INFLUENCE OF FINANCIAL SUSTAINABILITY FACTORS ON GROWTH OF NON-GOVERNMENTAL ORGANIZATIONS IN KENYA

BY

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DECLARATION

DECLARATION BY THE STUDENT

This Project report is my original work and has not been submitted for a degree in any other University.

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APPROVAL

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DEDICATION

I dedicate this study to my father Elly Achola Omeno who inspired me from childhood and had desired scale.

ABSTRACT

Kenya has experienced enormous growth in establishment of NGOs, with more than 100% increase between 1977 and 1987, striking over 23,000 by 1997 and 47,000 by 2016; thereby attracting increased foreign and local funding especially from 2006; reflecting renewed donor confidence in the government's resolve for proper management of the economy. Despite the phenomenal establishment of sustainability drivers; being income generating capacity, income source diversity, financial planning and management and having potential to geographical spread and product diversity there is limited information constructively and logically linking sustainability factors with growth of NGOs. Studies of factors influencing financial sustainability of local NGOs therefore indicate inconsistencies; as some suggest that the factors includes income diversification, and sustainable levels of incomes from local and external donors as well as own income-generating activities to such an extent that the organisations continue to grow and operate after external donor funding is withdrawn. Kisumu County has the largest number of NGOs in the greater Nyanza region at 86 in numbers; with Nyamira having 43, Migori 34, Kisii 18, Siaya 14 and Homabay 11; by end of 2006. This gives a higher growth expectation for Kisumu County owing to the fact that there is an escalating pressure on need for increased revenue to sustain services, increase geographical coverage area, increase number of units installed and provision of quality services to the underserved. In order to address these demands the organization need to have continuity in growth. The purpose of this study was therefore to analyze the influence of financial sustainability factors on growth of NGOs in Kisumu County. The specific objectives were; to establish the relationship between financial sustainability factors and growth of NGOs, determine the influence of financial sustainability factors on geographical spread of NGOs and analyse the effect of financial sustainability factors on product diversity of NGOs all in Kisumu County. The study was guided by Resource Mobilization Theory and will employ correlational research design. Study population consisted 87 NGOs in Kisumu County. A total of 172 respondents were targeted for the survey. These included the Program managers and Finance managers. A saturated sampling survey was used in data collection. A Pilot study of 9 respondents was conducted, while the remaining 163 was retained for the main study. Primary and secondary data was collected using structured questionnaires while secondary data was collected through data schedule sheets. Expert review, and test retest methods were used to determine instruments' reliability while Cronbach's alpha test was used to achieve data validity it provided a coefficient of 0.930, which was sufficient condition for further analysis of the study data. The Correlation results range from 0.188 to 0.556, $p \leq 0.05$ for the variables. The regression results revealed variables' contribution of R^2 of 0.613 for Financial Sustainability on Growth, 0.582 on Geographical spread and 0.603 on Product diversity. Therefore these coefficients mean that Financial sustainability accounts for 61.3% to changes in growth, 58.2% to geographical spread and 60.3% to product diversity; all significant at $p \leq 0.05$. These results imply significant effect of the sustainability factors to growth of NGOs. These findings may be helpful to NGOs in enhancing their growth, and may also be useful to both academics and industry players in the public in exploring significance of contributory factors to growth of NGOs.

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ABBREVIATIONS AND ACRONYMS

PBO	Public Benefit Organizations
NGOs	Non-Governmental Organizations
UN	United Nations
NPA	New Policy Agenda
SAARC	South Asian Association for Regional Cooperation
IGC	Income Generation Capacity
ISD	Income Source Diversity
EFMP	Effective Financial Management Practices
NDA	National Development Agency
CORE	Co-operative for Research and Education
UNDP	United Nations Development Program
CEOs	Chief Executive Officer
SCT	Social capital theory
RBV	Resource based view
OST	Open systems theory
FMP	Financial Management & Practices

OPERATIONAL DEFINITION OF KEY TERMS

NGO Growth refers to the number of clients reached with services, geographical area of operation, revenue per year, number of installation within a year, improved community health status and even increased empowerment. When there is increase in the above then it indicates growth.

Financial sustainability is the ability of an Institution to continuously generate revenues locally for its operations from within and outside. Financial sustainability also entails the capacity to develop a diverse base of funding so that the institutional structure and benefits production of an organization continue after external funding ceases.

Financial management practices refer to the compliance with financial management pillars, i.e accountability, Responsibility and presentation. Practically, good and strategic financial management looks at two main issues: financing the long-term objectives of the NGO and reducing the impact of threats on the organization's financial.

Income diversification is securing of funds from as many sources as possible, including local business communities, the public, national and local government, and not just limiting funding sources to external institutional donors.

Income generation Capacity Refers to revenue received from income based activities within a year. They are the main pillars of financial sustainability and entails rising of funds that are unrestricted. The NGOs can generate own funds through contributions to a trust/endowment fund; fundraising for institution building/operations; sale of goods/services.

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CHAPTER ONE
INTRODUCTION

1.1. Background of the Study

The concept of growth is pseudo quantitative concept that explains aggregate increase in welfare, assets and value (Shearer, 1961). It spans all measurable indicators of institutional performance. Generally growth includes expanding existing or divergent lines of products and services and geographical coverage area; thereby increasing number of beneficiaries or some combination of each (Lekorwe and Mpabanga, 2007). According to Wissen and Brand (2011) an organisation's demography concerns the different stages of its life cycle; transcending its appearance in the market, survival, growth and eventual death. Moore and Stewart (1998) state that firm size reflects how the firm evolves and adapts to its environment. Changes in size are therefore extremely important events in any organisation. A firm's growth is related very closely to firm survival, since growth has consequences for employment, as positive rate of growth creates new jobs, expanded services and access to quality services while a negative rate implies the net destruction of jobs. Therefore firms that experience continuous growth will have a higher probability of surviving in the market hence continued sustainability.

Martin (2011) states that different organizations view growth differently. Roberts and John (2004) explain that there are many ways organization may use to measure its growth, companies' inbuilt capacity to generate more revenue, number of installation, revenue, number of clients served, number of counties covered and others financial data. Girish and Daniel (2014) proposes that organizational growth presents as much potential benefits for Non-governmental organization (NGO) as is also with other corporate organisations; including greater efficiencies from economies of scale, increased service delivery, geographical coverage, survival rate, and prestige for organizational members. Organizations therefore strive for growth regardless of their sizes. Small organizations want to get big, while big firms want to get bigger. Organizations therefore have to gradually grow every year in order to accommodate the increased expenses such as, material costs, service delivery, and day to day maintenance expenses.

According to Werker and Ahmed (2007), NGOs are players who are active in the efforts of international development and increasing the welfare of poor people in poor countries.

NGOs work both independently and alongside bilateral aid agencies from developed countries, private-sector infrastructure operators, self-help associations, and local governments. They range in size from an individual to a complex organization with annual revenue of $1 billion or more. NGOs can also be defined as institutions directed at the “care and welfare” of the disadvantaged to “change and development”; through activities which are directed at concerns and issues which affect the disadvantaged or which are detrimental to the well-being of people or society as a whole(). NGOs engage in both direct and indirect forms of action. Their functions are located between government and civil society based on the levels at which they operate; and their links with other organisations. Mullin (1996) and Barr and Fafchamps (2006), both attest to the fact that NGOs have experienced remarkable growth resulting from interactions between secular trends, ideas, and technology; which has enabled the spread of their functional scope, resource base and product and service diversity. Most scholars often point to the pressure of neoliberalism and the support of Western donors for NGOs as a reason for the Sector’s growth, but I argue here that we need to go further to understand how the neoliberalism and the support of Western donors for NGOs as a reason for the Sector’s growth, effects of these policies interacted with local politics to create a domestic space in which these organizations could grow. Other two major factors playing out on the domestic stage appear to have led to the rapid growth of NGOs in Kenya by providing these organizations with operational space. While there were no studies yet focusing on financial sustainability factors on growth of NGOs in western Kenya, studies in other countries identified the following as financial sustainability factors on growth of NGOs: financial management practices, income diversification, donor to recipient relationship management practices and income generation capacity (Leon, 2001; Devkota, 2010; Lewis, 2011; Ali, 2012; Waiganjo et al., 2012).

The global economic crisis and changing donor priorities also played an intervening influence on financial sustainability on growth of NGOs as noted by Ali (2012) and Manyeruke (2012). Government policies and laws that regulated the operations of NGOs were found to be moderating factors to the ability of NGOs to raise sustainable cash flows (Layton, 2006; Hendrickse, 2008; Wyngaard, 2013).Ali (2011) posits that a country with a low level of material well-being belongs to developing country category. Kenya’s aggregate social, political and economic indicators fit it in this category. As these countries are developing in aspects of economics, politics, and social dimensions, the

NGOs (both in number and ranges of activities) are also growing. The NGOs in developing countries play such key role in development of societies as mitigating for drought or famine, providing food to those most marginalized and provision of other essential services that are otherwise provided by governmental agencies or institutions in developed economies. Aksel, (2006), states that NGOs are also the source and centre of social justice to the marginalized members of society in developing countries or less developed; in such a way that developing nations and NGOs often find allies in one another when opposing legislation, economic terms or agreements from global institutions (Mwega 2009). NGOs therefore play an important and crucial role in development of the society in developing countries. They often hold an interesting role in a nation's health, economic or social activities, as well as assessing and addressing problems in both national and international issues, such as human, political and women's rights, economic development, democratization, inoculation and immunization, health care, or the environment (Grobman, 2008).

Rahman (2003) in a study of NGOs and their management practices scenario in developing countries focusing on the South Asian Association for Regional Cooperation (SAARC) countries, namely: India, Pakistan, Bangladesh, Sri Lanka, Nepal, Maldives and Bhutan, found that the NGOs are not being managed well in SAARC and finally he proposed an "operational NGO management" model for the NGOs in the region. However in recent years, NGOs have vastly increased (in number and scope) in almost all parts of the globe, Kenya inclusive (Brass (2010). NGOs have become a highly visible component of civil society and are now significant players in the fields of human rights, the environment and social development at local, national and international levels. In Kenya like in all other developing economies they are increasingly influential in communities and grassroots activities; in policy making, planning and implementation (Islam, Mohakhali and Mainuddin, 2015). Whereas recognizing the large number of NGOs that work in developing countries is difficult due to the lack of clear official statistics, current highly competitive environment of limited resources for the public sector, effective leaders and creative management are crucial, if the NGOs have to be financially sustainable.

Inger Ulleberg (2009) in analyzing the role and impact of NGOs in capacity development, explain as catalysts for change and as an actor affected by external changes, such as the capacity development 'turn' in the development with focus on the community for sustainable change, action and intervention; there is need for their own sustainability build up. This he continues to say can be achieved through design and implementation of interventions and greater emphasis on facilitation, strategic inputs and supporting processes aimed at strengthening developing their income generation capacity, diversity and prudential financial management practices. Functionally, this means a move away from or a low levered model of NGOs external funding to investing in developing and enhancing such sustainability programs as Income Generation Capacity (IGC), Income Source Diversity (ISD) and Effective Financial Management Practices (EFMP) (Gordijn, 2006). Equally, Uvin Jain and Brown (2000) suggest that NGOs can reorient and expand their action by using their knowledge through activities such as training, information sharing, consultancy and advice in order to "promote changes in other institutions whose mandate should include the provisions of such support services", that is, government.

Chiku (2007) states that many NGOs still focus upon the 'hardware' approach to development, i.e. the building of infrastructure and the provision of services; rather than the 'software' approach of empowering people and local institutions to manage their own affairs. Other NGOs seem unaware of changes in the role of government, the changing Aid paradigm, and the effectiveness of a "right's based" rather than "welfare" approach. However Berry, (2007) states that while it is becoming harder to fund and sustain service delivery interventions, most local NGOs persist with them. Community poverty and illiteracy rates remain significant. NGOs are acutely aware of the increasing and enormous needs of poor people and feel at a loss as to how they can respond to all these needs. There is a lack of sustainability and ownership of development interventions by communities. Some communities have been spoilt by dependency creating interventions and are not inclined to do things for themselves. It is difficult to keep our programmes relevant to changing situations and the culture of handouts is hard to counter. There is no accepted code of ethics and conflicting approaches.

A consultative research by National Development Agency (NDA) and Co-operative for Research and Education (CORE) (2013) on funding constraints and challenges facing civil society organisations, stemming from the growing perceptions that funding to Civil Society sector has significantly decreased; and the general feeling that civil society groups have become less active and visible, assumptions neglect by government, less innovative human capital skills, remunerations, work environment that does not guarantee workers sustainability, governance and accountability in the sector and lack of management and leadership and limited corporate sector financial and material support of the sector as real causes. Mbote(2002), while analyzing operational environment and NGOs constraints in Kenya, states that while the country has in the past experienced enormous growth in establishment of NGOs; with more than 100% increase between 1977 and 1987, striking over 23,000 by 1997 and 47,000 by 2016, this growth has been on a declining trend. This she attributes to funding, but without examining the facets of funding available to the NGOs, and possible contribution of these sources to growth of the NGOs.

Bill and MacKeith (1992) on examining factors affecting financial growth in NGOs and some of stresses, challenges and pressures that NGOs faced during periods of growth of various kinds identifies decision-making processes, and agency conflicts as critical. Uvin (1995a, 1995b) and Uvin and Miller (1996) outline NGO growth indicators as increased budgets, expanding geographical coverage, and augmenting membership bases; thereby making growth a function of sustainability factors. Hence an organization will continue with operation when financial sustainability factors are in place. Mwega (2009), on Study of Aid effectiveness in Kenya based on the context of volatility and fragmentation of Foreign Aid explains that since the 1980s, the country has experienced relatively unpredictable flows of international aid. According to OECD-DAC statistics (2010), while Kenya experienced a dramatic build-up in nominal aid flows in the 1980s, there was a slackening of donor support in the 1990s. Nominal aid flows increased from US$ 393.4 million in 1980 to an average peak of US$ 1120.5 million in 1989-90, before declining to a low of US$ 308.85 million in 1999. Riddell and Robinson (1995) state that these amount, though substantial, do not include additional billions of dollars that are channeled through NGOs to implement specific projects on behalf of the donor countries. This implied that NGOs are growing in number and hence increase in services rendered and as such sustainability within the communities. Despite the influx of NGOs in the year 1990-2001, the sector has also experienced decline in a number of NGOs in terms of life mortality since they cannot operate after donor funding stops, (Bowman, 2011). Kenya however experienced increase in foreign aid from 2006 reflecting renewed donor confidence in the government's resolve for proper management of the economy and situating adequate government measures against graft and corruption, growth of NGO operations and targeted outputs is inconsistent. It is therefore imperative that the inconsistency in NGOs' growth despite existing funding structures commonly adopted by each be further investigated.

The financial sustainability of an organization is a measure of the organization's ability to meet its financial obligations. whether these funds come from user charges or budget sources and fulfill its mission and serve its stakeholders over time Omeri (2015) while conducting a study on factors influencing financial sustainability of Non-Governmental organizations, established key financial sustainability factors as funds' generation capacity, diversifying sources of funds, Competence levels of the staff and Strategic financial planning and management. Mutinda and Ngahu (2016), in a study on determinants of financial sustainability for Non-Governmental Organizations established that financial resources mobilization capacity (funds generation capacity) did not significantly influence the financial sustainability in NGOs. However, they found internal financial control systems to have a positive significant influence on financial sustainability and that if nurtured would result in NGOs assuming an increasing influence in the economic welfare of a significant portion of the Kenyan economy. Study findings by Karanja and Kirimi (2014) and Ali (2012) identify income generation and diversification as important components of financial sustainability NGOs and MFIs; and subsequently agree that the factors are potential to influencing the growth of the organisations. The proposed relationships do not only present inconsistency in factors direction of association, but also drawn from limited information base; necessitating the need for further interrogation of the relationships.

Allard and Martinez (2008) state that the non-governmental organizations (NGOs) are important conduits for aid and are providers of development services in low-income economies. According to the United Nations Development Program (UNDP), by the end of the 20th century more than 50,000 NGOs were working at the grass-roots level in developing countries, and their activities were affecting the lives of 250 million individuals (Besley and Ghatak, 1999). The increasingly important role of NGOs as they have advanced from mere service-providers to major players with the funds and potential to influence policy and institutions has received ample empirical and theoretical attention (Besley and Ghatak, 1999; Doh and Guay, 2006; Eden, 2004; Keim, 2003; Nancy and Yontcheva, 2006; Teegen, Doh, and Vachani, 2004). Teegen et al., (2004) NGOs have become major new organizational forms and vehicles to deliver social services such as poverty relief and environmental protection. Kituku (2010) and Onsongo (2012) in their studies concur of the fact that fund generating capacity, fund source diversity and financial planning and management drives financial sustainability of NGOs; which would subsequently determine the size and geographical expanse of their services. However, there is limited information constructively and logically linking sustainability factors with growth of NGOs.

Montgomery (2005) defines financial sustainability as the process of increasing the capacity of institutions or groups to make choices and to transform those choices into desired actions and outcomes. Central to this process are actions which both build individual and collective assets, and improve the efficiency and fairness of the organizational and institutional context which govern the use of these assets. Sustainability is the capacity of something to be maintained, as one seize the opportunity available, mitigating risks and adhering to the mission. For NGOs, it is the ability for the organizations to fulfill its commitments to its clients, patrons, and the community in which it operates. At macroeconomic perspective, it is a means for NGOs meeting important societal needs (Weerawardena and Mort, 2006). Financial sustainability factors affecting growth of non-profit organisations therefore includes income diversification, and sustainable levels of incomes from local and external donors as well as own income-generating activities to such an extent that the organisations continue to grow and operate after external donor funding is withdrawn (Devkota, 2010).

Mukasa (2006) and Hodson (1992) present the case for growth in terms of diversification of services offered by the NGOs; in which they concur on the fact that the NGOs that have operationalised the sustainability constructs tend to offer more than their traditionally established services. Abdelkarim (2002) however states that for the NGOs to continue in providing efficient services, they must remain focused to limited services with which they are registered to provide. Ngoe (2012) on the other hand, Saungweme (2014) on a study of Factors influencing financial sustainability of local NGOs in Zimbabwe, established that whereas an NGO that has successfully operated in the industry for a long time has the benefits of service parity which enable them to create other services constituent to their core functions, many of them only diversify their services to remain dynamically relevant. These inconsistencies require further investigation so as to establish the order of relationship.

Kranenburg (2004) defines diversity as the variability frame or model comprising of differentiated products or services. He asserts that it is a function of not only the diversification strategies established by an organisation but also draws majorly from internal capacity to create resources and prudential management of the same in profitably exploiting the available opportunities. Wellner (2000) conceptualized diversity as representing a multitude of individual differences and similarities that exist among people; encompassing many different human characteristics such as race, age, creed, national origin, religion, ethnicity, sexual orientation. Gardenswartz & Rowe's (1994) sets the constructs of diversity in a four Layers of Diversity Model, consisting of organizational dimensions, external dimensions, internal dimensions, and personality. Caminal (2014), states that the purpose of product or service diversity is to fulfill the heterogeneous of preferences consumers at a point in time, as well as to satisfy individual consumers' taste for variety over time. Ranaivoson (2005) explains that product diversity is both a benefit to the customer base and continued attraction to the organizational services. Therefore diversity creates and retains the inherent power of an organization to fulfill the needs of the target customers or clients. Whereas the existing corporate literature give implied causal relationship between the sustainability factors on product diversity as suitable outcome for the service consumers, majority of the NGOs based literature give scanty information on this relationship. Mendoca and Las Casas (2013) in analyzing diversification as a Sustainable Growth Strategy in the Packaging Market of a Brazilian company established that diversification strategy is one of the most preferred by companies that search for the sustainable growth of their sales and profits in markets where products appear grow in demand and become mature in a progressively faster way.

1.2 Statement of the Problem

A firm's growth is related very closely to firm survival, since growth has consequences for employment. Positive growth rate regardless of firm sizes does not only create new jobs, but also improve services and access to quality products. The NGOs in developing countries play such key role in development of societies as mitigating socio- economic and cultural challenges, which the main stream governments fail to provide. While Kenya has experienced enormous growth in establishment of NGOs, with more than 100%

increase between 1977 and 1987, striking over 23,000 by 1997 and 47,000 by 2016; thereby attracting increased foreign and local funding especially from 2006 reflecting renewed donor confidence in the government's resolve for proper management of the economy, there are inconsistencies in terms of geographical distribution of their presence, and lines of products or services they provide as critical growth indicators. This requires further investigation. Grapevine information attributes this phenomenon to challenges such as mismanagement, graft and corruption; there is need for empirical approach to establishing the truth. Subsequently, while income generating capacity, income source diversity, financial planning and management as drivers financial sustainability of NGOs, are potential to geographical spread and product diversity there is limited information constructively and logically linking sustainability factors with growth of NGOs. Studies of factors influencing financial sustainability of local NGOs reveal conflicts, since some suggest that sustainability factors includes income diversification, and sustainable levels of incomes from local and external donors, as well as own income-generating activities; to such an extent that the organisations continue to grow and operate after external donor funding is withdrawn. Some studies however conclude that NGOs with operational sustainability factors tend to offer more than their traditionally established services, while others states that for the NGOs to continue in providing efficient services, they must remain focused to limited services with which they are registered to provide. These contrasting constructs require critical analysis to determine causal contribution of sustainability factors to growth components of Nongovernmental organisations in Kenya and specifically in Kisumu.

1.3 Objectives of the Study

The main purpose of the study was to analyze the influence of financial sustainability factors on growth of NGOs in Kisumu County

Specifically, the study sought to:

i. Establish the relationship between financial sustainability factors and growth of NGOs in Kisumu County.
ii. Determine the influence of financial sustainability factors on geographical spread of NGOs in Kisumu County.
iii. Analyse the effect of financial sustainability factors on product diversity of NGOs in Kisumu County.

1.4 Research Hypotheses

The study was guided by the following research hypotheses:

H_{01}: There is no relationship between financial sustainability factors and growth of NGOs in Kisumu County.

H_{02}**:** There is no influence of financial sustainability factors on geographical spread of NGOs in Kisumu County.

H_{03}**:** There is no effect of financial sustainability factors on product diversity of NGOs in Kisumu County.

1.5. Justification of the Study

The findings of this study may be invaluable to the CEOs and finance managers of NGOs in understanding sustainability factors on financial growth of these organizations. It is envisaged that the study findings will strengthen the growth of NGOs and its sustainability financially. The findings may also contribute to academia by providing valuable empirical data for research and academic interest.

These research findings may aid in understanding the core factors influencing financial sustainability on growth of NGOs in Kisumu County. This is necessary due to the fact that there is a dearth of literature analyzing determinants of financial sustainability of NGOs in the country and this research contributes to literature on the subject. The findings of the research will also help NGOs to be more financially sustainable and pursue strategies for greater financial sustainability in the face of volatile and dwindling external donor funding.

1.6. Scope of the Study

In terms of the subject scope, this study is limited to the broad business fields of financial management and business performance. In terms of conceptual scope, this study looks at how financial sustainability encompasses sound financial management, resource mobilization and income generation/self-financing whereby financial sustainability entails the ability to generate a positive balance sheet so that the NGO can have flexibility to respond to new needs and changes to the operating environment. Key pillars of financial sustainability factors on growth are good financial management practices; income diversification; income generation capacity, and donor to recipient relationship.

Kisumu County is the area or geographical scope of scope in this study. In terms of time scope, this study will be cross-sectional study and data will be collected at a point in time.

1.7 Conceptual Framework

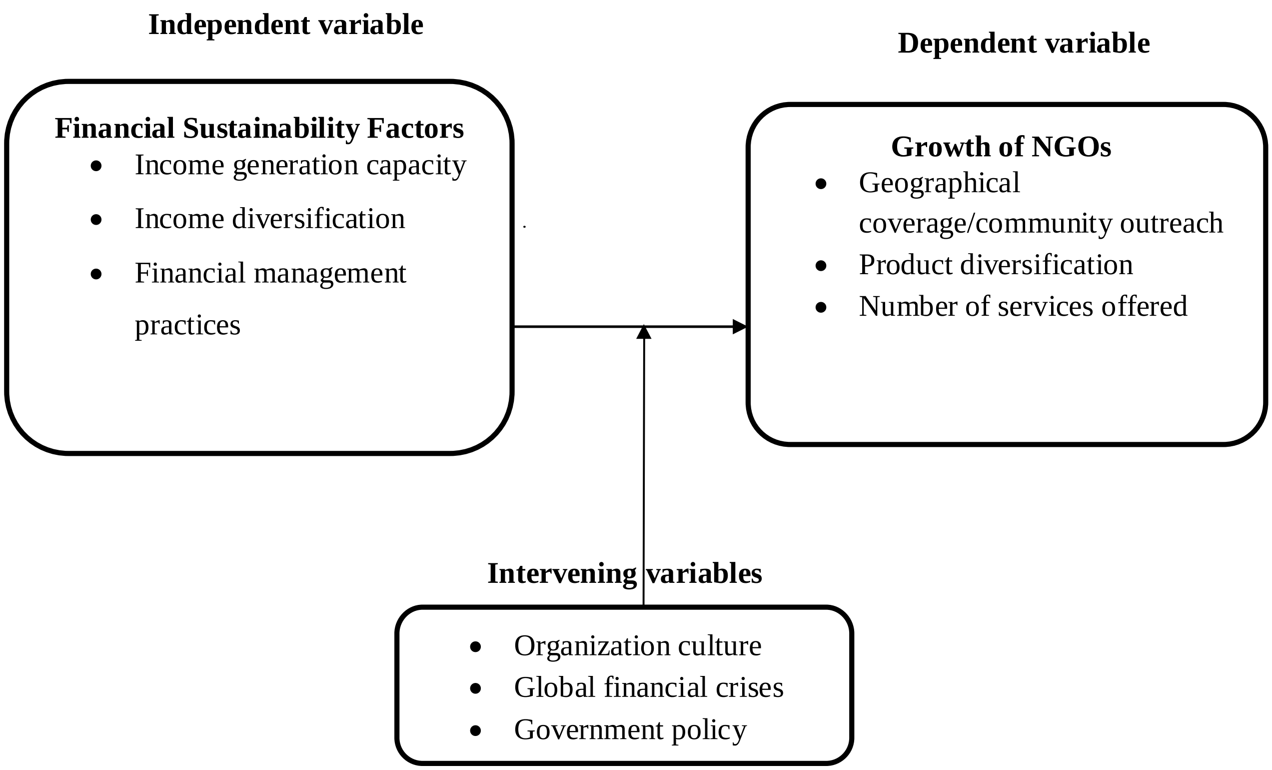

Figure 1.1: Financial Sustainability Factors and Growth of NGOs Relationship

Source: Adopted fromAli (2012).

The conceptual framework is adapted fromAli (2012) and Nyaga (2015) by modifying it to suit the research purpose. Ali (2012) employ exploratory research design in examining the factors influencing funding of NGOs in Garissa town. Therefore, this study is relevant in conceptualizing this research. Concerns and aspects in Ali (2012) are decomposed into three constructs namely: income generation capacity, income diversification and financial management practices. Based on Nyaga (2015) these three constructs and linked to growth of NGOs as the reconstructed conceptual framework as Figure 1.1 indicates. These variables were operationalized to depict Karanja and Karuti (2014). Financial sustainability factors are the independent variables while growth of NGOs is the dependent variable. The resulting relationship is subject to three intervening variables namely organization culture, global financial crises and government policy.

CHAPTER TWO

LITERATURE REVIEW

This chapter covers the review of all relevant theories, empirical studies and concepts on the subject and the research gaps.

2.1 Theoretical Review

This review explores theoretical foundations and concepts of the study. It advances the theory that guides the study, defines concepts and variables and gives dimensions of the variables. According to Kerlinger (1973), a theory is set of interrelated constructs, concepts, definitions, and propositions that present a systematic view of phenomena specifying relations among variables, with the purpose of explaining and predicting the phenomena. The concepts of financial sustainability factors and growth of NGOs are anchored on various theories key among them being Social capital theory (SCT); Resource based view (RBV) theory and open systems theory (OST).

2.1.1: Social Capital Theory

In general it is defined as social relations among individuals or groups who are able to develop norms of mutual trust and to form social networks in order to achieve certain social and economic purposes (Putnam, 2001). This definition seems to ignore social context because it assumes every individual or group to have an equal access to join in. In reality, however, such an assumption is difficult to verify. In order to make the concept of social capital more applicable, Szreter (2002) offers new dimensions, namely bonding, bridging and linking. Bonding and bridging social capital respectively refers to social relations based on homogeneity and heterogeneity of ethnic membership or social class. While linking social capital relates to power that pushes bridging of different social class or ethnicity more pronounced in a society. A society that possesses strong bonding and weak bridging social capital propels the sharpening of class and ethnic boundaries, while, strong bridging and weak bonding social capital supports the rise of rootless elite groups. Therefore, it is necessary to have a balanced development of bonding and bridging social capital in society. Another important aspect that should be taken into account is the idea of the outreach of social capital, something to do with coverage whether at micro, meso or macro level.

2.1.2: Resource Based View Theory

The central premise of the resource based view (RBV) is that firms compete on the basis of their resources and capabilities (Petaraf and Barney, 2003). Resources are described as the inputs or the factors available to a company, which help to perform its operations or carry out its activities. RBV is an approach to achieving competitive advantage that emerged in the 1980s and 1990s after the major works published by Wernerfelt (1984) and others. Proponents of RBV argue that it is much more feasible to exploit the external opportunities using existing resources (tangible and intangible) in a new way rather than trying to acquire new skills for each different opportunity. Resource based view theory argues that firms possess tangible and non-tangible resources. These resources enable firms to achieve competitive advantage and lead to superior long term performance. That advantage can be sustained over longer time periods to the extent that the firm is able to protect against resource limitation, transfer or substitution (Frawley and Fahy, 2006).Despite the fact that NGOs are classified as non-profit making organizations, they still remain economic institutions in that they use society's scarce resources (land, labour and capital) to produce goods and services of value. These organizations have operating costs, impose costs on society to the extent that they use contributions and voluntary services to provide superior value to society and need a reliable flow of revenue to finance their mission and be financially sustainable.

The currently dominant view of business strategy resource-based theory or resource-based view (RBV) of firms is based on the concept of economic rent and the view of the company as a collection of capabilities. This view of strategy has a coherence and integrative role that places it well ahead of other mechanisms of strategic decision making (Kay, 2005). The resource-based view (RBV) offers critical and fundamental insights into why firms with valuable, rare, inimitable, and well organized resources may enjoy superior performance (Barney, 1995). Building on the RBV, Hoopes, Madsen and Walker (2003) suggest a more expansive discussion of sustained differences among firms and develop a broad theory of competitive heterogeneity. The RBV seems to assume what it seeks to explain. This dilutes its explanatory power. For example, one might argue that the RBV defines, rather than hypothesizes, that sustained performance differences arc the result of variation in resources and capabilities across firms. The difference is subtle, but it frustrates understanding the Resource Based View's possible contributions (Hoopcs *et al.,* 2003). The Resource Based View's lack of clarity regarding its core premise and its lack of any clear boundary impedes fruitful debate. Given the theory's lack of specificity, one can invoke the definition-based or hypothesis-based logic any time. Again, we argue that resources are but one potential source of competitive heterogeneity. Competitive heterogeneity can obtain for reasons other than sticky resources (or capabilities) (Hoopcs *et al.* 2003). Competitive heterogeneity refers to enduring and systematic performance differences among close competitors.

The RBV uses firms' internal characteristics to explain firms' heterogeneity in strategy and performance. A firm is an organized, unique set of factors known as resources and capabilities, and RBV theory cites two related sources of advantages: resources and capabilities. Resources arc a firm's accumulated assets, including anything the firm can use to create, produce, and/or offer its products to a market. Resources are eligible for legal protection (as such, firms can exercise property rights over them; Amit and Schoemaker, 1993); can operate independently of firm members (Camison, 2005); and intervene as factors in the production process to convert input into output that satisfies needs (Grant, 1991). RBV theory is considered relevant to this study as it explains how resources (internal and external) can be mobilized for pursuit of collective goals namely growth of NGOs.

2.1.3: Open Systems Theory

Bastedo (2004) explain that open systems theory share the perspective that an organization's survival is dependent upon its relationship with the environment. According to the open system theory, there is a boundary between the organization and the environment. This boundary needs to be kept porous by the organization to permeate information, ideas and materials to pass through. The organization is therefore made up of sub systems which are interrelated and interdependent of each other. According to Lim and Sambrook (2010), an open system occurs whenever a porous membrane or boundary exists between the organization and the external environment. This interchange between the internal and external environment demands that the controllers of such organizations pay attention to their external and internal environments and the customers' needs and reactions.

2.1.4: Resource Mobilization Theory

In public enterprises, of all the resources required, a resource in the form of 'money' is the most important one. Without this resource public enterprises cannot activate the other resources such as acquisition of computerized audit systems. In the market oriented economy like Kenya, it is the monetary resource, which determines the expansion or contraction of other resources. The success of any organization lies in its ability to raise enough funds (monetary resources), or to convert other resources in such a way that it can be exchanged for the money, or to plan its activities into fundable projects (Tam and Kiang, 1992). More and more money is required for facilitating public enterprises expansion and adopting better methods of audit processes. To get over this crisis, Neocleous (2000) points out that either the state aid is to increase or the agencies have to depend largely upon the community's support. It is not possible to step up the aid from the government. This necessitates a change in outlook and financial planners should think of more suitable ways and means of raising money from the public. In resource mobilization theory, mobilization is the process of forming crowds, groups, associations, and organizations for the pursuit of collective goals. Organizations do not "spontaneously emerge" but require the mobilization of resources. Resource mobilization is a sociological theory that forms part of the study of social movements. It stresses the ability of movement's members to acquire resources and to mobilize people towards the furtherance of their goals. In contrast to the traditional collective behavior paradigm that views social movements as deviant aberrations, resource mobilization which emerged in the 1970s views social movements as formed by rational social institutions and social actors taking political action (Lin *et al.,* 2003). Resource mobilization theory is considered relevant to this study as it explains how resources (funds) can be mobilized for pursuit of collective goals namely growth of NGOs.

2.1.5 The Concept of Growth

Lucas (2008) defines growth as a process of continuous operations and requires constant and sustained intermediation; which encompasses all activities and sections across economic, social, political and cultural domain; demanding an active participation and long-term involvement of various institutions and organisations – government and corporations. In addition, third sector organisations and popularly known as Non-Government Organisations (NGOs) also have a prominent role to play due to the demand-supply gap in growth-oriented intervention (www.unep.org). United Nations General

Assembly (1987) defines growth as development that meets the needs of the present without compromising the ability of future generations to meet their own needs, in such a way that it offers a framework for the integration of environment policies and development strategies. Cooper & Vargas (2004) states that growth is a function of environmental factor variations, in which case market-based environmental tools are generally perceived as more business friendly than traditional command and control policies. Porter & van der Linde (1995) earlier stated that by stimulating sustainability or innovation factors, strict environmental regulations can actually enhance competitiveness based product capacity base and diversity. In a more specific dimension, Commission on Growth and Development (2008) define economic growth to refer to an increase in aggregate productivity whose aggregate gains often correlate with productivity pointing towards increased average marginal productivity. Lopez and Servén (2004) explains that whereas rapid pace of growth is unquestionably necessary for substantial poverty reduction, for this growth to be sustainable in the long run, it should be increasingly broad-based across sectors, and inclusive of the large part of the country's labor force. This definition of growth implies a direct link between the macro and micro determinants of growth and captures the importance of structural transformation for economic diversification and competition.

Hadj Kemeny and Lanahan (2011) posits that for growth what matters is the number of jobs on service provision units available in an operational framework, while for economic development the focus is wages, career advancement opportunities, and working conditions; including enhanced capacities that expand socio economic actors' capabilities. Iyer, Kitson and Toh (2005) in analyzing socio economic growth functions explain thatSocial capital, in essence, is the institutions, relationships, attitudes and values governing interactions amongst people and contributing to economic welfare and social development. They define it as 'the networks, norms, relationships, values and informal sanctions that shape the quantity and co-operative quality of a society's social interactions'; implying that social capital includes shared values and rules for social conduct including trust and civic responsibility. Its increasing prominence in economics discourse through mainstream government systems and non- governmental organisations parallels the rise of the 'informal institutions' literature in related fields such as social development economics. According to Girish and Daniel (2014) different organizations view growth differently. There are many ways organization may use to measure its growth. Since the ultimate goal of most companies is profitability, most organization will measure their growth in terms of number of installation, revenue, number of clients served and other financial data. Organizational growth has the potential to provide NGOs with a myriad of benefits, including greater efficiencies from economies of scale, increased service delivery, increased geographical coverage area, an increased survival rate, increased prestige for organizational members.

Gohar (2011) in examining female education as a determinant of socio economic growth upholds significant positive relationship. Mwansa (1995) argues that whereas Non-governmental organisations (NGOs) have participated in social development process throughout the world; where this participation has assumed even greater significance in African countries because of the complementary, or occasionally supplementary, role NGOs play to that of government in social development, it is believed that lack of clear definition of the relationship between NGOs and states in social development in Africa has led to uncontrolled, uncoordinated and ineffective participation of NGOs in social development.

The United Nations Development Programme (UNDP) (2009) estimates that the total numbers of people “touched” by NGOs in developing countries across the world is probably 250 million (20 per cent of the 1.3 billion people living in absolute poverty in developing countries), and that it would rise considerably in the subsequent years. Brass (2010) asserts that Kenya has experienced exponential growth in number, size, geographical spread and service diversity; 15-fold between 1991 and 2008 from about 400 to 6000, and most of them being funded from foreign sources. He explains that such services like education, healthcare, agriculture and water by internationally funded NGOs affect the social contract between the state and its citizens, the country’s governance and its administrative capacity. Mbote (2015) postulates that the growth of NGOs in Kenya from the 80s to 90s was engineered by the need for protection and empowerment of associational rights, protecting the public from the real and perceived abuses and fraud by unscrupulous organisations and ingeniously support development of marginalized segments of the society. Hershey (2013) posits that the past three decades beginning 1990, Kenya has witnessed rapid and unprecedented growth of local, non-governmental organizations (NGOs). This trend he says reflects similar NGO sector growth throughout the developing world, with increased service points and human service need areas addressed by the NGOs; to an extent that by 2011 the numbers were approximately 35,000. Scholars have attributed the growth of these key civil society actors to an increasingly neoliberal orientation among international donors, an ideology which favors non-state service providers. Ball and Dunn (2013) in developing Guidelines for Good Policy and Practice for NGOs postulate that all NGOs, no matter where they are and what their scope, focus and purpose deal with social, political and economic challenges that mainstream government systems fail to fully deal with in its service mandates. They therefore provide enabling and supporting framework to realise what they have in common, and thus develop appropriate policies and practices which strengthen their impact. Hailey (2014) in exploring different models of resourcing strategies that international NGOs (INGOs) have to adopt to ensure their financial sustainability, argues that sustainability should be seen as an ongoing process, rather than an end in itself. He explains that the process involves the interaction between different strategic, organisational, programmatic, social and financial elements. He further clearly differentiates the growth perspectives attributable to sustainability factors such as the number of NGOs presence and spread to target beneficiaries and difference in types of services offered by each line of NGO. Any analysis of sustainability should therefore not only be geared towards service expansion and product diversity of these perspectives, but also the way that they complement each other.

Lewis (2003) states that there is an increasing commitment to the delivery of social services throughout the world involving voluntary organizations which are neither government agencies directed by the state nor organizations committed to the ‘for-profit’ ethos of the business world. Gill (1997) posits that while many NGOs, particularly in Latin America, were created around the explicit intention of addressing structural issues of power and inequality and expanding civil society against hegemonic or weak and unrepresentative states, they have seen a shift in their organisational character and in the nature of their work including such social issues as poverty alleviation through service delivery and welfare provision. For Lewis & Kanji (2009), as service providers, NGOs offer a broad spectrum of services across multiple fields, ranging from livelihood interventions and health and education service to more specific areas, such as emergency response, democracy building, conflict resolution, human rights, finance, environmental management, and policy analysis. Vansant (2003) explains that in the changing dynamics of civil society and its demands, the critical sustainable development systems concern issues such as grassroots mobilization for sustained and diversified to funding policy advocacy formulation and financial management. Okorley and Nkrumah (2012) state that, despite the role of non-governmental organisations (NGOs) as actors in development, the issue of sustainability of local NGOs remains a major concern in many developing countries, such as Ghana. Abdel-Kader, Magdy and Wadongo (2011) presuppose that regardless of recent growth and importance of Non-governmental organisations (NGOs) as part of the voluntary sector, particularly in developing countries such as Kenya, research focusing funding continuity and their performance management practices, responsive to the environment of their operations lags behind.

Islam, Haris and Siti Hajar (2013) however argue that whereas in the current times, a majority of the NGOs are fairly funded from external International NGOs (INGOs), a large number of them have not demonstrated a matching relationship between sustainability constructs and growth factors. Namita (2013) in analyzing the increasing investment in the NGOs sub sector in India established that despite the increased activities around diversification of funding sources and enhancement of capacity of the NGOs to generate increased internal funding, there lacks information linking this scenario to the growth levels of the NGOs.

2.1.6 Trend of growth of NGOs in Kenya

Radley (2008) states that with just 267 registered NGOs in Kenya in 1988, the NGO sector had registered growth to 2,511 registered NGOs by 2003; a nine fold increase in the space of just fifteen years and over ten times by 2015. This recent proliferation of the NGO sector in Kenya carries important implications for the provision of public services to the poor and vulnerable. This explains implications and need for assessment of the extent to which the country's poor are being met by the NGO sector. UNAIDS (2007) information indicates that whilst the national data shows positive projection, Nyanza Province has experienced inconsistent growth in terms of programmes offered by the NGOs, and slow expansion of their operations. with Central Province home to twenty one (21) of such programmes, eight (8) in Nyanza Province and Western; while Rift Valley which is home to almost one quarter of Kenya's population having twelve (12), the level of NGO activity in the areas is evidently inconsistent. This is coupled by the fact that the NGO service bases such as health and poverty were adversely increasing during the reviewed period except for Central province, where the NGO involvement was at 75% compared to poverty rate of 30%. At the same time NGOs involvement was 30% against poverty rate of 45% for Nyanza and 43% involvement against 52% poverty rate for western among others (Mulama, 2016). According to Kenya Poverty and Inequality Assessment (KPIA), (2008) NGOs in these spheres appear to have grown markedly over recent decades, although civil society may have stagnated more recently in a way which NGO activity has not. Yet following from the information, both civil society and the NGO community in Kenya are poised to play a significant role in determining the direction and future of the country's new development era. Whether or not this role is a positive one may well depend to a large extent on the degree to which both spheres build on their past successes and current strengths and learn from previous failures.

2.1.7Financial Sustainability Factors

Hawken (1993) while defining sustainability as carrying capacity of the ecosystem describing input-output models of resource consumption implies that society must use no more of a resource than can be regenerated. He explains that sustainable performance can be accounted for either by developing sustainable operations or by planning for a future application of current resources currently required. For him organisations mostly tend to aim towards sustainability by increasing efficiency in the way in which resources are utilized. Bowman (2011) argues that financial sustainability can be gauged by an organization's net income, liquidity and solvency. It is thus a measure of an organization's ability to meet all its resource and financing obligations; whether these funds come from user charges or budget sources and fulfill its mission and serves its stakeholders over time Devkota (2010). Lewis (2011) however states that sustainability performance measures are symmetric to critical institutional performance measures such as capital growth capacity and line of product diversity that the very organisation is able to pursue. For Renz and Associates (2010), they view financial sustainability as the ability of a Non-Governmental Organization to develop a diverse resources base so that it could continue its institutional structure and production of benefits for intended client population after the cessation of donor financial support. It therefore implies the ability of an NGO to secure and manage enough resources, human and financial to fulfill its mission effectively in the long term in terms of growth and stakeholders' satisfaction. According to Abdelkarim (2002), whereas financial sustainability encompasses sound financial management, resource mobilization and internal income generation/self-financing, it explains the ability of any organisation; whether for profit or not for profit model to realise its core objectives. In respect of NGOs Leon (2001) equates it to their ability to generate a positive balance sheet so that they can have flexibility to respond to new needs and changes to the operating environment. He further establishes the key pillars of sustainability as income generation capacity, income diversification, good strategic financial management practices and good donor recipient relationship management practices.

2.1.8 Income Generation Capacity

Rhoden (2014) defines Income Generation Capacity in the context of the innate ability of an organisation or a firm to create resources either within its ranks or by influencing external environmental players in a constructively productive or profitable manner. Handbook on Income-Generating Activities (HIGA) (2000), defines the concept of Income Generation Capacity as the processes of engaging in production of goods or services -including commerce- or a combination of both, in rural as well as urban areas to create a platform for continuous provision of the intended services without over dependence on external donors. To them women are often targeted a great deal of IGAs in an effort to reduce poverty and create economic opportunities; and subsequently strengthens a woman's position within the household to be generating her own income. UNESCO (1993) document on Asia-Pacific Programme of Education for All (APPEAL) aiming at promoting literacy and basic learning skills through three programmes of Eradication of Illiteracy (EOI), Universalization of Primary Education (UPE) and Continuing Education for Development (CED), establish a foundation that presupposes income generation Capacity as a major pillar of financial sustainability since own funds are unrestricted and flexible. NGOs can generate own funds through contributions to a trust/endowment fund, fundraising for institution building operations, sale of goods and services, financial management and corporate alliances (Leon, 2001). Waiganjo *et al.* (2012) note that NGOs such as the Kenyan Red Cross Society generate own income in many ways including running profit-making hotels and ambulance services and ploughing the money back into charity and development work. USAID (2010) observes that some NGOS raise funds through consultancy and services, membership subscription, and sale of products. Lewis (2011) asserts that an organization is more financially sustainable if it raises own income (unrestricted funds) that give it the freedom to implement projects the organization wants, even those which local and international donors are reluctant to fund.

Raising own income enables an NGO to build reserve funds that are normally shown separately in the annual financial statements and can be used for unexpected events and help reduce donor-dependence and cash-flow shortages as well as strengthening the NGO's ability to withstand external financial shocks (Lewis, 2011). Jacobsen (2005) states that Non-governmental organizations experience difficulty in finding sufficient, appropriate and continuous funding for their work. For a majority of these organisations, accessing funding donors is not only challenging but also stringent in dealing with their funding conditions.

According to Lyngdoh (2014), it is perceived that there are cartels of individuals and Non-governmental organizations that control access to donor funds. The affected NGOs have limited resource mobilization skills and are often not looking for funds that are available locally, preferring to wait for international donors to approach them. Local resource mobilization provides potential for Non-governmental organizations to raise funds from local businesses, individuals, government and locally generated income (Edwards and David, 1995). To do this non-governmental organizations must have strong governance and accountability mechanisms, clear strategies and local credibility. Arising from this scenario, Iwu, Kapondoro, Twum-Darko and Tengeh (2015) postulate that there is a high dependency of donors and a tendency to shift interventions to match donor priorities; which may create lack of financial, project and organizational sustainability. They conclude that Non-governmental organizations must be concerned with three aspects of sustainability; which are enduring impact, the continuity of resources, and the viability of the organizations. Sustainability within each category therefore requires insightful agility, as a virtuous spiral linking the three categories in a positively reinforcing way (Viswanath, 2000). According to Killick (2001) the NGOs with excess assets can use them to generate income which may be used as the NGO determines. They consider renting buildings, providing consultancy, offering training, trading on their name or with locally made products; and further points out that the participatory element embodied in the development strategy of NGOs might not always enhance the economic benefit of women beneficiaries of an economic development program.

2.1.9 Income Diversification

According to Singh and Mofokeng (2014), Income diversification means expanding income or and fund sources base to include many donors locally and internationally. He further states that may include revenue and non revenue streams of funding. Leon (2000) defines income diversification as 60 percent of an organization's income coming from at least five sources; basically serving as a buffer from external shocks and the volatility of external donor funding. Lewis (2011) defines income diversification for NGOs as the securing of funds from as many sources as possible including from local business communities, the public, national and local government, and not just limiting funding sources to external institutional donors, to alleviate the restricted external donor funding to service lines, limiting the NGOs' use the resources for specific purposes. Hailey (2014) states that whereas financial sustainability is crucial for the long-term survival and effectiveness of all types of NGOs, it is evident that the more different sources of funds the NGOs have the more financially self-sufficient and sustainable they are. He argues that while there are clearly different perspectives on sustainability and what it means in practice, any analysis of sustainability need to acknowledge the diversity of the perspectives and also the way in which they complement each other. For some, sustainability is concerned with financial viability or long-term economic growth; for others, it is about environmental sustainability with respect to production, population growth and resource imbalances or intervention, with an emphasizing on the quality of a service or programme after a targeted intervention has ended (http://www.mango.org.uk).

Diversification of funding sources is essential to increase the stability of Non-governmental organizations income streams. As a response to the economic crisis, tapping international funding streams might be more important than ever (Kurosaki, 2003). With the funding challenge most Non-governmental organizations have responded with the same entrepreneurial spirit, good planning and hard work that brought them success in their core activities (Barrett, Bezunch, Clay and Reardon 2000). They have expanded fund-raising activities directed at the general public, tapped new corporate donors for monetary and in-kind support, and held one-time events. They have redesigned program implementation strategies to include cost-recovery components whereby the beneficiaries of the program pay part, and sometimes all, program costs (Henin, 2002). Today some Non-governmental organizations own and manage restaurants, tour companies, banks, clinics and other businesses.

Income diversification refers to an increase in the number of sources of income or the balance among the different sources (Jenkins and Yakovleva, 2006). Rao and Holt (2005) states that for many Non-governmental organizations, social enterprise serves as a strategy to diversify their funding base, decrease reliance on donors, and recover or subsidize program costs. In these cases, the social enterprise offers a means to reduce program deficits and employ resources more efficiently. Migros (2008) explains that although non-governmental organizations seeking means to diversify income may set modest financial objectives, there is need to broaden their income base. Hargrave and van-de-Ven (2006) adduce the fact that the success of income diversification strategies largely depends on the ability of the institution's leadership to communicate effectively with the church community as well as with external stakeholders. These Non-governmental organizations also often have a greater need to seek outside funding because of their higher costs for support services and overhead (Daub, 2007). On the other hand, smaller NGOs have the advantage that relatively small amounts of self-generated funds can make a big difference in ensuring their financial sustainability.

2.1.10 Financial Management Practices

According to Khatiwada, Deng, Paudel, Khatiwada, Zhang and Su (2017), NGOs combine a diverse set of income generating and social activities to construct a portfolio of livelihood activities which potentially meets basic and enhance better livelihood outcomes. They assert that financial management practices involves reviewing and managing the current and future financial positions of the NGO; and how best the strategic goal of NGOs can be funded. Waiganjo *et al.* (2012) argue that having good strategic financial management systems helps an organization secure funding from donors who can easily understand the direction in which the organization is heading. They emphasize the need for NGOs to critically strategize their financial sustainability as the operating environment was changing fast, yet needs were increasing due to many factors including climate change, drug abuse, disease and natural disasters. Gakuu and Kirimi (2014) allude to the fact that financial management practices focuses prudent fund management mechanisms that help the NGOs to achieve their goals in an effectively sustainable way.

Spalling, Brouwer and Njoka (2014) deepen an explanation that most local NGOs in Kenya have had weaknesses in strategic financial management and sustainability models, and they since their rudimentary accounts and ad hoc nature makes it difficult for leveraging their assets. This assertion was however, slightly contradicted by Waiganjo *et* *al.* (2012) who argue that NGOs in developing countries were attracting qualified staff and even competing with the private sector for staff; thereby making them having best skills to achieve highest levels of financial management. Leon (2001) explains however that non practice of sound financial management runs the risk of losing sight of long-range financial objectives. Financial management in Nongovernmental organizations is therefore concerned with ensuring funds are available when needed and that they are obtained and used in the most efficient and effective way to the benefit of the Nongovernmental organization (Waddell, 2000).

2.1.11 Relationship between Financial Sustainability and Growth of NGOs

According to Bowmann (2011) financial sustainability is the capacity of an organisation to continuously generate investment funds in a self-evolving manner; giving the organisation the ability to seize opportunities and react to unexpected threats while maintaining general operations. It reflects the degree of managerial flexibility to reallocate assets in response to opportunities and threats regardless of an organization's profit or nonprofit status. This makes establishment of financial capacity and financial sustainability are central to organizational function. Banks and Holmes (2012) propounds that while levels of funding for NGO programmes in service delivery and advocacy work have increased alongside the rising prevalence and prominence of NGOs, concerns regarding their legitimacy have also increased; which subsequently raises the running question on their growth parameters. In addition, given the non-political arena in which they operate, NGOs have had little participation or impact in tackling the more structurally-entrenched causes and manifestations of poverty, such as social and political exclusion, instead effectively depoliticising poverty by treating it as a technical problem that can be solved. Therefore, maintaining financial agility over long term period is important for non-profits organisations, given that many of them serve high-need communities that require consistent and continuously available services. With this in mind, the goal of financial sustainability for nonprofits is to maintain or expand services within the organization while developing resilience to occasional economic shocks in the short term.

2.2.0 Empirical Literature Review

Lozano (2008) in a review of envisioning sustainability three dimensionally established that there has been an enormous growth in the number of NGOS being registered in

Kenya. However he explains that seventy percent of these NGOs do not live to celebrate their sixth birthday. Kenya Bureau of Statistics (2013) reveals that as at 2012, Kenya's NGO sector accounted for 5% of the country's gross domestic product and was serving as a big employer with potential human and financial capital growth of between 8% and 13.5%. They therefore play important roles in the society, by supplementing government and foreign missions' effort in the provision of services to it citizen. Ebrahim (2005) in examining accountability myopia explains that while a number of NGO's in Kenya have achieved administrative efficiency, in terms of capacity to generate fund, diversify income streams and manage finances, many of them still have major difficulties in expanding their operation scope and diversify their service provision. Their nature therefore hampers efficiency as many of them are new, small and without guaranteed future. United Nations AIDS (2010) dealing with Strategies to Strengthen NGOs Capacity in Resource mobilization through Business Activities, concurs that many local NGOs in Kenya have streamlined their sustainability components, but goes ahead to explain that their growth indicator vary from one NGO to another and from one region to another.

Issa (2015) states that during the last twenty-five years, spanning 1990 to 2015 NGOs in Africa have increased dramatically in number and in influence in Africa. Although the 1980s were described as the 'NGO decade', growth has continued quickly in the recent decade. In Kenya, for example, the NGO sector experienced phenomenal growth between 1993 and 2015 (Vanessa, 2008). In Tanzania the growth is even more dramatic. In 1990 there were 41 registered NGOs, which grew to 10,000 by 2000 (Reuben, 2002). The growth of the NGO sector has therefore increased rapidly to respond to the social, political, environmental and economic needs of the vulnerable and the disadvantaged nations but in a disproportionate manner. Mbote(2002), while analyzing operational environment and NGOs constraints in Kenya, established that while the country has in the past experienced enormous growth in establishment of NGOs; with more than 100% increase between 1977 and 1987, striking over 23,000 by 1997 and 47,000 by 2016, this growth has been on a declining trend. This she attributes to funding, but without examining the facets of funding available to the NGOs, and possible contribution of these sources to growth of the NGOs. The foregoing discourse reveals inconsistency that requires further investigation on how NGOs' sustainability factors relate with the NGOs' growth.

2.2.1Sustainability Factors and Growth (geographical presence)

Nganga (2013) in a study of social investment (SI) strategies used by Non Profit Organisations (NPOs); in an effort to determine the relationship between social investment and sustainability for the growth of the organisations established that most of the NPOs suffer from dependency on foreign donations, but reveal strong positive correlation between SI and sustainability of NPOs. However, the study implies other factors' involvement such as social innovation, financing and structural flexibility among others in SI adoptions. Rao (2013) while investigating effect of funding sources on financial sustainability of Water sector institutes in Kenya, using regression analysis, found a strong positive relationship between internally generated funds and financial sustainability of the water institutions in Kenya; which accounted for their reinvestment for service expansion and service diversity. Essentially when all factors are held constant, a positive relationship is evidenced on financial sustainability with an increase in government grants, donor funding, internally generated funds and reserves. Kidzuga (2013) on a study of MFIs in development acknowledges that performance of such institutions is based on the concepts of outreach and sustainability which anchors their growth in terms of scope and product or service types. Okorley and Nkrumah (2012) in analyzing organisational factors influencing sustainability of local non-governmental organisations, draws implications that despite operational focus on sustainability factor by the NGOs, evidence of related growth of their coverage and number of products they provide is scarce. VanSant (2014) while examining challenges of local NGO sustainability asserts that implementing the relevant sustainability functions results into regional growth of the NGOs given specific political and social support, alongside government policies, and not on the basis of need. He further explains that is explained in the adverse regional presence of NGOs in Kenya; exemplified in such data as NGOs involvement of 30% against poverty rate of 45% for Nyanza and 43% against 52% poverty rate for western among others. The revealed contrasts in relating sustainability factors to geographical growth (scope) and presence in the regions of Kenya; with dire need for social capital, infrastructure and economic enhancement; all of which are in the operational domain of NGOs requires further research.

2.2.3 Sustainability Factors and Product Diversity

Kinde (2012) in investigating the factors affecting financial sustainability of MFIs established that financial sustainability is a product of the extent of income generation capacity which provides capacity for growth for MFIs with growth projections. It is noted that some of these MFIs were income generation components of sustainability concept of NGOs. Onsongo (2012) seeking to establish how the financial sustainability strategies adopted by Non-Governmental Organizations (NGOs) to attain contribute to expansion and product diversity paradigms of NGOs growth establishes that the contribution to growth depends of institutional moderator application to the variables and not absolute presence of causal factors. However he states that there is an assumption that requires confirmation that when the causal factors are prevalent the growth is achieved. Ngoe (2012) in examining factors influencing the growth of youth enterprises funded by the youth enterprise development fund (YEDF) to meet their financial obligations established that although growth attributed to most groups relate to implementation plans their financial plans and not necessarily sustainability factors. Kituku (2010) in determining how financially sustainable income generating activity projects supported by Compassion international in Nairobi are and the factors that drive financial sustainability, concludes that project conceptualization, financial systems and funding aspects are key sustainability factors which gives the organisation capacity to offer more goods or services to the public. On the contrary, the study neither probed nor investigated the relationship between income generation capacity or income generation capacity and growth of NGOs.

Maclean, Brass, Carley, El-Arini and Breen (2015) while analyzing Democracy and distribution of NGOs promoting Renewable Energy in Africa, clearly bring out the fact that expanded scope of NGOs and multiplicity of their services as they evolve from their critical mandates, are important parameters of growth of NGOs. Santarossa (2003) investigating factors impacting on long term sustainability of a sample of Scottish firms, modeled along a series of financial indicators for assessing financial health of each firm and future viability of each enterprise, determined findings suggesting that firms sustainability factors set its ability to diversify in the number of goods and services that it offers as potential outcome and causal to further operational actions. Kituku (2010) sought to determine how financially sustainable income generating activity projects and the factors that drive financial sustainability. The study concludes that the sustainability is realised through enhanced management of financial systems and funding aspects to enable a firm reach optimality. He however explains that there is no direct relationship between implementation of sustainability factors and growth indicators such as geographical spread, capital base and product spread. Ibrahim, Yasin and Dahalin (2010) while exploring role of Telecentres (TCs) established by government, NGOs and private sector in bridging the digital divide in Malaysia determines that with effective financial planning and monitoring, supported with good management and strong support from local community and neighborhood, there is a possibility that TCs could operate independently and reach more people through diverse products and area coverage. Ayayi and Sene (2010) study the factors influencing financial sustainability of MFIs drawing from 217 MFIs from 110 countries distributed by region and type of MFIs. The study found that client outreach of microfinance programs and the age of MFIs positively impact on attainment of financial sustainability. The study recommends that MFIs should emulate profit making banking practices by implementing sound financial management and good managerial governance to assure their financial sustainability. However, the study did not explore the impact of income diversification on growth of NGOs.

2.2.4 Financial Management Practices and Growth

A study by Ali (2012) uses a case study to investigate the factors influencing sustainable funding of NGOs in Garissa town and found that financial management practices (FMP) significantly influences financial sustainability of NGOs ($B = 0.558$, $p = 0.0276$). The study concludes that use of FMP leads to financial sustainability of NGOs in Kenya. However, the study did not link the FMP to the growth of NGOs. Another study by Karanja and Kirimi (2014) uses a case study to assess the financial sustainability factors of NGOs in Isiolo County and found that managerial financial practices (MFP) significantly influence financial sustainability of NGOs in Isiolo County. The study concludes that use of MFP leads to financial sustainability of NGOs in Kenya. However, the study did not link the MFP to the growth of NGOs in Kisumu County. Ayayi and Sene (2010) study the factors influencing financial sustainability of MFIs drawing from 217 MFIs from 110 countries distributed by region and type of MFIs. The study found that client outreach of microfinance programs and the age of MFIs positively impact on attainment of financial sustainability. The study recommends that MFIs should emulate profit making banking practices by implementing sound financial management and good managerial governance to assure their financial sustainability. However, the study did not cover the impact of financial management practices on growth of NGOs.

Onsongo (2012) sought to identify strategies adopted by Non-Governmental Organizations (NGOs) to attain financial sustainability. The focus of the study was to find out how strategic financial management, paradigm shift in programming, internal financial funding, strategic alliances and organization structure contributes towards financial sustainability amongst the sampled 300 NGOs. From this study, strategic financial management was ranked highly followed by proper governance systems, strategic alliances, internal financial sources, organizational structure, development funding and paradigm shift in programming. However, the studycover NGOs in Kisumu County. Using exploratory design, Bogan, Johnson and Mhlanga (2007) studied the financial challenges facing MFIs and found that expansion of MFI programs remains a formidable challenge facing the microfinance industry as millions of potential clients still remain unserved and demand for financial services far exceeds the available supply. The study does not support the proposition that the MFIs age is the deciding factor in sustainability. It identifies importance of capital structure and funding instruments as key determinants of financial sustainability. The study did not check the relationship between financial management practices and growth in the context of NGOs in Kisumu County.

CHAPTER THREE
METHODOLOGY

3.1 Research Design

The study employed a correlational research design which involves relating two or more variables and allows predictions of outcomes based on causative relationships between the variables (Cooper and Schindler, 2003). Correlational research explores the relationship between variables, that is, the effect of one thing on another and more specifically, the effect of one variable on another. Mugenda and Mugenda (2003) contend that correlational research has the advantage of being relatively cheap and it is used for the current study so as to assess the relationships between study variables.

3.2 Study Area

The study intends to target all the 87 NGOs within Kisumu County. Kisumu County is located in western region of Kenya covering a land area of 2085 sq Km. its geographical coordinates are 0° 60' 0" South, 34° 45' 0" East. Kisumu County borders Vihiga to the North, Nandi County to the North East, Kericho County to the East, Nyamira to the South and Homa Bay to the South. Its headquarters is Kisumu City. The County constitutes six sub counties: Kisumu City, Kisumu West, Seme, Nyando, Nyakach and Muhoroni. Kisumu County is relatively densely populated with a current population of 1,086,287 according to the KCHSSIP 2013-2017, of the total population 52% are estimated to be females and the remaining 48% are males.

3.3 Target Population

The population of interest to this study consisted of all NGOs registered in Kenya and operating within Kisumu County. As per the Public Benefits Organizations Regulatory Authority (PBORA) 2016, there are 87 registered NGOs in Kisumu County by August 2016. The study units will comprise the CEO, programme manager and finance manager; giving a total population of 261 potential respondents.

3.4 Sample Size and Sampling Technique

A census survey will be used to obtain data from 248 respondents; since 5% of the population will be used for pilot study. The 5% will also encompass the three categories;

being Chief Executive Officers, Program managers and Finance managers. Table 3.1 below.

Table 3.1: Study Sample

Category	Pilot study	Number of Respondents	Total
CEOs	5	82	87
Program managers	4	83	87
Finance Managers	4	83	87
Total	**13**	**248**	**261**

3.5 Data Type and Collection Procedure

Data will be collected from both primary and secondary sources. The primary data will be obtained from the NGOs' CEOs, program managers and Chief Finance managers for the 87 NGOs operating in Kisumu County yielding a total of 261 participants. The questionnaires will be administered through "drop and pick later" method. The questionnaire comprises closed and open - ended questions. The questionnaire has two sections where section A outlines the demographics of the respondents; Section B highlights the determinants of financial sustainability. Secondary data will be obtained from the published financial statements and returns of the NGOs filed with the Public benefit organizations regulatory authority.

3.5.1 Reliability Test for Data Collection Instrument

Reliability refers to the extent to which an experiment, test, or any measuring procedure yields the same results on repeated trials. Primary data research instrument reliability will be tested using Cronbach's Alpha Method (Cronbach, 1951). According to Sekaran (2001), alpha values for each variable under study should not be less than 0.7 for the statements in the instruments to be deemed reliable for social sciences.

3.5.2 Validity Test for Data Collection Instrument

The validity of the data collection instruments will be done using experts in the area of study to edit the questionnaire. In addition, validity will be enhanced by conducting a pilot study which is aimed at refining the instruments. As proposed by Mugenda and Mugenda (1999), the pilot will be administered on 10 % of the participants of the total population totaling to 26 respondents. These 26 who participated in the pilot will not be included in the final study.

3.6 Data Analysis and Presentation

Both descriptive and inferential statistics will be used to summarize and analyze the data, involving measures of dispersion and central tendency where means and averages and regression analysis was used. Pearson r correlation and multiple regression analyses will also be used to address objective (i) to (iii). Content analysis will be performed on qualitative data. Data will be presented using tables, figures and charts.

3.6.1 Correlation Analysis Model

The following formula adapted from Cohen et al. (2003) (Equation 3.1) will be used to calculate Pearson r

$$Correlation(r) = [N\Sigma XY - (\Sigma X)(\Sigma Y)]/\sqrt{([N\Sigma X^2 - (\Sigma X)^2][N\Sigma Y^2 - (\Sigma Y)^2])} \quad \textbf{(3.1)}$$

Where:

r	=	Pearson r correlation coefficient
N	=	number of values in each data set
$\sum xy$	=	sum of the products of paired scores
$\sum x$	=	sum of x scores
$\sum y$	=	sum of y scores
$\sum x^2$	=	sum of squared x scores
$\sum y^2$	=	sum of squared y scores

3.6.2 Multiple Regression Model

Multiple regression analysis is adopted to determine relationship between explanatory variable; financial sustainability factors and; dependent variable, growth of NGOs. The model for the regression analysis is below;

$$Y_1 = \alpha_0 + \beta_1 X_{1i} + \beta_1 X_{2i} + \beta_1 X_{3i} \ldots + \varepsilon_i \quad \textbf{3.2}$$

$$Y_2 = \alpha_0 + \beta_2 X_{1i} + \beta_2 X_{2i} + \beta_2 X_{3i} \ldots + \varepsilon_i \quad \textbf{3.3}$$

Y	=	Dependent Variable (growth of NGOs).
X_{1i}	=	theoretically defined Independent Variable (income generation capacity).
X_{2i}	=	theoretically defined Independent Variable (income diversification).
X_{3i}	=	theoretically defined Independent Variable (financial management practices).
β_0	=	Y intercept in the equation.
β_1	=	Size and direction of causal effect of X_1, the independent variable (income generation capacity) on Y, the dependent variable (growth of NGOs).
β_2	=	Size and direction of effect of X_2, the independent variable (income diversification) on Y, the dependent variable (growth of NGOs).
β_3	=	Size and direction of effect of independent variable, X_3 on Y, the dependent variable (growth of NGOs).
ε	=	Residual in the equation.
i	=	Number of respondents under consideration.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1 Demographic Results

4.1.1Gender

This indicated the total number of the respondents who returned their questionnaires and which were fully answered and thus met the threshold to be analyzed. There were a total of 180 questionnaires given out for the purposes of this study. Upon collection, only 140 were duly filled and returned. This indicated that the response rate hence was 77.8%. The distribution according to the gender is indicated in the table below:-

Table 4.1Respondents who returned their questionnaires

	Frequency	Percent	Cumulative Percent
male	65	46.4	46.2
female	75	53.6	100.0
Total	140	100.0	

Source: Research Data 2017

According to the above table, the results indicated that more women, at 53.6% responded to the questionnaires but men were 46.4%.

4.1.2 Designation

There was the interest to get to know the distribution of the respondents according to the positions that they held. There were three (3) positions that were of interest to this study namely the Chief executive officer (CEO), the chief finance officer (CFO) and the program Manager (PM).

Table 4.2Respondents according to Designation

	Percent	Cumulative Percent
chief finance officer	64.6	64.6
program manager	35.4	100.0
Total	100.0	

Source: Research Data 2017

The table above indicated that among the respondents, there was no response from the CEO, meaning that none of the respondents was a CEO. Coming to the CFO position, there was a total of 64.6% while the PM position was held by 35.4% of the respondents.

4.1.3 Gender and Designation Cross tabulation

An interest was developed to find out from the research finding was portion of the Gender held the above senior position hence the need to cross tabulate.

Table 4.3 Gender and Designation Cross tabulation

		designation		Total
		chief finance officer	**program manager**	
gender	male	57	8	65
	female	45	30	75
Total		102	38	140

Source: Research Data 2017

The results above indicated that out of the 65 male respondents, 57 were CFOs while 8 were PM. Among the ladies, out of the 75 respondents, 45 were CFOs while 30 were PMs. In summary, most of the responses were received from those who held the position of the CFOs as opposed to PMs.

4.1.4 Age bracket

The study also set out to identify the various age categories of the respondents from ages 18-25 years, 26-30 years, 31-35 years and those above 35 years.

Table 4.4Age bracket

	Percent	Cumulative Percent
26-30 years	9.2	9.2
31-35 years	38.5	47.7
above 35 years	52.3	100.0
Total	100.0	

Source: Research Data 2017

The results in the table above indicated that none of the respondents was between 18-25 years, 9.2% were aged 26-30 years, 38.5% were aged 31-35 years while 52.3% were aged above 35 years.

4.1.5 Year of Service

The level of experience based on the years of service that the respondents have served was also looked at and the results summarized below.

Table 4.5Year of service

	Percent	Cumulative Percent
below 1 year	1.5	1.5
2-4 years	20.0	21.5
5-7 years	35.4	56.9
above 7 years	43.1	100.0
Total	100.0	

Source: Research Data 2017

The results indicated that majority of the respondents, at 43.1% had an experience of above 7 years followed by those who had an experience of 5-7 years at 35.4%. Those with 2-4 years of experience were 20.0% while those with below 1 year experience were 1.5%.

4.1.6 Level of Education

The educational level of the respondent was also gauged and the responses tabled below.

Table 4.6Level of Education

	Frequency	Percent	Valid Percent	Cumulative Percent
Professional certificate	5	7.7	7.7	7.7
Professional diploma	11	16.9	16.9	24.6
Bachelor degree	25	38.5	38.5	63.1
Master degree	24	36.9	36.9	100.0
Total	65	100.0	100.0	

Source: Research Data 2017

From the results, majority at 38.5% had Bachelor degree, 36.9% had master degree while 16.9% had professional diploma certificates. Those with professional certificates were 7.7%.

4.1.7 Registration Status

On the side of the institution, there was need to identify the different category of the registration that the firms were registered. The table below gave the summary.

Table 4.7Registration Status

	Frequency	Percent	Valid Percent	Cumulative Percent
trust	26	40.0	40.0	40.0
private voluntary organization	11	16.9	16.9	56.9
other	28	43.1	43.1	100.0
Total	65	100.0	100.0	

Source: Research Data 2017

From the results in the table above, most of the firms, at 43.1% whose respondents were interviewed were registered under “Others” to mean NGOs as was indicated by the respondents upon further probing in the 2nd position, at 40.0% were those registered under Trust while 16.9% were the private voluntary organizations.

4.1.8 Sub County of Operation

It was imperative that the study looks at the sub county of operations of these organizations. The results were summarized below:

Table 4.8Sub County of Operation

	Frequency	Percent	Valid Percent	Cumulative Percent
Kisumu city	28	43.1	43.1	43.1
Kisumu west	9	13.8	13.8	56.9
Seme	3	4.6	4.6	61.5
Nyando	1	1.5	1.5	63.1
Nyakach	5	7.7	7.7	70.8
Muhoroni	5	7.7	7.7	78.5
more than one sub county	14	21.5	21.5	100.0
Total	65	100.0	100.0	

Source: Research Data 2017

Those that had operations in more than one sub county were 21.5% otherwise, the rest operated in only one sub county with majority , at 43.1%, working in Kisumu city, 13.8% working in Kisumu west. Those working in Nyakach and Muhoroni were 7.7% respectively while those working in Seme and Nyando were 4.6% and 1.5% respectively.

4.1.9 Reliability Statistics

The reliability test on the data was performed using Cronbach's alpha. The result indicated a coefficient 0f 0.93. This meant that the data received back and their reliability infers that they were reliable. Any Crobach's Alpha of 0.70 or more is perceive to be reliable.

Table 4.9 Reliability Statistics

Cronbach's Alpha	N of Items
.930	140

Source: Research Data 2017

4.1.10 Income Generation Capacity

The study looked at how the NGOs had addressed itself to the income generation capacity constructs. The respondents were asked to define the importance their organizations attaches to the elements between 2011 and 2017 on a scale of 1 to 5.

Table 4.10 Income Generation Capacity

	Percent	Cumulative Percent
Disagree	6.2	6.2
Uncertain	36.9	43.1
Agree	53.8	96.9
Strongly agree	3.1	100.0
Total	100.0	

Source: Research Data 2017

Based on the above results, the response was that majority, at 53.8% acknowledged that the NGOs had addressed themselves to the income generation capacity? A total of 36.9% were uncertain on whether their organizations had addressed the income generation capacity. However, there were 6.2% who disagreed while a paltry 3.1% strongly agreed. In general, the response on the latent concerns were as follows:-

4.1.11 General Verdict on the individual constructs on income generation capacity

Looking at the individual constructs that were used as the latent variables to define Income Generation Capacity in the table below, there were varied responses. Looking, therefore, at these responses, the verdict column showed the general feeling on how these constructs responded to Income Generation Capacity. The conclusion was arrived at by grouping the scales into strongly agree, undecided and strongly disagree through the summation of the percentages i.e. strongly disagree and disagree was construed to generally mean Disagree as the table below exhibits.

Table 4.11. The individual constructs on income generation capacity

	Strongly disagree	Disagree	Uncertain	Agree	Strongly agree	Verdict
General needs	7.7	3.1	20	56.9	12.3	Agree
Charging fees	7.7	18.5	7.7	43.1	23.1	Agree
Beneficiary contribution	20	30.8	12.3	30.8	6.2	Disagreed
Trust funds	3.1	15.4	27.7	46.2	7.7	Agree
Public materials	7.7	27.7	15.4	44.6	4.6	Agree
Membership fees	15.4	29.2	4.6	43.1	7.7	Agree
Credit facilities	10.8	15.4	9.2	46.2	18.5	Agree
Renting out	9.2	15.4	3.1	43.1	29.2	Agree
Establish objectives	9.2	3.1	12.3	49.2	26.2	Agree
Needs analysis	0	7.7	13.8	50.8	27.7	Agree
Market research	3.1	9.2	7.7	46.2	33.8	Agree
Relationship analysis	0	3.1	9.2	53.8	33.8	Agree
Capacity training	4.6	12.3	13.8	41.5	27.7	Agree
Response to purpose	1.5	6.2	16.9	49.2	26.2	Agree
Implementation plan	1.5	6.2	1.5	35.4	55.4	Agree
Skills and workmanship	1.5	4.6	9.2	30.8	53.8	Agree

Source: Research Data 2017

From the Table 4.2, the general feeling was that the respondents agreed that the NGOs addressed themselves to income generation capacity as the individual constructs above indicates. However, with regards to asking for beneficiary contribution, there was a Disagreement. Again on public material contribution, those who agreed were just 49.2% while those who disagreed or were undecided were 35.4% and 15.4%, hence it was generally considered that this construct was not a major influencer to Income Generation Capacity. These results concur with Handbook on Income-Generating Activities (HIGA) (2000), which identifies Income generation Capacity as a critical factor in growth of the NGOs. Subsequently, Leon (2001); Waiganjo *et al.* (2012); USAID (2010); Lewis (2011) and Jacobsen (2005); all of who agree that NGOs can generate own funds through contributions to a trust/endowment fund, fundraising for institution building operations, sale of goods and services, financial management and corporate alliances; ploughing the money back into charity and development work and that an organization is more financially sustainable if it raises own income (unrestricted funds) that give it the freedom to implement projects the organization wants, even those which local and international donors are reluctant to fund.

4.1.12 Income Diversification

On the objective of income diversification, the respondents were requested to indicate the extent to which the organizations responded to income diversification on a scale of 1- 5 where 1 implied strongly disagree and 5 meant strongly agree.

Table 4.12 Income Diversification

	Percent	Cumulative Percent
Undecided	29.2	29.2
Agree	36.9	66.2
Strongly Agree	33.8	100.0
Total	100.0	

Source: Research Data 2017

From the Table 4.3, it was concluded that 36.9% agreed that the NGOs were involved in income diversification, while 33.8% strongly agreed that the NGOs were involved in income diversification. However, there was also the sizeable number of the respondents (29.2%) who were undecided.

4.1.13 General Verdict on the individual constructs on income diversification

These referred to the general observations regarding the respondents' perception on how the individual constructs that defined income diversification were being perceived by the NGOs. The results were tabled below. The conclusion was also arrived at by grouping the scales into strongly agree, undecided and strongly disagree through the summation of the percentages i.e. strongly disagree and disagree was construed to generally mean disagree as the table below exhibits.

Table 4.13. The individual constructs on income diversification

	Strongly disagree	Disagree	Undecided	Agree	Strongly Agree	Verdict
Potential source	7.7	7.7	6.2	36.9	41.5	Agree
Chain determination	1.5	3.1	18.5	50.8	26.2	Agree
Investment to income	1.5	6.2	7.7	47.7	36.9	Agree
Skills to income	1.5	0	9.2	46.2	43.1	Agree
Endowed funds	3.1	4.6	6.2	47.7	38.5	Agree
Risk management	4.6	4.6	9.2	43.1	38.5	Agree
Consultancies	1.5	12.3	7.7	44.3	33.8	Agree
Internal finance Mngt	6.5	4.6	3.1	46.2	40.0	Agree
Fund raising	3.1	7.7	4.6	27.7	56.9	Agree
Cost sharing	4.6	4.6	13.8	35.4	41.5	Agree
Exchange rate fluctuations	4.6	4.6	18.5	26.2	46.2	Agree
Social entrepreneurship	1.5	7.7	10.8	43.1	36.9	Agree
Finance from government	10.8	21.5	16.9	23.1	27.7	Agree
Organizations priorities	3.1	1.5	9.2	43.1	43.1	Agree
Overhead costs	4.6	3.1	6.2	36.9	49.2	Agree

Source: Research Data 2017

Although the respondents generally agreed that the individual constructs were able to influence income diversification, mixed reaction emerged with reference to fund raising from the Government of Kenya and Government departments. A sizeable respondents (32.3%) believed that this construct do not influence income diversification, 16.9% were undecided while those who agreed were 50.7%, an almost equal response on either side. Hailey (2014) states that whereas financial sustainability is crucial for the long-term survival and effectiveness of all types of NGOs, it is evident that the more different sources of funds the NGOs have the more financially self-sufficient and sustainable they are. He argues that while there are clearly different perspectives on sustainability and what it means in practice, any analysis of sustainability need to acknowledge the diversity of the perspectives and also the way in which they complement each other. Diversification of funding sources is essential to increase the stability of Non-governmental organizations income streams. As a response to the economic crisis, tapping international funding streams might be more important than ever (Kurosaki, 2003). With the funding challenge most Non-governmental organizations have responded with the same entrepreneurial spirit, good planning and hard work that brought them success in their core activities (Barrett, Bezunch, Clay and Reardon 2000). Rao and Holt

(2005) states that for many Non-governmental organizations, social enterprise serves as a strategy to diversify their funding base, decrease reliance on donors, and recover or subsidize program costs.

4.1.14 Financial Management Practices

How important some latent financial management practices are to the organization's ability to raise funds from donors and other sources were responded to by the respondents. The results were tabled below.

Table4.14.Financial Management Practices

	Percent	Cumulative Percent
Neutral	3.1	3.1
Agree	36.9	40.0
Strongly Agree	60.0	100.0
Total	100.0	

Source: Research Data 2017

From the Table 4.5, the results indicated that generally, majority at 60%, strongly agreed that financial management practices were important to their organization's ability to raise funds from the donors, another 36.9% agreed to the same while only 3.1% were neutral on this aspects. Since no one out rightly disagreed, it then can be concluded that financial management is important towards raising funds.

4.1.15 General Verdict on the individual constructs on financial management practices

The Table below showed the results on the level of importance that the NGOs attached to the individual constructs that defined financial management practices with regards to how they are important to the NGOs ability to raise funds from donors and other sources. The conclusion was also arrived at by grouping the scales into agree, undecided and disagree through the summation of the percentages i.e. low important and slightly important was construed to generally mean unimportant as the table below exhibits.

Table 4.15. The individual constructs on financial management practices

	Low important	Slightly important	Uncertain	Important	Very important	Verdict
Strategic planning	0	0	3.1	35.4	61.5	Important
Financial planning	0	0	1.5	36.9	61.5	Important
Budget rationalization	0	0	3.1	49.2	47.7	Important
Asset selection	1.5	1.5	16.9	49.2	30.8	Important
Fund implementation	0	1.5	16.9	43.1	38.5	Important
Financial management skills	0	0	4.6	52.3	43.1	Important
Service prioritization	0	0	12.3	35.4	52.3	Important
Strict timelines	0	0	4.6	36.9	58.5	Important
Stress analysis	0	1.5	16.9	41.5	40.0	Important
Cash flow analysis	0	1.5	10.8	27.7	60.0	Important
Self-Generated funds	0	3.1	4.6	38.5	53.8	Important
Compliance	0	0	3.1	10.8	86.2	Important
Financial reporting	0	0	3.1	21.5	75.4	Important

Source: Research Data 2017

According to the responses in Table 4.6, the result indicated that all the NGOs attached a lot of importance to the constructs in their ability to raise funds from donors and other sources. Waiganjo *et al.* (2012) argue that having good strategic financial management systems helps an organization secure funding from donors who can easily understand the direction in which the organization is heading. Gakuu and Kirimi (2014) allude to the fact that financial management practices focuses prudent fund management mechanisms that help the NGOs to achieve their goals in an effectively sustainable way.

Spalling, Brouwer and Njoka (2014) deepen an explanation that most local NGOs in Kenya have had weaknesses in strategic financial management and sustainability models, and they since their rudimentary accounts and ad hoc nature makes it difficult for leveraging their assets. Leon (2001) explains however that non practice of sound financial management runs the risk of losing sight of long-range financial objectives.

4.1.16 Growth

This was the dependent variable and hence formed the general concern on this study. It was looked at from the perspective of the number of branches, area in square kilometer, number of clients, value of assets as well as in terms of the number of services offered. The response received from the respondents indicated that most of the organizations, at 58.5% experience high growth while 35.4% experienced very high growth. Despite all these, 4.6% of the respondents alluded to moderate growth while 1.5% of the respondents went for low growth.

Table 4.16. Growth

	Percent	Cumulative Percent
low	1.5	1.5
moderate	4.6	6.2
high	58.5	64.6
very high	35.4	100.0
Total	100.0	

Source: Research Data 2017

Number of Branches

4.1.17 General Considerations

According to the number of branches, the general observation is that between the periods reviewed, there were moderate expansion of branches (44.6%). However, a total of 53.9% thought that the organization grew high and very high while only 1.5% felt that there was low growth in terms of the number of branches as shown in the table below.

Table 4.17.Number of Branches

	Percent	Cumulative Percent
low	1.5	1.5
moderate	44.6	46.2
high	26.2	72.3
very high	27.7	100.0
Total	100.0	

Source: Research Data 2017

4.1.18 Specific Considerations

Basing the growth according to the years under review, the results indicated that in 2011, there was moderate growth at 53.8%, combining high and very high, there was only 40% agreement. In the year 2012, those again a moderate growth (52.3%). However, in the year 2013, there was a very high growth at 63.1%. The year 2014 and 2015, there was a slight reduction in growth since only 49.2% admitted that the growth was high but again in the year 2016 and 2017, majority, at 80.7% and 89.3%, admitted that there was in deed high growth as shown in the table below.

Table 4.18.Specific Considerations on Growth

	Very low	Low	Moderate	High	Very high
2011	0	6.2	53.8	15.4	24.6
2012	0	1.5	52.3	16.9	29.2
2013	0	1.5	18.5	63.1	16.9
2014	0	7.7	43.1	16.9	32.3
2015	0	6.2	44.6	16.9	32.3
2016	3.1	1.5	4.6	73.8	16.9
2017	1.5	4.6	4.6	63.1	26.2

Source: Research Data 2017

4.1.19 Growth in terms of area in square kilometer

According to the Table 4.10, the general feeling of the respondents were that 70.8% believed that there was high growth while 15.4% believed that there was very high growth. However, those who considered moderate growth were 10.8% whereas those who felt a very low and low growth were 1.5% each across the years under review.

Table 4.19. General responses on growth in terms of area in Kilometers

	Percent	Cumulative Percent
very low	1.5	1.5
low	1.5	3.1
moderate	10.8	13.8
high	70.8	84.6
very high	15.4	100.0
Total	100.0	

Source: Research Data 2017

4.1.20 Specific responses across the years

In terms of growth in square kilometers, many recorded that there was moderate growth and the response was at 58.5%, 52.3% and 53.8% in the year 2011, 2012 and 2013 respectively. However, in the year 2014, 2015, 2016 and 2017, majority recorded that there was high growth at 84.6 %, 86.2%, 90.7% and 89.2% respectively.

Table 4.20. Specific responses across the years

	Very low	Low	Moderate	High	Very high
2011	3.1	1.5	58.5	9.2	27.7
2012	1.5	1.5	52.3	18.5	26.2
2013	1.5	4.6	53.8	12.3	27.7
2014	3.1	1.5	10.8	64.6	20
2015	3.1	3.1	7.7	75.4	10.8
2016	1.5	3.1	4.6	76.9	13.8
2017	3.1	0	7.7	75.4	13.8

Source: Research Data 2017

4.1.21 Growth in terms of client base

General considerations

Regarding the general growth of clients across the years under review, the results indicated that majority at 49.2% experienced a moderate growth, 33.8% observed a high growth while 16.9% acknowledged very high growth, as shown in the table below.

Table 4.21. Growth in terms of client base

	Percent	Cumulative Percent
moderate	49.2	49.2
high	33.8	83.1
very high	16.9	100.0
Total	100.0	

Source: Research Data 2017

4.1.22 Specific considerations

Growth in terms of clients was moderate in 2011 as shown by the 53.8% response rate. In the years 2012, there was almost a balance between those who believed that there was moderate growth and those who believed that there was high growth i.e. at 46.2% and

48.8% respectively. In 2013, 2016 and 2017, many believed that there was high growth in terms of client base at 83.1%, 80.0% and 78.4% respectively. However, the scenario again brought an almost equal number of responses in the year 2014 and 2015.

Table 4.22.Specific considerations

	Very low	Low	Moderate	High	Very high
2011	0	4.6	53.8	10.8	30.8
2012	0	4.6	46.2	16.0	32.8
2013	0	3.1	13.8	64.6	18.5
2014	0	4.6	44.6	23.1	27.7
2015	3.1	3.1	46.2	20.0	27.7
2016	1.5	4.6	13.8	66.2	13.8
2017	4.6	3.1	13.8	61.5	16.9

Source: Research Data 2017

4.1.23 Growth in terms of asset base

General considerations

Regarding this aspect, those who recorded that there were high growth in assets base were 55.4% while those who felt that there was very high growth rates were 29.2%. However, those who opined that there were low and moderate growth were 6.2% and 9.2% respectively.

Table 4.23.Growth in terms of asset base

	Percent	Cumulative Percent
low	6.2	6.2
moderate	9.2	15.4
high	55.4	70.8
very high	29.2	100.0
Total	100.0	

Source: Research Data 2017

4.1.24 Specific considerations across the years

Based on the responses received, the table below depicted that in the year 2011 and 2012, there was a moderate growth of the organizations in terms of assets base i.e. at 53.8% respectively but in the year 2013, there was a mixed feeling regarding the assets growth since 47.7% of the responses indicated a moderate growth while another 44.6% indicated high growth. However, in 2014, 2015, 2016 and 2017, respondents agreed that there was high growth in terms of assets base at 84.6%, 86.0%, 87.7% and 87.7% respectively.

Table 4.24.Specific considerations across the years

	Very low	Low	Moderate	High	Very high
2011	3.1	3.1	53.8	6.2	33.8
2012	0	4.6	53.8	6.2	35.4
2013	0	7.7	47.7	10.8	33.8
2014	1.5	7.7	6.2	53.8	30.8
2015	0	6.2	7.7	56.9	29.2
2016	3.1	6.2	3.1	63.1	24.6
2017	4.6	1.5	6.2	60.0	27.7

Source: Research Data 2017

4.1.25 Growth in Terms of Services

General Considerations

According to the table below, majority at 40.0% acknowledged that there was a moderate growth across the years, while 38.5% felt that there was very high growth. Those who acknowledged very low, low and high growth were 1.5%, 7.7% and 12.3% respectively.

Table 4.25. Growth in Terms of Services

	Percent	Cumulative Percent
very low	1.5	1.5
low	7.7	9.2
moderate	40.0	49.2
high	12.3	61.5
very high	38.5	100.0
Total	100.0	

Source: Research Data 2017

4.1.26 Specific Considerations

In terms of growth of services, the results in the table below indicated a mixed feeling in the year 2011, 2012 and 2013 on whether the services growth were moderate or high, being that those who recorded moderate growth were 46.2% a piece in 2011 and 2012 while in 2013, it stood at 40.0%. However, those who recorded moderate growth were 43.0%, 47.6% and 50.8% respectively but in 2014, 2015, 2016 and in 2017, the respondents reported that the organizations recorded high growth at 55.4%, 58.5%, 56.1% and 63.1% respectively.

Table 4.26. Specific considerations on measures on central tendencies

	Very low	Low	Moderate	High	Very high
2011	3.1	7.7	46.2	13.8	29.2
2012	1.5	4.6	46.2	13.8	33.8
2013	4.6	4.6	40.0	24.6	26.2
2014	9.2	9.2	26.2	23.1	32.3
2015	9.2	7.7	24.6	30.8	27.7
2016	7.7	9.2	26.2	27.7	29.2
2017	6.2	6.2	24.6	23.1	40.0

Source: Research Data 2017

4.2. Descriptive Results

Standard deviation is a measure of the dispersion of a set of data from its mean. The more spread apart the data, the higher the deviation. Standard deviation is calculated as the square root of variance. Skewness defines the extent to which a distribution differs from a normal distribution. From the results above, gender is positively skewed whereas age and education is negatively skewed. This means that in the case of gender, the mean is greater than the mode and in the case of age and education; the mean is less than the mode. Kurtosis measures the thickness or the thinness of the distribution's tail. The kurtosis of a normal distribution is always 3. If it is more than 3, then the distribution has a thick tail but if it is less than 3, the distribution has a thin tail. From the table above, all the variables have a kurtosis that is less than 3 meaning that they have an almost flat tail.

Descriptive Statistics

Table 4.27.Descriptive information of all variables

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Income Generation	140	2	5	3.54	.663	-.477	.297	-.030	.586
Income Diversification	140	3	5	4.05	.799	-.084	.297	-1.421	.586
Financial Management Practices	140	3	5	4.57	.558	-.838	.297	-.319	.586
Growth	140	2	5	4.28	.625	-.670	.297	1.500	.586
Coverage	140	2	5	4.14	.726	-.471	.297	-.105	.586
Number Of Services	140	1	5	3.78	1.097	-.215	.297	-1.067	.586
Valid N (Listwise)	140								

Source: Research Data 2017

From the Table 4.27, all the variables were negatively skewed and the kurtosis column indicated that the variables were all less than three, meaning that they were having a thin tail.

4.3 Correlation Results

This measures the linear association between the dependent and the independent variables. It looks at the degree to which the variables move in a straight line. The Pearson correlation coefficient was used. Usually, the variables appear both on the vertical as well as on the horizontal axis. The values on the leading diagonal are always "1". Correlation coefficient greater than 50% is a sign of a strong association. If the sign of the correlation coefficient is negative (-), it then implies that the variables have a negative association i.e. they move in opposite direction. If the coefficient is positive, it implies that the variables move in the same direction. If the probability (sig. 1-tailed) between the various correlations are less than 0.05 (5% significance level) it implies that the association is significant but when the probability is more than 0.05 (5% significance level), then the association is not significant. The correlation results between the tendering process, staff qualification, legislation, motivation and ethics.

Table 4.28.Correlations on all Variables and Growth

		Income Generation	Income Diversification	Financial Management Practices	Growth
Income Generation	Pearson Correlation	1.000			
	Sig. (2-tailed)				
Income Diversification	Pearson Correlation	.188	1.000		
	Sig. (2-tailed)	.133			
Financial Management Practices	Pearson Correlation	.299*	.115	1.000	
	Sig. (2-tailed)	.016	.360		
Growth	Pearson Correlation	.501**	.412**	.302*	1.000
	Sig. (2-tailed)	.000	.001	.014	

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

Source: Research Data 2017

From the Table 4.28, the results indicate that there was a high significant positive correlation (r = 0.501; p =0.000) between income generation and growth, there was also a low significant correlation between income diversification and growth (r = 0.412; p = 0.001) and the association between financial management practices was also low but significant (r = 0.302; p = 0.014).The statistically significant correlation is indicated by a probability value of less than 0.05. This means that the probability of obtaining such a correlation coefficient by chance is less than five times out of 100. The result indicates the presence of a weak positive, but insignificant relationship between income diversification and Income generation at (r = 0.188; p = 0.133). This result is inconsistent with the findings of Davis (2016), Rehema (2014); and proposition of Hailey (2014); all of whom other than obtaining just positive relationship, further established strong, significant relationship between income diversification and aggregate income generation. However Financial Management Practices has a weak positive, and significant relationship with Income generation at (r = 0.299; p = 0.016). The weak and low associations reflect absence of collinearity between the variables.

Table 4.29. Correlations on all independent variables on Geographical spread

		Income Generation	Income Diversification	Financial Management Practices	Geographical Spread
Income Generation	Pearson Correlation	1.000			
	Sig. (2-tailed)				
Income Diversification	Pearson Correlation	.188	1.000		
	Sig. (2-tailed)	.133			
Financial Management Practices	Pearson Correlation	.299*	.115	1.000	
	Sig. (2-tailed)	.016	.360		
Geographical Spread	Pearson Correlation	.556**	.204	.304*	1.000
	Sig. (2-tailed)	.000	.103	.014	

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

Source: Research Data 2017

From the Table 4.29, there was a moderate, positive and significant association between income generation and geographical spread at ($r = 0.556$; $p = 0.000$). There also exists a weak positive but significant association between financial management practices and geographical spread at ($r = 0.304$; $p = 0.014$). However, the association between income diversification and geographical spread was low and insignificant ($r = 0.204$; $p = 0.103$). These results reveal lack of collinearity among the parameters. Whereas they are consistent with the findings of Ann (1992) and Anya et al (2013), in terms of the direction of relationships, the magnitude of association for the current study is low; thereby not depicting proposed heavier dependence of geographical spread to the sustainability factors.

Table 4.30.Correlation of all independent variables on Product diversity

		Income Generation	Income Diversification	Financial Management Practices	Product Diversity
Income Generation	Pearson Correlation	1.00			
	Sig. (2-tailed)				
Income Diversification	Pearson Correlation	.188	1.00		
	Sig. (2-tailed)	.133			
Financial Management Practices	Pearson Correlation	.299*	.115	1.00	
	Sig. (2-tailed)	.016	.360		
Product Diversity	Pearson Correlation	.527**	.386**	.152	1.00
	Sig. (2-tailed)	.000	.001	.226	
			.115	.152	

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).
Source: Research Data 2017

From the table 4.30, there was a strong, positive and significant correlation between income generation and product diversity (r = 0.527; p = 0.000) and again, there was a weak, positive but significant association between income diversification and product diversity (r =0.386; p=0.001). Subsequently, there was a weak and insignificant association between financial management practices and product diversity(r= 0.152; p = 0.226). Essentially the results reveal that the more the NGOs diversify the product they provide to their clients, the more their income streams expand. This is consistent to the market exchange theory that states that the greater the variety, the wider the market choice, and subsequently the higher the turnover and income volume Bagozzi (1975).

4.4 Regression Analysis

Regression analysis is a statistical tool for the investigation of relationships between variables. It generates an equation to describe the statistical relationship between one or more predictor variables and the response variable. The p-value for each term tests the null hypothesis that the coefficient is equal to zero (no effect). A low p-value (< 0.05) indicates that you can reject the null hypothesis. In other words, a predictor that has a low p-value is meaningful addition to the model because changes in the predictor's value are related to changes in the response variable. Conversely, a larger (insignificant) p-value suggests that changes in the predictor are not associated with changes in the response. The results were tabled as below:-

4.4.1 Objective 1: Establish the relationship between financial sustainability factors and growth of NGOs

This objective was realised through, both correlation and regression analyses, reflecting the association between the variables, the magnitude of that relationship, the significance and the power of relationship

Table 4.31. Standardised and Unstandardised Coefficients on Growth

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.187	.603		1.968	.054
	Income Generation	.375	.101	.397	3.698	.000
	Income Diversification	.251	.081	.320	3.102	.003
	Financial Management Practices	.164	.119	.147	1.382	.172

Source: Research Data 2017

From the Table 4.31, there is a positive and significant relationship between income generation, income diversification and growth. A unit increase in income generation results into a significant increase in growth by 0.375 (p=0.000); while an increase in income diversification results also in a significant increase in growth by 0.251(p=0.003). However, the relationship between financial management practices and growth is positive but insignificant and a unit change in financial management practices leads to a 0.164 change in growth (p=0.172).

These results reflect that that individually, each of the variables does not significantly contribute to growth as reflected by the coefficients 0.375, 0.251 and also 0.164; although they constitute critical growth environmental factors (Cooper and Vargas, 2004). They majorly concur with Brass (2010) who asserts that that whereas Kenya has experienced exponential growth in number, size, geographical spread and service diversity, this growth according to Mbote (2015) stated that NGOs were mainly externally funded and engineered by the social rights, protection, empowerment demands for given segments of the society. However this position is variant to Hadj Kemeny and Lanahan (2011), Mwansa (1995) and Iyer, Kitson and Toh (2005); who argue that growth of NGOs is a function of enhanced environmental capacities that influence Economic and socio-dynamic factors capable of expandingSocial capital; which subsequently influence internal factors' contribution to that growth. Kinde (2012) in investigating the factors affecting financial sustainability of MFIs established that financial sustainability is a product of the extent of income generation capacity which provides capacity for growth for MFIs with growth projections. Studies in other countries have identified financial management practices, income diversification, donor to recipient relationship management practices and income generation capacity for growth; for which (Leon, 2001; Devkota, 2010; Lewis, 2011; Ali, 2012; Waiganjo et al., 2012).

From the foregoing, it is evident that the Kenyan NGO growth condition is a factor that draws from both internal and external operational factors. Whereas, sustainability factors of Income generation Capacity, Income diversification and financial management practices are key to facilitating productivity of already acquired resources of the NGOs, the heavier capital outlay, on which growth is based has evidently been previously sourced from external donors as opposed to internal manipulation of sustainability factors.

Table 4.32. Relationship between Financial Sustainability and Growth

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics		
					R Square Change	F Change	df1
1	.613[a]	.376	.345	.506	.376	12.227	3

Model Summary[b]

Model	Change Statistics		Durbin-Watson
	df2	Sig. F Change	
1	61[a]	.000	2.433

a. Predictors: (Constant), Financial Management Practices, Income Diversification, Income Generation

b. Dependent Variable: Growth

Source: Research Data 2017

From the Table 4.32, the R-squared is 0.376 meaning that the financial sustainability variables explain 37.6% of NGOs growth in Kisumu County. A measure of the goodness of fit, is also at 12.227 with a significance of 0.000. This contribution of financial sustainability to growth although modest, is significant, considering the history that traditionally NGOs were majorly funded from external sources; that also determined their growth. These results are in agreement with Nganga (2013) who established positive relationship between sustainability and growth of the Non-Governmental Organisations (NGOs) although they suffer from dependency on foreign donations. Essentially when all factors are held constant, a positive relationship is evidenced on financial sustainability with an increase in government grants, donor funding, internally generated funds and reserves. Kidzuga (2013) on a study of MFIs in development acknowledges that performance of such institutions is based on the concepts of outreach and sustainability which anchors their growth in terms of scope and product or service types. Maclean, Brass, Carley, El-Arini and Breen (2015) while analyzing Democracy and distribution of NGOs promoting Renewable Energy in Africa, clearly bring out the fact that expanded scope of NGOs and multiplicity of their services as they evolve from their critical mandates, are important parameters of growth of NGOs.

4.4.2 Objective 2:Determine the influence of financial sustainability factors on geographical spread of NGOs

This objective was realised through, both correlation and regression analyses, reflecting the association between the variables, the magnitude of that relationship, the significance and the power of relationship

Table 4.33. Standardised and Unstandardised Coefficients on Geographical Spread

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.012	.721		1.403	.166
	Income Generation	.543	.121	.495	4.482	.000
	Income Diversification	.186	.097	.094	1.916	.078
	Financial Management Practices	.288	.142	.145	2.028	.009

Source: Research Data 2017

The results of the coefficients indicates that there is a positive and significant relationship between income generation and geographical spread (α_1= 0.543; p=0.000.the relationship between income diversity and geographical spread is insignificant but a positive one ($\alpha_{2=}$ 0.186; p = 0.078. financial management practices and geographical spread are positive and insignificant (α_3= 0.288; p= 0.009). a unit increase in income generation, income diversification and financial management practices results in an increase in increase in geographical spread by 0.543, 0.186 and 0.288 respectively.

These results are in agreement with Mbote(2002), whom while analyzing operational environment and NGOs constraints in established that while Kenya had experienced enormous growth in establishment of NGOs; with more than 100% increase by up to 47,000 by 2016, this growth has been on a declining trend. This she attributed to funding, which is a configured hybrid between internal sustainability factors and external donation; as contributors to geographical and coverage of NGOs in Kenya. Girish and Daniel (2014) posits that whereas different organizations view growth differently; with such measures as revenue profits, number of installations, and clientele capacity, greater efficiencies from economies of scale, increased service delivery is dependent on the geographical coverage of the NGOs operations. These results support similar views by Kidzuga (2013) on the fact that building Income Generation capacity in scope and magnitude as a sustainability factor enables a firm to expand its geographical coverage. Similarly, VanSant (2014) while examining challenges of local NGO sustainability asserts that implementing the relevant sustainability functions, such as Income generation Capacity, Income source diversification and prudent financial management, among other factors will normally result into regional growth of the NGOs given specific political and social support and government policies.

The results return significant coefficients for Income generation Capacity and Financial Management Practices, but insignificant effect of Income Diversification to Geographical spread. This essentially implies that NGOs development and harnessing of Income Generation Capacity, gives significant contribution to their spread to other regions. Financial Management practices play significant role, but is apparently dependent on other factors for reasonable impact. However Income Diversification activities are revealed as insignificant to the NGOs capacity to spread.

Table 4.34. Influence of financial sustainability factors on geographical spread

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics		
					R Square Change	F Change	df1
1	.582[a]	.339	.306	.605	.339	10.424	3

Model Summary[b]

Model	Change Statistics		Durbin-Watson
	df2	Sig. F Change	
1	61[a]	.000	2.076

a. Predictors: (Constant), Financial Management Practices, Income Diversification, Income Generation

b. Dependent Variable: Geographical Spread

Source: Research Data 2017

From the Table 4.34, the R-squared is 0.339 meaning that the financial sustainability variables explain 33.9% of geographical spread in Kisumu County. The F-statistics, which is a measure of the goodness of fit, is at 10.424 and has a significance of 0.000 meaning that the samples used can be used to make inferences on the entire population. Kituku (2010) sought to determine how financially sustainable income generating activity projects and the factors that drive financial sustainability. The study concludes that the sustainability is realised through enhanced management of financial systems and funding aspects to enable a firm reach optimality. He however explains that there is no direct relationship between implementation of sustainability factors and growth indicators such as geographical spread, capital base and product spread.

4.4.3 Objective 3: Analyse the effect of financial sustainability factors on product diversity of NGOs

This objective was realised through, both correlation and regression analyses, reflecting the association between the variables, the magnitude of that relationship, the significance and the power of relationship

Table 4.35.Standardised and Unstandardised Coefficients on Product diversity

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.449	1.068		-.421	.676
	Income Generation	.791	.179	.478	4.410	.000
	Income Diversification	.410	.143	.299	2.867	.006
	Financial Management Practices	-.049	.211	-.025	-.233	.817

a. Dependent Variable: Number of Services

Source: Research Data 2017

A look at the coefficient table above indicates that a unit increase in income generation results in a significant increase in product diversity by 0.791(p=0.000). An increase in income diversity by one unit also results in a significant increase in product diversity by 0.410 (p= 0.006). However, there was a negative relationship between financial management practices and product diversity i.e. an increase in financial management practices leads to an insignificant decline in product diversity by 0.049 (p=0.817). Okorley and Nkrumah (2012) in analyzing organisational factors influencing sustainability of local non-governmental organisations, draws implications that despite operational focus on sustainability factor by the NGOs, evidence of related growth of their coverage and number of products they provide is scarce. Maclean, Brass, Carley, El-Arini and Breen (2015) while analyzing Democracy and distribution of NGOs promoting Renewable Energy in Africa, clearly bring out the fact that expanded scope of NGOs and multiplicity of their services as they evolve from their critical mandates, are important parameters of growth of NGOs. Santarossa (2003) investigating factors impacting on long term sustainability of a sample of Scottish firms, modeled along a series of financial indicators for assessing financial health of each firm and future viability of each enterprise, determined findings suggesting that firms sustainability factors set its ability to diversify in the number of goods and services that it offers as potential outcome and causal to further operational actions.

Santarossa (2003) investigating factors impacting on long term sustainability of a sample of Scottish firms, modeled along a series of financial indicators for assessing financial health of each firm and future viability of each enterprise, determined findings suggesting that firms sustainability factors set its ability to diversify in the number of goods and services that it offers as potential outcome and causal to further operational actions. Ibrahim, Ayayi and Sene (2010) study the factors influencing financial sustainability of MFIs drawing from 217 MFIs from 110 countries distributed by region and type of MFIs. The study found that client outreach of microfinance programs and the age of MFIs positively impact on attainment of financial sustainability. Kituku (2010) sought to determine how financially sustainable income generating activity projects and the factors that drive financial sustainability. The study concludes that the sustainability is realised through enhanced management of financial systems and funding aspects to enable a firm reach optimality.

Table 4.36. Analysis of effect of financial sustainability factors on product diversity

Model Summary

Mode l	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.603[a]	.364	.332	.896

a. Predictors: (Constant), Financial Management Practices, Income Diversification, Income Generation

Source: Research Data 2017

Table 4.37. Analysis of Variance for the Independent Variables

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	27.992	3	9.331	11.618	.000[b]
1	Residual	48.992	61	.803		
	Total	76.985	64			

a.Dependent Variable: Number of Services

b.Predictors: (Constant), Financial Management Practices, Income Diversification, Income Generation

Source: Research Data 2017

From the regression Table 4.36, the R-squared is 0.364 meaning that the financial sustainability variables explain 36.4% of product diversity of NGOs in Kisumu County. Owing to the iterative order between diversification and sustainability as determinant to each other for profit based enterprises, the moderate contribution impact concurs with (Lin, (010) who established that revenue diversification does not necessarily help organizations in maintaining financial sustainability; while financial sustainability models target revenue diversification as a significant factor. The ANOVA table is at 11.618 and has a significance of 0.000 meaning that the samples used can be used to make inferences on the entire population. Rao (2013) while investigating effect of funding sources on financial sustainability of Water sector institutes in Kenya, using regression analysis, found a strong positive relationship between financial sustainability and service diversity. Kidzuga (2013) on a study of MFIs in development acknowledges that performance of such institutions is based on the concepts of outreach and sustainability which anchors their growth in terms of scope and product or service types.

CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

The results return significant coefficients for Income generation Capacity and Financial Management Practices, but insignificant effect of Income Diversification to Geographical spread. This essentially implies that NGOs development and harnessing of Income Generation Capacity, gives significant contribution to their spread to other regions. Financial Management practices play significant role, but is apparently dependent on other factors for reasonable impact. However Income Diversification activities are revealed as insignificant to the NGOs capacity to spread.

The study reveals a weak positive, but insignificant relationship between income diversification and Income generation as opposed to strong positive and statistically significant relationship between the two variables by previous scholars. Financial Management Practices have weak but positive, and significant relationship with Income generation. There exists a weak positive but significant association between financial management practices and geographical spread. The association between income diversification and geographical spread is however low and insignificant. There was a weak, positive but significant association between income diversification and product diversity. Subsequently, the study reveals a weak and insignificant association between financial management practices and product diversity

The first objective was to establish the relationship between financial sustainability factors and growth of NGOs in Kisumu County. The study established that there was a high significant positive correlation ($r = 0.501$; $p = 0.000$) between income generation and growth, there was also a low significant correlation between income diversification and growth ($r = 0.412$; $p = 0.001$) and the association between financial management practices was also low but significant($r = 0.302$; $p = 0.014$). Subsequently, there is a positive and significant relationship between income generation, income diversification and growth. A unit increase in income generation results into a significant increase in growth by 0.375 ($p=0.000$); while an increase in income diversification results also in a significant increase in growth by 0.251($p=0.003$). However, the relationship between financial management practices and growth is positive but insignificant and a unit change in financial management practices leads to a 0.164 change in growth (p=0.172). Therefore financial sustainability variables explain 37.6% of NGOs growth in Kisumu County. A measure of the goodness of fit, is also at 12.227 with a significance of 0.000. This contribution of financial sustainability to growth although modest, is significant, considering the history that traditionally NGOs were majorly funded from external sources; that also determined their growth.

The second objective was to determine the influence of financial sustainability factors on geographical spread of NGOs in Kisumu County. The study results revealed that, there was a high and significant association between income generation and geographical spread (r =0.556; p =0.000) and again there existed a low but significant association between financial management practices and geographical spread (r = 0.304; p = 0.014). However, the association between income diversification and geographical spread was low and insignificant (r =0.204; p = 0.103). The results indicate that there is a positive and significant relationship between income generation and geographical spread (α_1= 0.543; p=0.000.the relationship between income diversity and geographical spread is insignificant but a positive one ($\alpha_{2=}$ 0.186; p = 0.078. financial management practices and geographical spread are positive and insignificant (α_3= 0.288; p= 0.009). a unit increase in income generation, income diversification and financial management practices results in an increase in increase in geographical spread by 0.543, 0.186 and 0.288 respectively. the R-squared is 0.339 meaning that the financial sustainability variables explain 33.9% of geographical spread in Kisumu County. The F-statistics, which is a measure of the goodness of fit, is at 10.424 and has a significance of 0.000 meaning that the samples used can be used to make inferences on the entire population.

The third objective was to analyse the effect of financial sustainability factors on product diversity of NGOs in Kisumu County. The study results revealed that there was a strong and significant correlation between income generation and product diversity (r = 0.527; p = 0.000) and again, there was a low but significant association between income diversification and product diversity (r =0.386; p=0.001). However, there was a weak and insignificant association between financial management practices and product diversity(r= 0.152; p = 0.226). It was further established that a unit increase in income generation results in a significant increase in product diversity by 0.791(p=0.000). An increase in income diversity by one unit also results in a significant increase in product diversity by 0.410 (p= 0.006). However, there was a negative relationship between financial management practices and product diversity i.e. an increase in financial management practices leads to an insignificant decline in product diversity by 0.049 (p=0.817). The R-squared is 0.364 meaning that the financial sustainability variables explain 36.4% of product diversity in Kisumu County.

5.2. Conclusion

From the study results and the existing literature the following conclusions can be drawn, on the basis of the purpose and the objectives of the study. It is evident that the Kenyan NGO growth condition is a factor that draws from both internal and external operational factors. Whereas, sustainability factors of Income generation Capacity, Income diversification and financial management practices are key to facilitating productivity of already acquired resources of the NGOs, the heavier capital outlay, on which growth is based has evidently been previously sourced from external donors as opposed to internal manipulation of sustainability factors.

Whereas the study concludes that majority of NGOs apply financial sustainability practices, financial management practices carried out by the NGOs have insignificant relationship with growth and also contributes only 16.4% to growth of the NGOs. Financial management practices contributes up to 28.8 % to the geographical spread in Kisumu County, as opposed to the other predictors for the study; that is, Income generation Capacity and Income Diversification

5.2 Recommendations

From the foregoing, the study suggests the following recommendations: From the magnitude and association of the predictor variables the NGOs should invest more in Income generation Capacity and Income Diversification; since financial management practices applied by the NGOs do not seem to lend significant contribution; as opposed to the other forms of Business operations, whose ability to survive amidst competition depends on the financial management strategies and models. It is therefore imperative that further investigation be carried out to determine the variability in the circumstantial frameworks of the Non- governmental Organisations and the profit based firms.

5.3 Limitations of the Study

The study was conducted to a limited area of Kisumu County; while the Non-governmental Organisations' operations respond differently to each different environmental dynamics. Subsequently, the study period was also limited to recent time period that is from 2011 to 2017; thereby leaving out the earlier growth periods for the Non- governmental Organisations in Kenya, whose historical impact sustainability factors would be of interest.

5.4 Suggestions for further studies

While influence of financial sustainability factors like income generating capacity and income diversification has positive relationship with growth, further research should be done on the financial management practices with growth since there still arises conflicting results when this study output is mapped against the existing literature. Similarly a study covering a wider geographical area and longer time period should be conducted to further confirm the outcome of this study.

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APPENDICES

Appendix I: Questionnaire

Dear respondent,

I am carrying out a study to assess the ***Influence of Financial Sustainability Factors on Growth of NGOs in Kisumu County, Kenya.***. This study is purely for academic purposes only and all the information so obtained shall be used strictly for academic purposes and shall also be treated with strict confidentiality. Thank you for your cooperation.

SECTION A: GENERAL INFORMATION

Instructions

Fill in the blank spaces

1. What is your Gender?

   Male [ ]   Female [ ]

2. What is your designation in the NGO?

   CEO [ ]   Chief Finance Officer [ ] Program Manager [ ]

   Which is your age bracket?

   18 – 25 [ ]   26 – 30 [ ]   31 – 35 [ ]   above 35 years [ ]

3. Years of Service

   Below 1 year [ ]   2-4 years [ ]   5 – 7 years [ ] above 7 years [ ]

4. Highest level of education attained

   Professional certificate [ ] Professional diploma [ ] Bachelors degree [ ] Master's degree [ ]

5. Registration status of your NGO (*tick appropriate option):*

Trust ☐ Private Voluntary Organization (PVO) ☐ Other ☐ , If other specify …………………………………………………………………………………………… ……………………………………………………………………………………………

6. In which sub-counties does your organization implement its activities *(tick all options that apply).*

Kisumu City [ ]	Kisumu West [ ]	Seme [ ]
Nyando [ ]	Nyakach [ ]	Muhoroni [ ]

7. How many external/internal donors were funding your activities in between 2011 and 2017? *(Complete table below)*

YEAR	2011	2012	2013	2014	2015	2016	2017
Number of external donors							
Number of local donors							

SECTION B: INCOME GENERATION CAPACITY

8. Indicate the extent to which your NGO has addressed itself to the **Income Generation Capacit**y constructs as listed in the table **App 2;** defining the importance your organisation attaches to the elements for the forecasted period between 2011 and 2017 on a scale of 1 to 5; with the values having the following weights: Using a scale of **1-5**, rate your level of agreement with each statement with respect to your organization**. 1-Strongly Disagree; 2-Disagree; 3-Uncertain; 4-Agree; 5-Strongly Agree.**

	Own income generating activities	SCALE 1= Strongly Disagree 2=Disagree 3= Uncertain 4= Agree 5=Strongly Agree				
		1	2	3	4	5
1	General Needs analysis					
2	Charging fees for services e.g. training, consultancies and admin					
3	Asking beneficiary contributions					
4	Trust/endowment funds					
5	Public material contributions					
6	Membership fees					
7	Getting credit felicities from other institutions					
8	Renting out assets e.g. office space					
9	Establishment of objective					
10	Target group needs analysis					
11	Market Research for demand					
12	Project to client relationship analysis					
13	Environment capacity training					
14	Response to purpose					
15	Adherence to project implementation Plan					
16	Skills and workmanship					

INCOME DIVERSIFICATION

9. Based on your NGO's involvement in Income Diversification processes, indicate the extent to which the NGO has responded to the diversification component functions, on a scale of 1 to 5; where **1** represents **Strongly Disagree, 2** represents **Disagree, 3** represents **Uncertain, 4** represents **Agree** and **5** represents **Strongly Agree.**

	Drivers or motivation for income diversification	SCALE 1=Unimportant 5=Very important				
		1	2	3	4	5
1	Potential source analysis/ Fundraising from local donors					
2	Source Chain determination					
3	Investment to Income generating Ventures/ Owning and managing business					
4	Imparting of skills to Income productivity					
5	Applying mitigating against drop in funding/ Investment in endowment funds					
6	Fund application risk management					
7	Consultancies and training for a fee /Supporting further growth of the organization					
8	Gaining flexibility in internal financial management					
9	Fundraising from external donors and corporate donors					
10	Meeting cost sharing requirements of external donors					
11	Reducing the negative impact of exchanging rate fluctuations					
12	Social entrepreneurship					
13	Fundraising from the government of Kenya and government departments					
14	Need of funding projects based on organizations priorities and donors priorities					
16	Meeting overhead costs and other expenses not met by donors					

FINANCIAL MANAGEMENT PRACTICES

11. How important are the following aspects of financial management practices to your organization's ability to raise funds from donors and other sources *((Please use a scale of **1** to **5**, with **1** being **unimportant** and **5** being **very important)***

	Financial Management Practices	SCALE 1=Unimportant 5=Very important				
		1	2	3	4	5
1	Engagement in Strategic planning					
2	Financial planning and Resource budgeting					
3	Budget allocation rationalization with available or accessible resources					
4	Asset selection for considered social and financial investment					
5	Investment in fund implementation and monitoring processes					
6	Financial management skills assessment					
7	Service prioritization and time schedule					
8	Adherence to strict timelines and assigned funds for each activity					
9	Operation stress analysis					
10	Cash flow analysis					
11	Increases self-generated funds for long term sustainability					
12	Compliance with government regulations and statutory guidelines					
13	Regular Financial Reporting					
14						
15						

12. What financial statements does your organization prepare and how often are they reviewed? *(Please mark appropriate):*

Type of financial statements	Frequency with which the statements are being reviewed within the organization							
Balance sheet	Statement does not exist	Not reviewed	Not reviewed	Monthly	Weekly	Quarterly	Bi-annually	Annually
Income/ expenditure statement								
Cash flow								
Audit reports								
Inventory control								
investments								
Financing								
Budget								
Budget verification								

NGO's GROWTH MEASURES

13. How do you rate the growth in your organization? Key: Very High (5), High (4), Moderate (3), Low (2), and Very Low (1)

Geographical coverage/outreach	2011	2012	2013	2014	2015	2016	2017
1. Number of Branches/sites							
2. Area in Square Kilometer covered							
3. Number of clients served							
4. Value of Assets							

Product Diversity/Number of Services	2011	2012	2013	2014	2015	2016	2017
Number of services offered							

Thank you for participating

Appendix II: Map of the Study Area