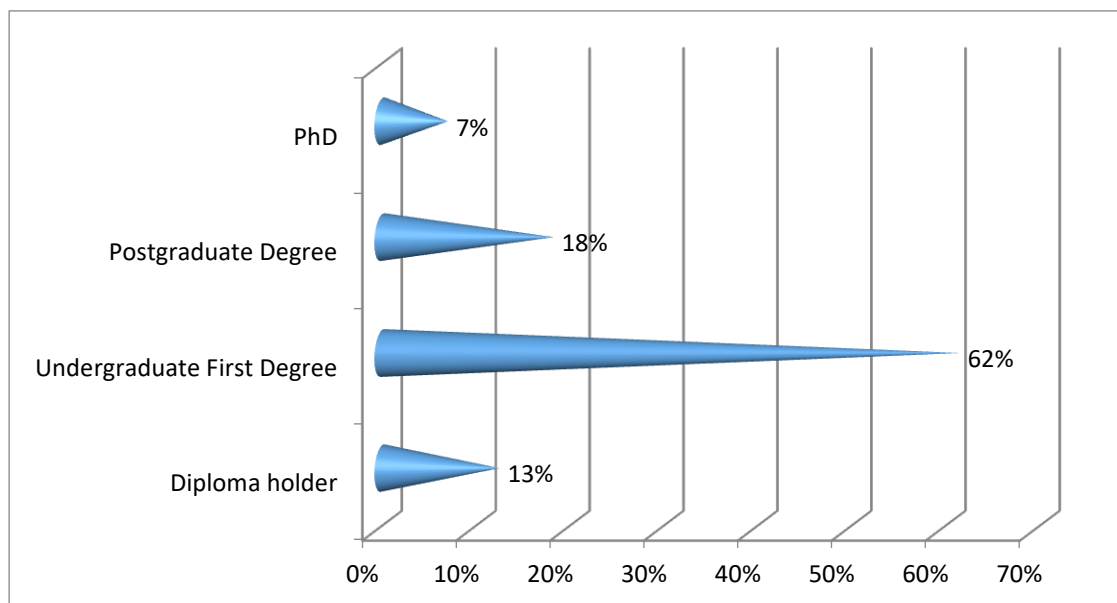


Figure 4.3: Education levels of respondents

Figure above present's findings on distribution of respondents by the highest level of education attained. From the findings, majority (62%) of the respondents had a degree followed by 18% who had a post graduate, 13% of the respondents were diploma holders while as 7% had their masters.

4.3.4 Length of the time working with the NGO:

The study sought to determine the length of time that the respondents had been working with the NGOs (in years). The findings were presented in the figure below:

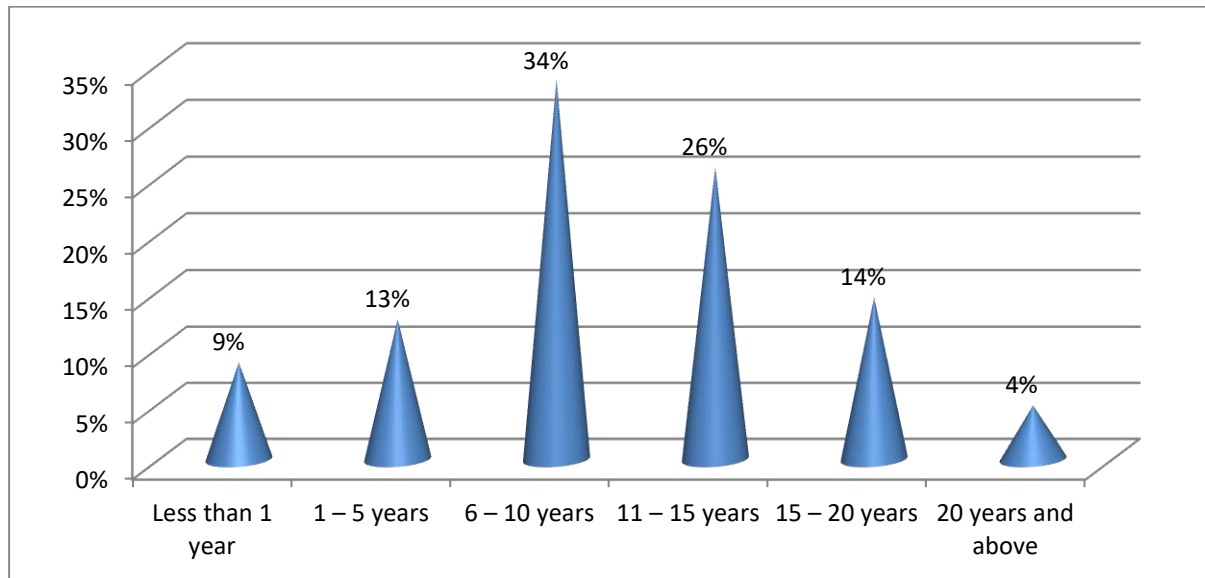


Figure 4.4: Length of time working with the NGO

The figure above present’s findings on length of time that the respondents had been working with the NGOs (in years).From the findings, 9% of the respondents had been working with the NGOs for Less than 1 year, 13% had been working with the NGOs for between 1-5 years, 34% had been working with the NGOs for between 6-10 years, 26% had been working with the NGOs for between 11-15 years, 14% had been working with the NGOs for between 11-15 years while another 4% had been working with the NGOs for over 20years.

4.3.5 Registration status of the Organization:

The study sought to determine the registration status of the organization. The findings were presented in the figure below:

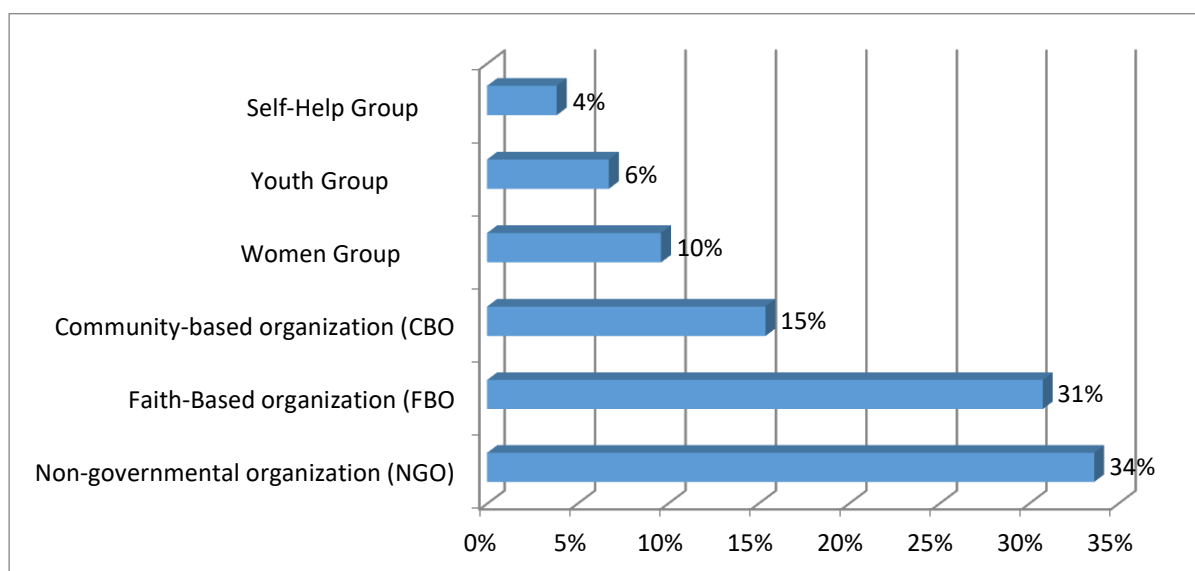


Figure 4.5: Registration Status

From the findings, majority 34% of the organizations are registered as Non-governmental organization (NGO), followed by 31% of the organizations that are registered as Faith-Based organization (FBO), 15% of the organizations are registered as Community-based organization (CBO) 10% of the organizations are registered as Women Groups 6% of the organizations are registered as Youth Group while as 4% of the organizations are registered as Self-Help Group.

4.4 Financial Systems:

The study sought to find out whether Financial Systems affects the sustainability of local NGOs programs and activities.

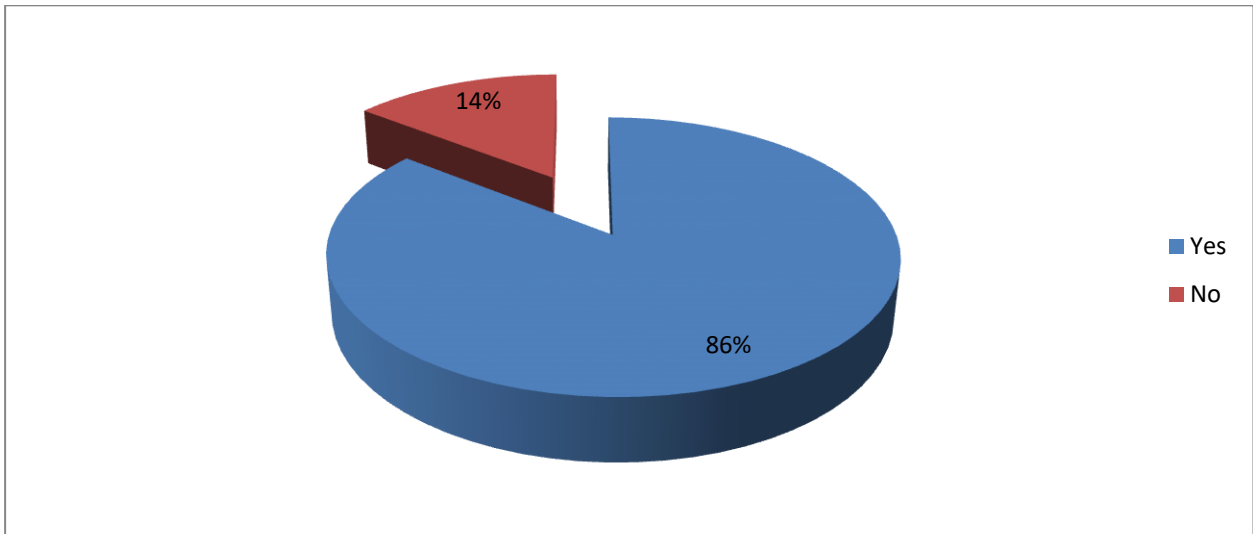


Figure 4.6: Financial Systems

The study results indicate that 86% of the respondents were of the opinion that Financial Systems affect the sustainability of local NGOs programs and activities while 14% were of the opinion that Financial Systems do not affect the sustainability of local NGOs programs and activities.

The study further sought to establish the extent to which Financial Systems affect the sustainability of local NGOs programs and activities. The study findings were as shown below.

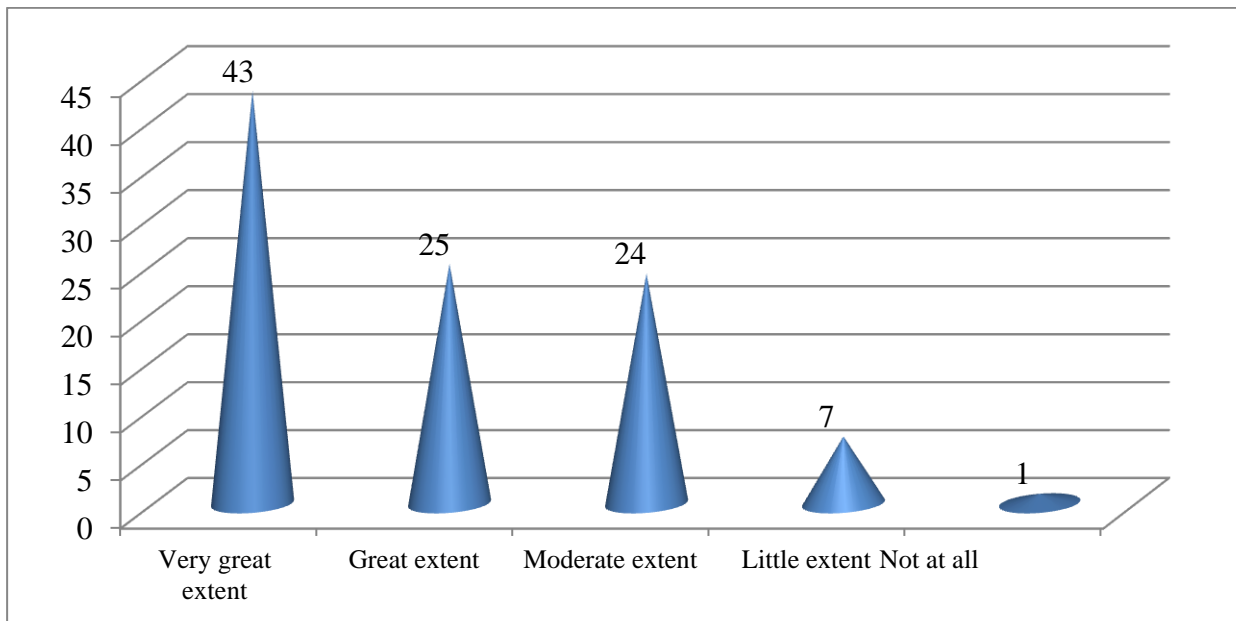


Figure 4.7: Extents to which financial systems affect the sustainability

The study results indicate that Financial Systems affect the sustainability of local NGOs programs and activities by 43% to Very great extent, 25% of the respondents were of the opinion that Financial Systems affect the sustainability of local NGOs programs and activities to great extent, 24% of the respondents were of the opinion that Financial Systems affect the sustainability of local NGOs programs and activities to Moderate extent, 7% of the respondents were of the opinion that Financial Systems affect the sustainability of local NGOs programs and activities to Low extent while as 1% of the respondents were of the opinion that Financial Systems do not affect the sustainability of local NGOs programs and activities at all.

4.5 Grant Policies:

4.5.1 Sustainability of local NGOs programs:

The study sought to find out whether grant policies affect the sustainability of local NGOs programs and activities.

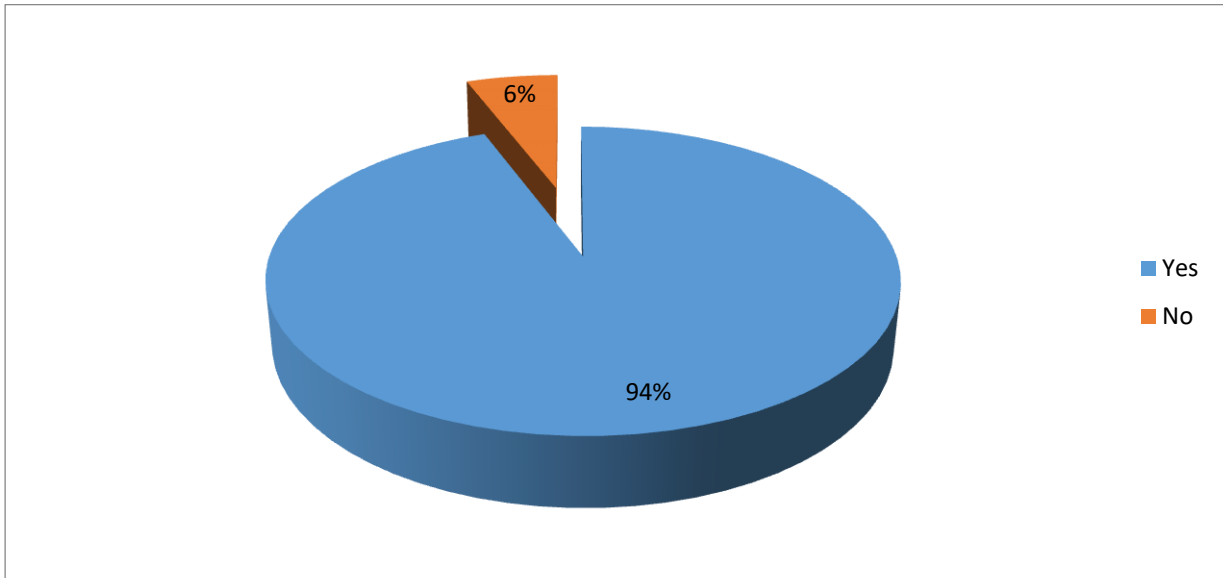


Figure 4.8: Sustainability of Local NGOs Programs

The study results indicate that 94% of the respondents were of the opinion that grant policies affect the sustainability of local NGOs programs and activities while 6% were of the opinion that grant policies do not affect the sustainability of local NGOs programs and activities. The study further sought to establish the extent to which grant policies affect the sustainability of local NGOs programs and activities. The study findings were as shown below;

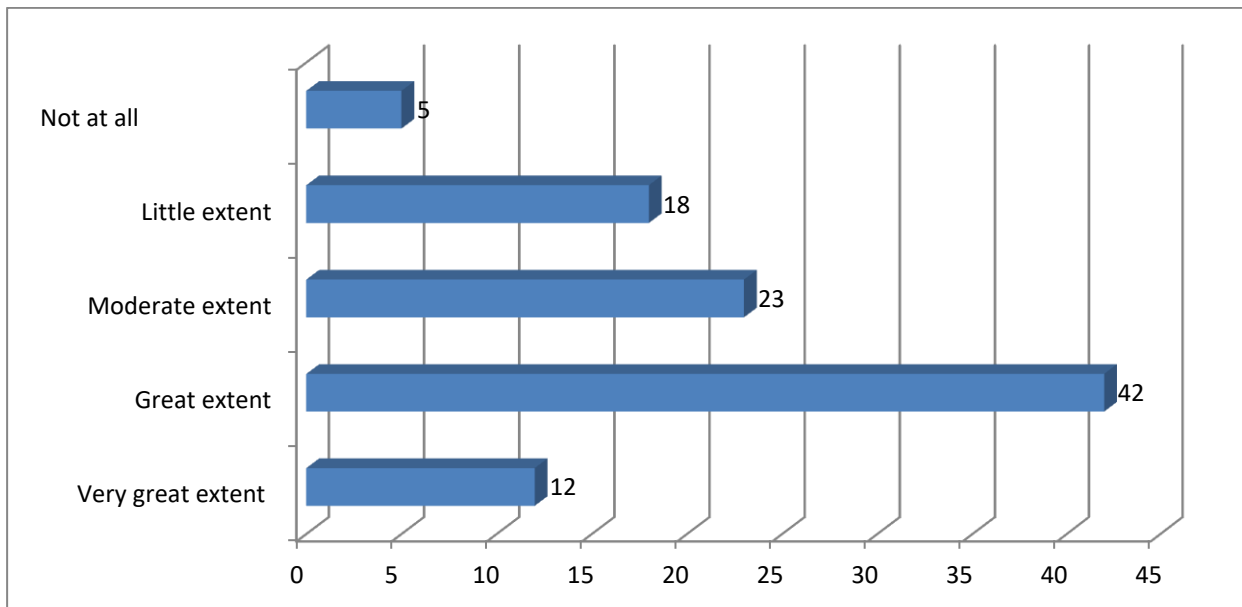


Figure 4.9: Extents to which grant policies affect the sustainability of local NGOs programs

The study results indicate that policies affect the sustainability of local NGOs programs and activities by 12% to Very great extent, majority 42% of the respondents were of the opinion that policies affect the sustainability of local NGOs programs and activities to great extent, 23% of the respondents were of the opinion that policies affect the sustainability of local NGOs programs and activities to a Moderate extent, 18% of the respondents were of the opinion that policies affect the sustainability of local NGOs programs and activities to Low extent while as 5% of the respondents were of the opinion that policies do not affect the sustainability of local NGOs programs and activities at all.

4.6 Sources of Funding:

4.6.1 Source of Funds:

The study sought to establish the Source of funds NGOs. The findings were presented in the figure below:

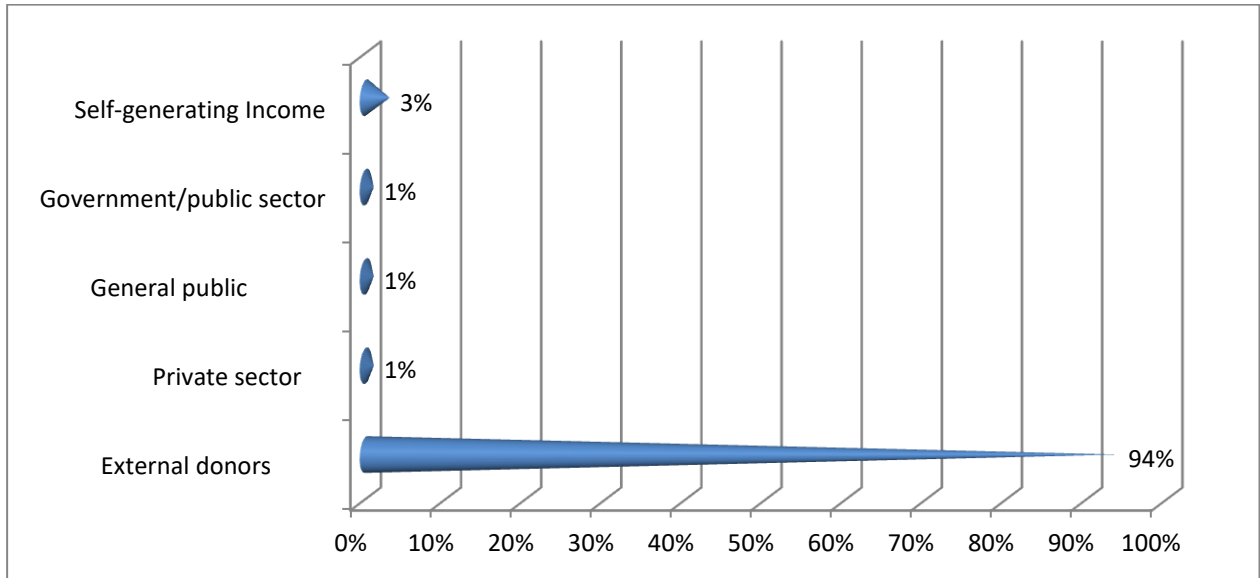


Figure 4.10: Sources of Funds

The findings from the Figure above indicate that nearly all, 94% organizations received funding from external donors. Only 1% respondents indicated that their funding came from the private sector while 1% respondents said of government as a source of funding for their organization. The study also found out that there were 1% respondents who indicate that their organization received funding from the general public with other 3% respondents indicating self-generated capital as a source of funding for their organization. From the findings it can be concluded that majority organizations represented in the study got funding from the external donors. NGOs in developing countries are reliant on external donations from much developed countries.

4.6.2 Nature of Funding Available to Local NGOs:

The study asked the respondents to indicate if the funding by donors was done in form of monetary or material resources. A pie chart was used to present the findings as below

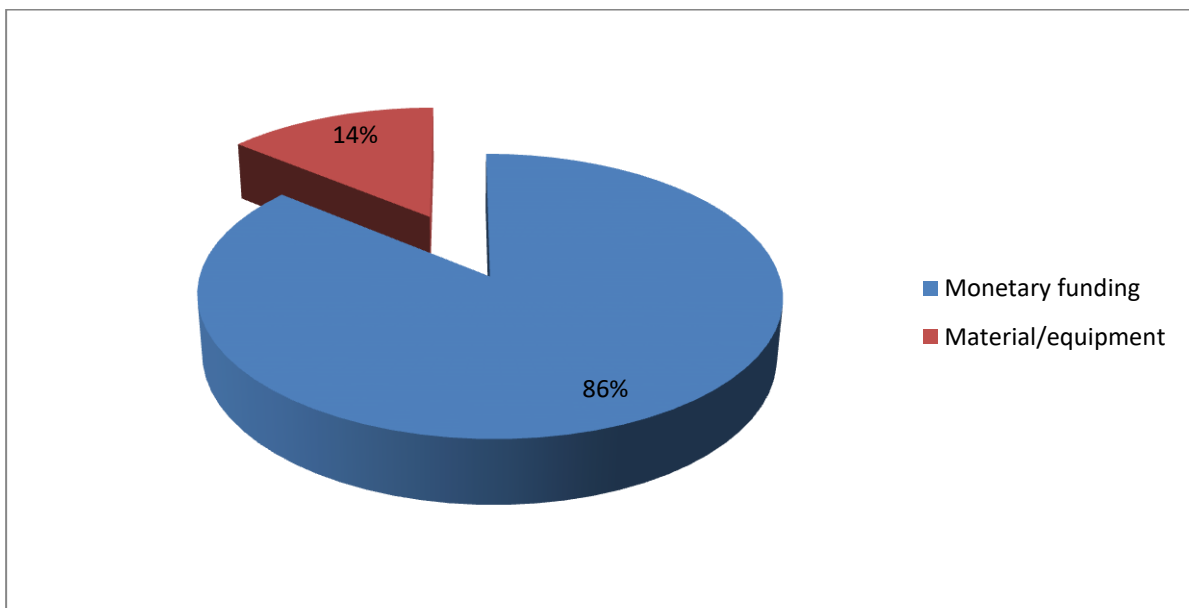


Figure 4.11: Nature of Funding

The study found out that majority (86%) of respondents indicated that funding received was inform of monetary resources while the rest of the respondents (14%) received support in terms of material and equipment.

4.6.3 Other Sources of Income Apart From Funding:

The study investigated if there were other sources of funding available for the NGOs represented on the study. The study findings showed that there were NGOs with alternative sources as the Table below indicates.

Table 4.1: Other Sources of Income

Other Sources of Income	Frequency	Percent %
Traditional Fundraising	89	86%
Investment through social enterprises	15	14%
Total	104	100%

The study findings showed that the respondents suggested that funding of NGOs came from sources such as traditional fundraising as indicated by 86% of the respondents. The traditional fundraising programme focus on individual donations, bequests, direct marketing campaigns, telemarketing, and internet giving and one time/recurring fundraising event. 14% of respondents in this study said that funding s came from investment outcomes. Profits accrued from these activities build up an NGO’s discretionary financial assets that can be used to fund NGOs institutional costs, future investments, new products and services, etc. In 2004, United States NGOs were able to increase their funding to 80 percent through social enterprise. NGOs are able to engage directly in economic activities, within certain defined limitations. Incomes from these investment activities are able to support NGOs’ agenda.

4.6.4 Factors Hindering the Choice of Funding:

The study sought to find out from respondents the challenges/problems faced in both external and internal sources of funding to their organizations. The findings were analyzed and shown in the Table below, in the two categories.

Table 4.2: Factors Hindering the Choice of Funding

Factors hindering the choice of funding	Frequency	Percent %
External Sources		
External funding is usually short-term	23	22%
Restrictions and strategic focus of potential organizations	18	17%
Internal Sources		
Internal sources do not provide enough sources	52	50%
Internal donors interfere with the operation of organization	11	11%
Total	104	100

From the table, it is clear that more respondents indicated that they faced challenges from external sources than the ones talking of internal sources. Asked on internal sources, (50%) of

the respondents talked of internal sources not providing sufficient sources. This was identified as the reason why most of these NGOs prefer to rely on external sources. Only 11% of the respondents observed that internal donors interfered with the operations of NGOs. 22% of the respondents indicated external funding is usually short-term, while 17% of the respondents indicated that Restrictions and strategic focus of potential organizations the study concluded that external sources of funding came with more challenges compared to internal sources.

4.7 Financial Structure:

The study sought to establish the top-decision making structures of local NGOs that have a lot of influence on their potential to access funding. The findings were analyzed and presented in Table below.

Table 4.3: Making Structures of Local NGOs

	Frequency	Percent
Executive board	11	11%
Non-executive board	17	16%
Executive committee	52	50%
Non-executive committee	24	23%
Total	104	100%

The findings shown in the Table above reveal that majority of the local non-governmental organizations with access to funding have committees at the top of their organizations structure, with executive committees leading at 50% followed by organizations led by non-executive committees at 23%. Few organizations are led by executive boards 11% while as 16% of the respondents indicating non-executive boards at the top of organizational structure.

4.7.1 Composition of the board/committee:

The study deliberated to determine the method adopted by local NGOs in constituting their boards or committees. The results were analyzed and presented in a bar graph, Figure below

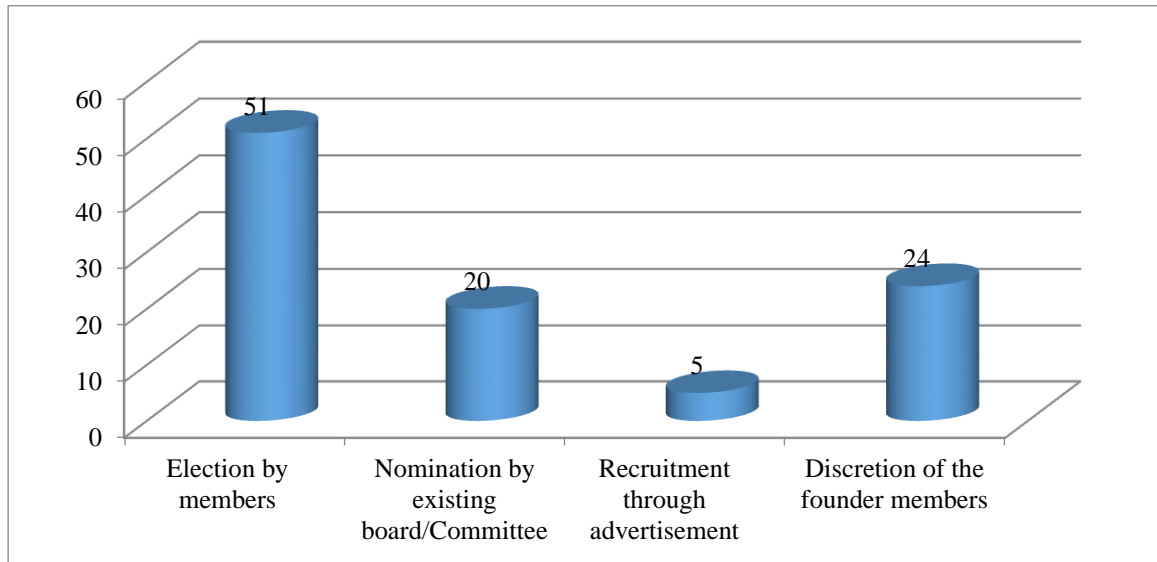


Figure 4.12: Composition of the board/committee

From the above findings, it's evident that majority of local NGOs conduct elections of members of their committees or boards, 51% of the respondents responded that they conduct elections in order to constitute their boards or committees. Other organizations rely on discretion of founder members (24%) to decide who sits in their boards or committees. 20% of the respondents pointed nomination as the preferred method while only 5% of the respondents go through recruitment process where vacant positions are advertised for interested persons to apply.

4.7.2 The length of period that members of the board/committee

The study sought to establish the tenure of board/committee members of local NGOs. The finding were analyzed and presented in Table below

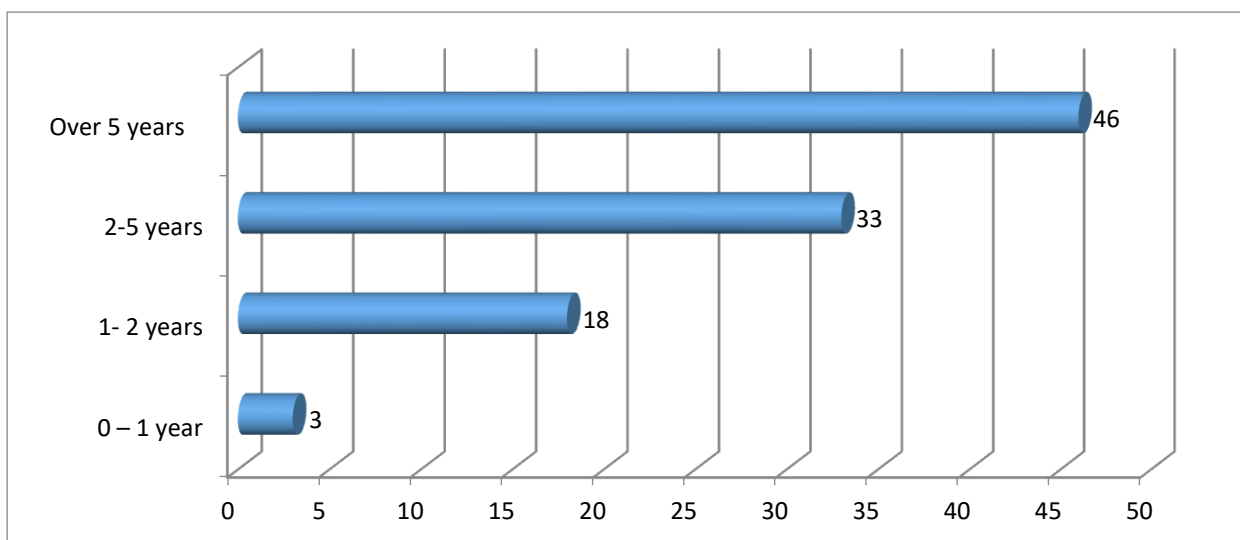


Figure 4.13: the length of period that members of the board/committee

The findings reveal that on the question of how long do members of the board or committee serve, majority (46%) of the respondents responded that it was over 5 years, and 33% responded that it took a period of between 2 and 5 years. Other findings indicated 18% of the respondents indicated periods between 1 and 2 years, only 16 while 3% of the respondents quoted a period of less than 1 year.

4.7.3 Participation of board or committee members in fund raising and resource mobilization:

The study sought to establish the level of participation of board or committee members in fund raising and resource mobilization in the organizations. The findings were presented in the Figure below.

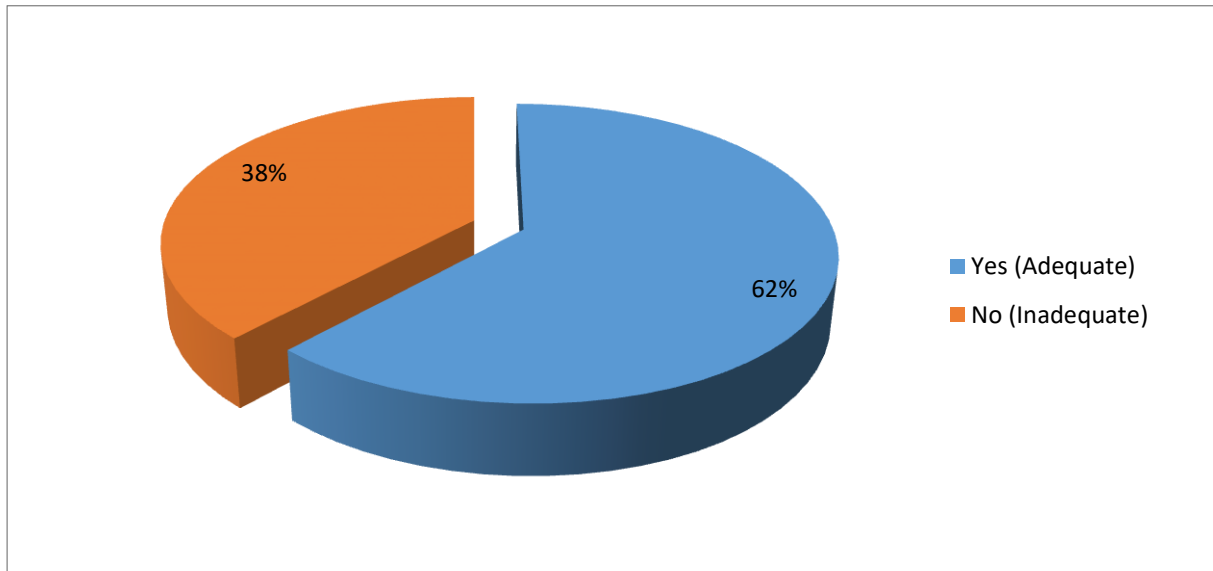


Figure 4.14: Participation of board or committee members in fund raising and resource mobilization

The findings reveal that majority of the respondents 62% responded that there was inadequate participation by board/ committee members on resources mobilization activities in their organizations while 38% thought there was adequate participation by board/ committee members in exploiting funding opportunities for their organizations. The study further established the reasons for inadequate participation of board/ committee members in fundraising activities and the results were analyzed and presented in the Table below:

	Frequency	Percent
No adequate budget for board/committee activities	17	16%
Limited understanding of board/committee members of their roles and responsibilities	39	38%
Inadequate capacity of board/committee members on the mission and vision of the organization	19	18%
Poor leadership and patronage in the organization	26	25%
Lack of interest among board/committee members on the activities of the organization	3	3%
Total	104	100%

The above findings indicate that 38% of the respondents sighted limited understanding of board/ committee members on their roles and responsibilities of fund raising and resource mobilization. 18% of the responses indicate that lack of capacity of board/ committee members on mission and vision of their organizations limited their contribution towards fundraising and resource mobilization. 16% of the respondents pointed out lack of or inadequate budget for board activities. 25% blamed poor leadership and patronage in the organization while only 3% sighted lack of interest among board/ committee members on the organization's activities.

4.8 Regression Analysis:

The researcher conducted a multiple regression analysis so as to determine the influence of funding on the financial sustainability of programs of local non-governmental organizations. The researcher applied the statistical package for social sciences (SPSS) to code, enter and compute the measurements of the multiple regressions for the study.

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$$

Whereby **Y** = financial sustainability of local NGOs programs and activities

X1 = Financial Systems

X2 = Grant policies

X3 = Funding Structure

X4 = Sources of funds

ε = Error term/Erroneous variables

Table 4.4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.897	0.806	0.233	0.2764

Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (financial sustainability of local NGOs programs and activities). That is explained by all the four independent variables (Grant policies, Funding Structure, Sources of funds and Financial Systems).

The four independent variables that were studied, explain only 80.6percent of the factors influencing funding on the financial sustainability of programs of local non-governmental organizations as represented by the R². This therefore means that other factors not studied in this research contribute 19.4percent of the factors influencing funding on the financial sustainability of programs of local non-governmental organizations. Therefore, further research should be conducted to investigate the other factor (19.4percent) that influence funding on the financial sustainability of programs of local non-governmental organizations.

ANOVA:

The significance value is .0000 which is less than 0.05 thus the model is statistically significant in predicting Grant policies, Funding Structure, Sources of funds and Financial Systems. The F critical at 5percent level of significance was 7.9. Since F calculated is greater than the F critical (value = 53.1233), this shows that the overall model was significant.

Table 4.5: ANOVA (Analysis of Variance)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.342	5	.254	53.1233	.0000
	Residual	99.970	59	1.244		
	Total	109.685	64			

Coefficient of Determination:

a. Predictors: (Constant), Grant policies, Funding Structure, Sources of funds and Financial Systems

b. financial sustainability of local NGOs programs and activities

The researcher conducted a multiple regression analysis so as to determine the relationship between Y and the three variables. As per the SPSS generated table 4.2, the equation ($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$) becomes:

$$Y = 2.976 + 0.877X_1 + 0.705X_2 + 0.605X_3 + 0.588X_4 + \epsilon$$

Where Y is the dependent variable (financial sustainability of local NGOs programs and activities), X₁ is the Grant policies, X₂ is Funding Structure, X₃ is Sources of funds and X₄ is Financial Systems.

According to the regression equation established, taking all factors into account (Grant policies, Funding Structure, Sources of funds and Financial Systems) constant at zero, financial sustainability of local NGOs programs and activities will be 2.976. The data findings analyzed also show that taking all other independent variables at zero, a unit increase in Grant policies variable will lead to a 0.877 increase in financial sustainability of local NGOs programs and activities; a unit increase in Funding Structure variable will lead to a 0.705 increase in financial sustainability of local NGOs programs and activities, a unit increase in Sources of funds variable will lead to a 0.605 increase in financial sustainability of local

NGOs programs and activities while as a unit increase in Financial Systems variable will lead to a 0.588 increase in financial sustainability of local NGOs programs and activities. This concludes that Grant policies contribute more to the financial sustainability of local NGOs programs and activities followed by Funding Structure.

At 5 percent level of significance and 95 percent level of confidence, Grant policies had a 0.001 level of significance; Funding Structure showed a 0.002 level of significant, Sources of funds showed a 0.003 level of significant and Financial Systems showed a 0.005 level of significant; hence the most significant factor is Grant policies.

Table 4.6: Coefficient of Determination

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.976	1.384		0.978	0.003
Grant policies	0.877	0.159	0.897	0.997	0.001
Funding Structure	0.705	0.085	0.455	0.707	0.002
Sources of funds	0.605	0.145	0.326	0.769	0.003
Financial Systems	0.588	0.067	0.219	0.609	0.005

5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction:

The following chapter presents a summary of the findings on the influence of funding on the financial sustainability of programs of local non-governmental organizations in Mombasa County. The chapter further presents conclusions from the study and recommendations that were made after considering the study findings and conclusions.

5.2 Summary of Findings:

From the findings presented 43% of the respondents covered in this study were female while male respondents made up 57% of the respondents, 9% of the respondents were of age category of below 20 years, while age category 41-50 years made up 18%. Findings on distribution of respondents by the highest level of education attained, majority (41%) of the respondents had a degree followed by 23% who had a Diploma. 18% of the respondents had attained Secondary level education while as 9% had their masters, 9% of the respondents had been working with the NGOs) for Less than 1 year, 13% had been working with the NGOs for between 1-5 years, 34% had been working with the NGOs for between 6-10 years, 26% had been working with the NGOs for between 11-15 years while another 5% had been working with the NGOs for over 20years.

From the findings, majority 29% of the organizations are registered as Non-governmental organization (NGO), followed by 26% of the organizations that are registered as Faith-Based organization (FBO), 11% of the organizations are registered as Community-based organization (CBO) 8% of the organizations are registered as Women Groups 7% of the organizations are registered as Youth Group while as 4% of the organizations are registered as Self-Help Group. The findings indicate that nearly all, 94% organizations received funding from external donors. Only 1% respondents indicated that their funding came from the private sector, with other 3% respondents indicating self-generated capital as a source of funding for their organization. From the findings it can be concluded that majority organizations represented in the study got funding from the external donors.

Financial Systems:

The study findings showed that the funding of NGOs came from sources such as traditional fundraising as indicated by 86% of the respondents. The traditional fundraising programmes focus on individual donations, bequests, direct marketing campaigns, telemarketing, and internet giving and one time/recurring fundraising event. 14% of respondents in this study said that findings came from investment outcomes. From the findings, it is clear that more respondents indicated that they faced challenges from external sources than the ones talking of internal sources. Asked on internal sources, (50%) of the respondents talked of internal sources not providing sufficient sources. This was identified as the reason why most of these NGOs prefer to rely on external sources. Only 14% of the respondents observed that internal donors interfered with the operations of NGOs. The study concluded that external sources of funding came with more challenges compared to internal sources.

Grant Policies:

The study results indicate that 94% of the respondents were of the opinion that grant policies affect the sustainability of local NGOs programs and activities while 6% were of the opinion that grant policies do not affect the sustainability of local NGOs programs and activities. The study further sought to establish the extent to which grant policies affect the sustainability of local NGOs programs and activities. The study results indicate that 86% of the respondents were of the opinion that Financial Systems affect the sustainability of local NGOs programs and activities while 14% were of the opinion that Financial Systems do not affect the sustainability of local NGOs programs and activities. The findings reveal that majority of the local non-governmental organizations with access to funding have committees at the top of their organizations structure, with executive committees leading at 50% followed by organizations led by non-executive committees at 24%. Few organizations are led by boards, 11% with executive boards while as 17% of the respondents indicating non-executive boards at the top of organizational structure.

Financial Structure:

The findings reveal that majority (62%) of the respondents responded that there was inadequate participation by board/ committee members on resources mobilization activities in their organizations while 38% thought there was adequate participation by board/ committee members in exploiting funding opportunities for their organizations. 38% of the respondents sighted limited understanding of board/ committee members on their roles and responsibilities of fund raising and resource mobilization, 18% of the responses indicate that lack of capacity of board/ committee members on mission and vision of their organizations limited their contribution towards fundraising and resource mobilization, 16% of the respondents pointed out lack of or inadequate budget for board activities, 25% blamed poor leadership and patronage in the organization while only 3% sighted lack of interest among board/ committee members on the organization's activities.

Sources of Funding:

The findings from indicate that nearly all, 94% organizations received funding from external donors. Only 1% respondents indicated that their funding came from the private sector while 1% respondents said of government as a source of funding for their organization. The study also found out that there were 1% respondents who indicate that their organization received funding from the general public with other 3% respondents indicating self-generated capital as a source of funding for their organization. From the findings it can be concluded that majority organizations represented in the study got funding from the external donors. NGOs in developing countries are reliant on external donations from much developed countries.

The study findings showed that the respondents suggested that funding of NGOs came from sources such as traditional fundraising as indicated by 86% of the respondents. The traditional fundraising programme focus on individual donations, bequests, direct marketing campaigns, telemarketing, and internet giving and one time/recurring fundraising event. 14% of respondents in this study said that funding s came from investment outcomes. Profits accrued from these activities build up an NGO's discretionary financial assets that can be used to fund NGOs institutional costs, future investments, new products and services.

5.3 Conclusion of the Study:

Financial Systems:

On Financial Systems, the study concludes that Financial Systems affect the sustainability of local NGOs programs and activities to Very great extent. The study concludes that for a local NGOs programs and activities to be financially sustainable, it requires a sound financial base arising from reliable sources of funding; it is a financial system that facilitates accountability and cash flow projections and development of marketable products to generate excess income over the expenditure of the NGOs programs and activities.

Grant Policies:

On Grant Policies, the study concludes that grant policies affect the sustainability of local NGOs programs and activities to great extent. Donor policies funding often focus on new capital investments to the exclusion of supporting operation and maintenance budgets. This can has had adverse effects on sustainability, particularly in NGOs undergoing severe internal budget deficit problems. New capital programs require additional operation and maintenance funds that have to be drawn from the same limited pool of funds that finance other ongoing programs. As a consequence, either the new investment is not maintained or existing infrastructure or services suffer funding cuts.

Financial Structure:

On Financial Structure, the study concludes that majority of local NGOs that have access to funding from both internal sources were community-based organizations. Most NGOs lack clearly defined structures in terms of organizational charts, buildings, facilities, equipment and human resources. For local NGOs to receive local sources of funding there is the need for structures to be put in place to generate local funds. The key weakness of NGOs is the inappropriate organizational structures which impact the manner in which NGOs carry out their core business. Majority of local NGOs lack such structures and operating mechanism. This makes it difficult for any local NGO to systematically generate funds locally.

Sources of Funding:

On Sources of Funding, the study concludes that nearly all organizations received funding from external donors in form of monetary resources. NGO funding comes from three main sources. These are the private sector, public sector and self-generating income. Government or public sector support also ranks as a significant source of NGO income. The average NGO is less likely to receive funding from these three sources and more likely to depend on non-grant income. Strong dependency on external funding can be a serious problem for the long-term development of local NGOs. Most international donors operate according to their own goals and proposal management styles, and local NGOs have to conform to their requirements in order to receive financial support.

5.4 Recommendation of the Study:

The study came up the following recommendations based on its research findings;

Financial Systems:

a) NGOs programs and activities financial analysis should be undertaken in conjunction with programs economic analysis. For a program to move towards sustainable approaches to service delivery, new models and prototypes need to be developed, tested, accepted and implemented. Aid therefore should be part of the process of change and donors should ensure that their assistance is not delaying progress towards sustainability but actually supporting it even after they withdraw from such programs.

Grant Policies:

a) A longer-term and more transitional approach to operation and maintenance cost funding is required, based on a rigorous and realistic assessment of the local capacity to meet these costs. The programs managements need to consider whether or not some assets should be maintained or replaced (i.e. computers which rapidly become obsolete), and whether programs- specific depreciation funds should be set up. This would help a greater deal in cost maintenance and this would ensure the programs become sustainable.

Financial Structure:

a) The major contributory factor to this is the constraint that limited financial resources places on the ability of NGOs to plan, organize and design clearly defined structures as well as equip their offices with adequate equipment and facilities. Agencies that encourage board involvement in planning appear to be less vulnerable to quick downturns and are more likely to deliver services over a greater period of time.

Sources of Funding:

a) As NGOs have to respond to the changing needs of their local membership, the creative development of local NGOs could be constrained by the standardized assessment methods of foreign governments and international foundations.

5.5 Suggestion for Further Research:

This study recommends that future researchers should carry out research on the following areas:

- 1) Factors affecting the funding of NGOs by internal and external donors
- 2) Impact of local NGOs on the socio-economic status of rural communities.

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