



# American Journal of Economics and Business Innovation (AJEBI)

ISSN: 2831-5588 (ONLINE), 2832-4862 (PRINT)

VOLUME 3 ISSUE 2 (2024)



**PUBLISHED BY**

---

**E-PALLI PUBLISHERS, DELAWARE, USA**

## Effect of Financial Planning Strategies on Financial Sustainability of NGOs in Nairobi County Kenya

Jackline Wanja<sup>\*</sup>, Martin Onsiro Ronald<sup>1</sup>

### Article Information

**Received:** June 18, 2024

**Accepted:** July 26, 2024

**Published:** February 08, 2025

### Keywords

*Planning, Strategies,  
Sustainability, Resource-Based*

### ABSTRACT

With diminishing donor funding or its redirection to other pressing projects, humanitarian organizations are increasingly exploring commercial ventures to reduce their reliance on shrinking financial support. The primary focus of this study was to analyze the effect of financial planning strategies on financial sustainability of non-governmental organizations in Nairobi County, Kenya. The study employed a descriptive research design, drawing on theories such as Resource-Based theory. The study focused on a population of 201 NGOs that were fully registered with the NGO coordination board and located in Nairobi County. The primary data for this study will be collected using a self-administered questionnaire. Both qualitative and quantitative data was generated through the research process. Descriptive statistics, including absolute and relative percentages, frequencies, measures of central tendency, and dispersion (mean and standard deviation), will be employed. The findings were presented in tables and figures, with explanations provided in a narrative format. Furthermore, the study utilized Karl Pearson's coefficient of correlation and multiple regression analyses to explore the relationships between the independent variables and the dependent variables, enhancing the depth of the research and contributing to a comprehensive understanding of the factors influencing the performance of local NGOs in Kenya. Findings revealed moderate agreement on the effectiveness of financial practices but significant variability, indicating inconsistent implementation. Strong financial planning was positively correlated with improved performance, while donor fund management showed no significant relationship with organizational outcomes. These insights provided a comprehensive approach to enhancing financial sustainability and organizational effectiveness within the NGO sector.

### INTRODUCTION

An institution's financial sustainability reflected its management team's effectiveness in utilizing available resources to create value for stakeholders according to their mandate, ensuring the institution's ongoing viability (Alshubiri, 2021). In the contemporary global context, non-governmental organizations increasingly encountered a decline in financial support from donors. Consequently, they faced the imperative of seeking alternative strategies to maintain their financial sustainability. The reduction of support was attributed to global harsh economic situations. Financial hardships emerged for non-governmental organizations (NGOs) due to cuts in funding from both state and federal sources. In Canada, local NGOs faced challenges in securing funds, resulting in the halt of their organizational operations (Akingbola, 2004). An investigation spanning 19 countries in Sub-Saharan Africa indicated that funding supported merely 6.2% of African NGOs (USAID, 2010). The study's findings suggested that despite local NGOs delivering valuable services, the evident lack of financial sustainability was attributed to an overdependence on external donors as the primary and exclusive sources of funding.

Weak economies also played a role in the lack of funding sustainability for non-governmental organizations

(NGOs) as they hindered the generation of donations (Arhin et al., 2018). According to Kosonen, Alisa and Teemu (2019), a survey of 800 NGOs in 2008 found that 52% had already experienced funding cuts, and 75% were feeling the negative impact. Nonprofit organizations, particularly those reliant on government funding, faced financial difficulties, with 61% reporting a cessation of government funding. Similarly, nonprofits depending on financial assistance from foundations were also affected, with 48% reporting reductions in foundation support. Diverse viewpoints have surfaced regarding the attainment of financial planning within organizations. Gebru (2020) underscores the significance of applying financial management principles to ensure the optimal planning of financial resources. Rubarema (2021) argues that effective financial planning necessitates a high level of professionalism. Some scholars posit that successful financial resource mobilization can improve organizational performance (Asawo, Asee, & Chand, 2021). Furthermore, there is a focus on adopting enhanced revenue collection and utilization practices to implement effective financial planning strategies (Kiambi et al., 2023). Additionally, certain academics acknowledge the importance of leveraging available resources within institutions to achieve optimal and effective planning of financial resources (Lutempo, 2022). These studies,

<sup>1</sup> Mount Kenya University, Kenya

<sup>\*</sup> Corresponding author's e-mail: [marycarlmaina@gmail.com](mailto:marycarlmaina@gmail.com)

among others, provide valuable insights into the factors that organizations should consider achieving successful planning of financial resources. For instance, tapping into existing human and material resources is identified as a crucial approach to realizing prudent use of financial resources within organizations.

The correlation between financial planning and organizational outcomes has been a focal point in numerous empirical studies. These investigations highlight that implementing various financial planning strategies, as observed by Wakoli and Kitaiinge (2019), can lead to improved internal efficiency. Furthermore, research indicates that such strategies contribute to enhanced service delivery and revenue collection within organizations (Kiambi et al., 2023). Over time, the association between financial planning and financial sustainability has been consistently demonstrated in prior studies, as evidenced in the research conducted by Gebru (2020). Recent studies also affirm this relationship, outlining how financial sustainability can be attained through the adoption of diverse financial resource mobilization practices (Kobugabe & Rwakihembo, 2022). An organization's capacity to produce enough resources from customers to support its operations for the foreseeable future is directly related to its financial sustainability. Organizational financial sustainability is essential to the long-term fulfillment of business goals including maximizing shareholder value and stakeholder welfare. Financial sustainability is essentially the ability to sustain or improve financial viability over time, guaranteeing the continuous and long-term accomplishment of the purpose, aims, and objectives of an organization (Shipway, 2009; Barrow & Rouse, 2016). Organizations that help a country's socioeconomic growth are essential. They must so focus and attain financial sustainability if they are to be relevant in the long term.

In developed countries such as the United States and Europe, NGOs were crucial watchdogs, holding the state accountable by ensuring transparency and responsibility. Their sustained operations were often attributed to high levels of accountability and sound financial planning strategies (Peeters, 2018). Conversely, in Nepal, numerous NGOs were shutting down due to inadequate financing, with researchers primarily attributing this to the lack of accountability within these organizations. The diminishing accountability was linked to limited involvement from beneficiaries, opaque decision-making processes, mismanagement of donor funds, and a lack of proper documentation. In Nepal, NGOs were accused of prioritizing running services over actual improvements, especially when funded by donor agencies.

In Africa, many NGOs faced accusations of ineffective resource management leading to poor service delivery and financial sustainability. Despite having funds, they struggled to utilize them appropriately. Many local non-governmental organizations in Zimbabwe were in danger of closing due to financial instability, which might result

in the termination of services for those not covered by government or private sector programs in the event that outside donors stopped providing funding (Maxwell, 2020). A 2017 report from the Independent Development Trust highlighted serious financial difficulties among many NGOs in South Africa, with some having already collapsed. Abdelkarim (2018) emphasized that only NGOs with robust financial systems and the ability to attract or generate steady income flows would likely endure in the future.

Kenyan non-governmental organizations faced various obstacles, such as incompetent boards, inadequate strategic planning efforts, poor financial responsibility, inadequate record-keeping techniques, an absence of appropriate policies and procedures, high employee and volunteer turnover, and reliance on scarce financial resources (Mboya, 2021). The viability of NGOs in Kenya heavily relied on donor funding (Odhiambo, 2020), underscoring the imperative for resource mobilization. For NGOs, achieving financial sustainability was unattainable without the capability to generate resources. As detailed in this section, a prevalent issue faced by NGOs globally was the absence of effective planning strategies (USAID, 2010). This challenge was attributed to weak institutional frameworks and insufficient leadership practices and mindsets. Empirical data highlighted the heightened frequency of this problem, particularly in developing or emerging countries. NGOs equipped with robust financial mobilization mechanisms could achieve stable income flows, enabling them to fulfill organizational objectives and ensure sustained financial viability (Ebenezer et al., 2020; Msomi & Olarewaju, 2021; Shani, 2022).

According to Mureithi (2019), since foreign donors provided for a large portion of the revenue of 72% of African non-governmental organizations, these organizations were not viable. According to a 2020 research by Ebenezer, Musah, and Ahmed on the financial sustainability of NGOs in Ghana, 26% of NGOs were not financially viable, with a lack of funding being the biggest obstacle to NGOs' capacity to remain viable. NGOs needed to put strong financial management, dependable financial sources, and financial responsibility first in order to improve fund inflows, projections, and market trends (Forkuor & Korah, 2023). An organization's financial sustainability was closely related to its strength and well-being on the financial front. A lack of sustainability made it more difficult to bring in new funders or make more money (Salman & Hosny, 2021). Important metrics for assessing financial sustainability included liquidity, net income, profitability, financing diversification, and the solvency of the business (Yitayaw, 2021).

NGOs played a vital role in Kenya's development across various sectors, including health, politics, the economy, agriculture, and cultural advancement. They contributed significantly to both public and commercial development, enjoying benefits like corporate tax exemptions and VAT exemptions on a wide range of goods and services (Wanjohi, 2021). Their involvement in reforms positioned

NGOs as crucial advocates, shaping broad policy debates and enhancing public health.

However, Kenya's NGOs faced challenges, with strained relationships with local residents attributed to political, historical, and cultural issues (Ebrahim & Kasturi, 2010). The decline in foreign engagement and donor funding was notable, leading to a shift towards more humanitarian relief efforts and a greater emphasis on financial mobilization. The reduction in donor funding directly impacted the operations of NGOs in Kenya, resulting in decreased activities due to financial unsustainability, a critical factor for sustaining NGO operations (Karanja & Karuti, 2014).

Instead of examining organizational factors and processes that influence organizational impact, the majority of research on NGOs in Kenya tended to focus on government involvement, capacity building, and program outcomes. To the best of the scholar's knowledge, there was a lack of international or local research that covered the financial mobilization strategies adopted by NGOs in Nairobi County, Kenya, to enhance their financial sustainability. This gap in knowledge was significant, considering that NGOs played a crucial role in health, education, and other social developments in Kenya. Recognizing this gap, the investigator aimed to address it by conducting a study on the analysis of financial planning strategies and their impact on the financial sustainability of NGOs in Nairobi County, Kenya.

## LITERATURE REVIEW

### Theoretical Literature

Proponents of the resource-based view (Penrose, 1959; Wernerfelt, 1984) contended that an organization's distinctive qualities and enduring competitive edge stemmed from how it managed and leveraged its resources, including its human capital. They asserted that the manner in which a firm utilized and combined its array of resources was what made it truly unique and allowed it to outperform rivals over the long term. The prevailing perspective on business strategy, known as the Resource-Based Theory or Resource-Based View (RBV) of firms, centered around the idea of economic rent and perceived a company as an amalgamation of capabilities. According to this theory, an organization's strategy was intricately linked to its available resources. It asserted that the resources an organization possessed guided the boundaries of its industrial activities. Further, it contended that the internally held resources and capabilities dictated the formulation of a long-term strategy. The argument posited that organizations were likely to outperform their industry rivals if they possessed ample resources and superior capabilities, providing a competitive advantage (Grant, 1991).

Building on the RBV, Hoopes, Madsen, and Walker (2003) provided a more thorough investigation of persistent variations across businesses, creating a more expansive theory of competitive heterogeneity. One criticism of the RBV, however, was that it could presume what it was trying

to explain, which would lessen its explanatory ability. One could argue, for example, that the RBV characterized persistent performance disparities across organizations rather than speculating that they were caused by differences in resources and talents. This fine difference made it more difficult to appreciate the Resource-Based View's potential benefits (Hoopes et al., 2003). It was difficult to have productive discussions on the RBV since it was unclear about its central claim and lacked a clear demarcation. Because the theory was not very detailed, definition-based or hypothesis-based reasoning could be used at any point. Additionally, it was argued that variables other than enduring resources or talents might give birth to competitive heterogeneity, which was defined as long-lasting and systematic performance gaps among close rivals (Hunt & Madhavaram, 2020).

The Resource-Based View (RBV) makes use of a company's internal attributes to explain why different methods and levels of performance are used. In essence, a business is a unique and well-organized combination of elements known as resources and capabilities. RBV theory states that advantages come from two interrelated sources: capabilities and resources. All of the assets that a company has amassed are considered its resources; they include everything that the company may use to develop, manufacture, and sell its goods. Due to their legal protection, these resources allow businesses to exercise their property rights over them (Amit & Shoemakers, 1993). Moreover, resources are not reliant on other members of the company to operate and contribute to the production process by converting inputs into outputs that satisfy consumer demands (Nyberg et al., 2014). Resource-based theory is the foundation of the income diversification approach.

On the other hand, the dependence approach blames both donors and receivers while admitting that assistance cannot change recipients' behavior. Donors are criticized for giving out too little help (the big push strategy) and for giving money to nations with weak institutions and policies (the aid dependence approach). This implies a belief that contributors are not always at fault and that they may have been ignorant of the situation for many years.

### Financial Planning and Financial Sustainability

Financial planning is key to the performance of local NGOs. However, there are several cases of poor financial planning and control imputed to the management of NGOs which affects performance (Hassan & Forhad, 2018). They include alleged management complicity in financial wrongdoings at the board level. Organizations may define all the essential tasks needed to accomplish the goals of the NGOs by using financial planning. Financial plans make it possible to pinpoint the precise individual in charge of making sure the goals are accomplished effectively and within the projected time frame. According to Hassan and Forhad (2018), financial planning includes budget management, setting

overhead caps, financial reporting, analysis of financial ideas, and stakeholder interaction. Financial planning and budgeting as a strategic process is the best course of action. First and foremost, it's critical to recognize that the NGO's ability to finance project development is what will ultimately determine its destiny and its potential to impact community life.

Milelu (2018) examined the influence of financial planning on the financial sustainability of NGOs located in Nairobi. The study found that the financial management practices of organizations were affected by the implementation of effective financial planning policies. Operations within these organizations were conducted based on allocated budgets, with periodic reviews to ensure alignment with the institutional mission. Insufficient engagement in sound financial planning was identified as a risk, potentially diverting the organization's focus towards daily financial challenges and undermining its long-term financial goals. This finding was consistent with Rono's (2019) observation that reliance on international funding compromises the independence of local NGOs, limiting their ability to set their own agenda a concern shared internationally among NGOs.

The research emphasized the critical importance of proper financial planning practices for NGOs, not only for ethical reasons but also for the fulfillment of long and short-term objectives. The study argued that sound financial planning, coupled with effective organizational frameworks, plays a pivotal role in convincing donors that local NGOs possess robust financial controls, ensuring that funds are utilized for their intended purposes. The study conducted by Milelu (2018) encompassed a research population of 80,200 employees from Kenyan NGOs, with a sample size of 100 participants. It employed quantitative techniques and focused on three variables. In contrast, the current study will involve a sample of 134 NGO employees in Nairobi, Kenya, utilizing both quantitative and qualitative techniques and exploring four variables.

Shigoli (2018) explored the factors influencing the strategic implementation of donor-funded projects by Kenyan NGOs, specifically focusing on the International Rescue Committee, Kenya. The research revealed that, despite significant opportunities for improving decision-making on investment, structuring, and financing, large projects often face financial challenges. A substantial proportion of these projects fail to meet their objectives, with only 40% aligning with the organization's strategy. Donors closely monitor their funds, restricting their use to specific expenses, and often disallow beneficiaries from using the money for overhead costs such as fundraising, human resources, and capital costs. Moreover, funders typically operate within fixed time frames, providing financial support for durations ranging from 1 to 3 years (Shigoli, 2018).

The operational environment of projects can be characterized by unpredictability and uncertainty, directly or indirectly impacting the financial resources available

throughout the project's duration, posing a form of risk that requires effective management. Shigoli's study employed a descriptive study design, targeting 146 individuals with a sample size of 44 respondents and utilizing three variables. In contrast, the present research aims to survey 201 staff members of the organization, with a sample size of 134 participants, and will incorporate four variables in its investigation.

Mutinda and Ngahu (2016) explored the determinants of financial sustainability among NGOs in Nakuru County. The findings suggested that the effectiveness of financial controls as a tool for financial management hinges on their capacity to monitor expenses and pinpoint weaknesses in the financial planning management system, which could potentially result in fund losses. Managers are advised to ensure the inclusion of robust financial controls in their organizations' financial planning to mitigate the risk of organizational challenges, especially since funders are sensitive to potential misappropriations that could result in the suspension of funding. According to the study's findings, financial management systems are essential to NGOs' capacity to maintain their financial viability. The research included 96 participants and targeted 168 program managers from 56 registered NGOs in Nakuru, Kenya. On the other hand, the present study, which has a chosen sample size of 134 individuals, focuses on NGOs in Nairobi.

Mohamed and Muturi (2017) conducted a study to explore the factors influencing the financial sustainability of local NGOs in Somalia. The research highlighted the significant role played by financial strategies in ensuring the sustainability of NGOs. The findings suggested that effective management, encompassing capabilities and factors such as financial planning and governance structures, positively impact the sustainability of these organizations. The study identified challenges in the sector, such as the absence of financial planning. Further, the research emphasized that sustainability is bolstered by the development and implementation of financial strategies, as well as the allocation of funds for the activities of local non-governmental organizations. The study involved a sample size of 94 staff members, specifically targeting the management teams of NGOs in the Puntland state of Somalia. However, the current research will focus on the top management employees of organizations in Nairobi, Kenya, with a planned sample size of 134 respondents.

In a related study, Kristin (2016) investigated the financial sustainability of Canadian NGOs and revealed that these organizations employed various financial instruments to address unforeseen future risks, such as donor withdrawals or financial shortages. The study emphasized the importance of prudent financial planning for ensuring financial sustainability. Unlike prioritizing profitability, NGOs focus on assessing and reporting their financial standing. Financial reporting, including information beyond accounting practices like disbursement and deposit records, plays a crucial role in decision-making.

Kristin's study analyzed five different NGOs operating in three sectors in Canada, utilizing qualitative data analysis. However, the current research will be conducted in Kenya, specifically focusing on NGOs in Nairobi County.

**MATERIALS AND METHODS**

**The Materials**

For this study, a descriptive research design utilized. Cooper and Schindler (2010) define a descriptive study as focused on understanding the what, where, and how of a phenomenon. The advantage of this design lies in its ability to amalgamate both quantitative and qualitative data produced by the study. This design was applied to evaluate the impact of resource mobilization strategies (independent variable) on the financial sustainability of both local and international NGOs (dependent variable) in Nairobi County, Kenya.

In this specific study, the population under consideration consisted of all employees working within the chosen NGOs located in Nairobi City County. NGOs in Kenya were categorized as either international (originating from foreign countries) or national (originating within Kenya), totaling around 1,270. It's worth noting that there may have been more than 5,000 NGOs operating in the country. However, the study focused on the subset of 201 NGOs that were fully registered with the NGO coordination board and had their headquarters in Nairobi County by 2023. The target population for the study was senior managers selected from these active NGOs, as indicated in Table 1.

**Table 1:** Target Population

Category	Population	% of the Pop'
Environment	11	5%
Women	36	18%
Relief	39	19%
Health	29	15%
Education	29	15%
Economic	57	28%
<b>Total</b>	<b>201</b>	<b>100%</b>

Source: NGO Coordination Board website (2023)

**METHODS**

Data from the study was both qualitative and quantitative. Coding was used for the quantitative data, and the data was imported into SPSS Version 27, Statistical Packages for Social Scientists, for descriptive statistical analysis. The substance of the replies guided the examination of the qualitative data. Descriptive statistics, including measures of central tendency and dispersion (mean and standard deviation, respectively), as well as absolute and relative percentage frequencies, were utilized. Tables and figures were used to display the quantitative data, and prose was

used to explain the findings. Karl Pearson's coefficient of correlation and multiple regression analysis were used in this research to determine the link between independent and dependent variables. The regression equation will be formulated as part of this analysis.

$$Y = \beta_0 + \beta_1 X_1 + \epsilon$$

Where;

Y = Financial Sustainability of NGOs,

X<sub>1</sub> = Financial Planning

β<sub>0</sub> = Constant Term

β<sub>1</sub> = Coefficients of Determination

ε = Error Term

**RESULTS AND DISCUSSION**

**Response Rate**

With a total sample size of 201 individuals and 124 responses received, the response rate of the study was 61.692%. This indicates that nearly 62% of the individuals approached for participation in the study provided responses, suggesting a relatively high level of engagement and cooperation within the sample population.

**Financial planning and Financial Sustainability**

The descriptive statistics provided offer insights into various financial management practices within the organization as perceived by respondents. On average, respondents somewhat agreed that every department participates in the creation of the yearly financial plan, with a mean score of approximately 2.56 and a standard deviation of around 1.35, indicating some variability in responses. Similarly, respondents somewhat agreed that the organization imposes limits on overhead costs, with a mean score of approximately 2.29 and a standard deviation of approximately 1.13, suggesting variability in opinions. Furthermore, respondents somewhat agreed that the development of financial plans has been instrumental in guaranteeing timely funding availability, with a mean score of about 2.81 and a standard deviation of approximately 1.44. Additionally, respondents somewhat agreed that annual fundraising goals are consistently met, as reflected in the mean score of approximately 2.43, with a standard deviation of about 1.33. The organization's regular reviews of the financial plan throughout the fiscal year were also somewhat agreed upon, with a mean score of approximately 2.42 and a standard deviation of around 1.30. Moreover, respondents somewhat agreed that detailed financial reports are compiled monthly and disseminated to all departments and donors, with a mean score of approximately 2.85 and a standard deviation of approximately 1.47. These findings suggest a general alignment of respondents' perceptions with the outlined financial management practices, although with varying degrees of consensus and some level of variability in opinions across different aspects.

**Table 2:** Financial planning and Financial Sustainability

	N	Minimum	Maximum	Mean	Std. Deviation
Every department participates in the creation of the yearly financial plan.	124	1.00	5.00	2.5565	1.35132
The organization imposes limits on overhead costs.	124	1.00	5.00	2.2903	1.13176
The development of financial plans has been instrumental in guaranteeing the timely availability of sufficient funding.	124	1.00	5.00	2.8145	1.43910
Annual fundraising goals are consistently met.	124	1.00	5.00	2.4274	1.32624
The organization conducts regular reviews of the financial plan throughout the fiscal year.	124	1.00	5.00	2.4194	1.30101
Detailed financial reports are compiled monthly and disseminated to all departments and donors.	124	1.00	5.00	2.8548	1.47441
Valid N (listwise)	124				

Source: Field Data (2024)

### Correlation on Financial Planning and Financial Sustainability Against Performance

The correlation analysis conducted on the dataset of 124 participants reveals significant relationships among various factors related to financial planning strategies and organizational performance within the NGO industry. Firstly, a moderate positive correlation is observed between financial planning strategies and performance ( $r = .254, p = .004$ ), indicating that organizations with stronger financial planning strategies tend to exhibit better performance

outcomes. This suggests that effective financial planning is associated with improved organizational performance. Secondly, the significant positive correlation underscores the importance of financial planning strategies in driving organizational success and performance improvement. With a sample size of 124 respondents for both financial planning strategies and performance, these results provide valuable insights into the relationship between financial planning and organizational performance within the context of the study.

**Table 3:** Correlation on financial planning and Financial Sustainability against Performance

		Financial planning strategies	Performance
Financial planning strategies	Pearson Correlation	1	.254**
	Sig. (2-tailed)		.004
	N	124	124
Performance	Pearson Correlation	.254**	1
	Sig. (2-tailed)	.004	
	N	124	124

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

Source: Field Data (2024)

### Regression Analysis Model Summary

The model summary provides an overview of the regression analysis conducted to examine the relationship between predictor financial planning strategies, and the dependent variable, performance, within the surveyed firms. The coefficient of determination (R-squared) for the model is 0.274, indicating that approximately 27.4% of the variance in performance can be explained by the predictor included in the model. The adjusted R-squared, which accounts for the number of predictors and the sample size, is 0.249. The standard error of the estimate is 2.56090, which represents the average deviation of the observed values from the predicted values by the

model. The change statistics provide information about the change in R-squared and F-value with the addition of predictors to the model. The R-squared change of 0.274 indicates the increase in the proportion of variance in performance explained by the predictor when added to the model. The F-change value of 11.204 with 4 degrees of freedom for the model suggests that the overall fit of the model significantly improves with the inclusion of the predictor. The predictor included in the model is financial planning strategies. The constant term represents the intercept of the regression equation. In summary, the model summary provides insights into the predictive power of the combined predictors in explaining the variation in performance within the surveyed firms.

**Table 4:** Model summary

Model Summary <sup>b</sup>							
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics		
					R Square Change	F Change	df1
1	.523 <sup>a</sup>	.274	.249	2.56090	.274	11.204	4
a. Predictors: (Constant), Financial planning strategies							
b. Dependent Variable: Performance							

Source: Field Data (2024)

The ANOVA table provides crucial insights into the effectiveness of the regression model in explaining the variance in the dependent variable, performance, within the surveyed firms. The regression model, incorporating predictor financial planning strategies demonstrates a significant overall fit, with a sum of squares for regression of 293.923 and an F-value of 11.204, both statistically significant at a probability level of .000. This indicates that the model collectively accounts for a substantial proportion of the variance in performance among the

firms surveyed. Additionally, the residual analysis reveals a sum of squares for residual errors of 780.424, suggesting that while there is some unexplained variance in performance, the model adequately captures the majority of the variance. Overall, these findings underscore the importance of the predictor included in the model in elucidating the factors influencing organizational performance and highlight the significance of adopting comprehensive financial management strategies for enhancing performance within the surveyed firms.

**Table 5:** ANOVA

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	293.923	4	73.481	11.204	.000 <sup>b</sup>
	Residual	780.424	119	6.558		
	<b>Total</b>	<b>1074.347</b>	<b>123</b>			
a. Dependent Variable: Performance						
b. Predictors: (Constant), Financial planning strategies						

Source: Field Data (2024)

**Coefficients<sup>a</sup>**

The scatterplot and regression analysis provide valuable insights into the factors influencing performance. The scatterplot, which depicts the relationship between the standardized predicted values and actual performance values, shows an even distribution of points around the horizontal axis. This suggests that the residuals are randomly distributed, indicating no major issues with

heteroscedasticity or non-linearity. The absence of extreme outliers further supports the model's validity, reflecting a reasonable fit to the data. The regression coefficients table highlights the impact of financial planning strategies on performance. The constant term is 5.762, which is statistically significant (p-value = .000), representing the expected performance when the predictor is zero.

**Table 6:** Coefficients<sup>a</sup>

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.762	1.238		4.653	.000
	Financial planning strategies	.072	.047	.124	1.516	.132

Source: Field Data (2024)

**CONCLUSION**

The analysis reveals a moderate level of agreement on the effectiveness of financial management practices within the NGO sector, but there is significant variability in responses. This indicates inconsistencies in understanding

and implementing these practices across the organization. Strong financial planning is positively correlated with improved organizational performance, highlighting its critical role in driving success.

## RECOMMENDATIONS

To address the inconsistencies in financial management practices within the NGO sector, it is recommended to standardize financial planning practices through comprehensive training programs, ensuring all departments have a consistent understanding and application of these practices. Active participation in financial planning should be encouraged via workshops and collaborative sessions, coupled with clear guidelines and accountability measures to ensure timely and effective planning and reporting.

## REFERENCES

- Alshubiri, F. N. (2021). Empirical data from OECD nations about the analysis of financial sustainability indicators of higher education institutions regarding foreign direct investment. *International Journal of Sustainability in Higher Education*, 22(1), 77-99.
- Arhin, A. A., Kumi, E., & Adam, M. A. S. (2018). Taking the bullet in hand? Ghana's shifting assistance environment and the ways non-governmental organizations (NGOs) are adapting. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 29(2), 348-360.
- Asawo, L. O., Aseey, A., & Chandi, J. R. (2021). Influence of Farmer Capacity Building in Financial Resource Mobilization on Performance of Smallholder Irrigation Projects in Migori County, Kenya. *Journal of Agricultural Science*, 13(11).
- Brunt, C., & Akingbola, K. (2019). How Strategic are resource-dependent organizations? Experience of an international NGO in Kenya. *The European Journal of Development Research*, 31(2), 235-252.
- Ebenezer, A. A., Musah, A., & Ahmed, I. A. (2020). Factors that affect the non-governmental organizations' (NGOs') capacity to survive financially in Ghana. *The Journal of Accounting and Management*, 10(1).
- Forkuor, D., & Korah, A. (2023). NGOs and sustainable rural development: experience from Upper West Region of Ghana. *Environment, Development and Sustainability*, 25(1), 351-374.
- Gebru, K. (2020). *Determinants of project success: The case of USAID funded project* (Doctoral dissertation, St. Mary's University).
- Hoopes, D. G., Madsen, T. L., & Walker, G. (2003). Guest editors' introduction to the special issue: why is there a resource-based view? Toward a theory of competitive heterogeneity. *Strategic management journal*, 24(10), 889-902.
- Hunt, S. D., & Madhavaram, S. (2020). The "outside vs. inside" and "static vs. dynamic" strategy issues are related to adaptive marketing capabilities, dynamic capabilities, and renewal competences. *Industrial Marketing Management*, 89, 129-139.
- Karanja, J., & Karuti, J. (2014). Assessment of factors influencing financial sustainability of non-governmental organizations in Isiolo County, Kenya. *International Journal of Economics, Commerce and Management United Kingdom*, 2(9).
- Kiambi, J. K. (2023). *Effects of Internal Audit System on Financial Performance of SACCOs in Meru County, Kenya* (Doctoral dissertation, KeMU).
- Kobugabe, C., & Rwakihembo, J. (2022). Financial Resource Mobilisation Strategies and Financial Sustainability: Empirical Evidence from Private Universities in Uganda. *American Journal of Finance*, 7(1), 18-33.
- Kosonen, J., Alisa, P., & Teemu, T. (2019). Rejecting the conscription-based military in Finland and its associated obligations to murder and to practice inequality. *Journal of Military Studies*, 8(2019), 46-57.
- Lutempo, M. G. (2022). *Financial resource mobilization business strategies used in public secondary schools of Lusaka district of Zambia* (Doctoral dissertation, The University of Zambia).
- Mboya, L. (2021). Prospects and Difficulties Faced by Non-Profits in the Context of Globalization: A Case Study of Selected Nonprofits in Nairobi County, Kenya. *New Zeal in Africa's Development*, 209.
- Milelu, E. (2018). *Nairobi, Kenya: Factors influencing non-governmental organizations' capacity to maintain their financial viability* (Doctoral dissertation, United States International University-Africa).
- Mohamed, M. H., & Muturi, W. (2017). Factors affecting financial performance of income generating units among universities in Puntland State of Somalia: The case Puntland State University (PSU). *Int. J. Econ. Commer. Manag.*, 5, 287-318.
- Msomi, T. S., & Olarewaju, O. M. (2021). Elements influencing the financial viability of small and medium-sized businesses in South Africa. *African Journal of Inter/Multidisciplinary Studies*, 3(1), 103-117.
- Mureithi, F. N. (2019). *Effects of Donor Funding on the Performance of Non-governmental Organisations in Kenya* (Doctoral dissertation, University of Nairobi).
- Mutinda, S. M., & Ngahu, S. (2016). The factors that determine the financial viability of non-governmental organizations in Kenya's Nakuru County. *IOSR Journal of Business and Management*, 18(9), 81-88.
- Nyberg, A. J., Moliterno, T. P., Hale Jr, D., & Lepak, D. P. (2014). Resource-based perspectives on unit-level human capital: A review and integration. *Journal of Management*, 40(1), 316-346.
- Odhiambo, L. (2020). *Challenges facing non-governmental organizations in financial resource mobilization in Kisumu central sub-county, Kenya* (Doctoral dissertation, UoN).
- Peeters, M. (2018). Regarding quiet items and barking guard dogs: the responsibility and function of environmental non-governmental organizations. *European Public Law*, 24(3).
- Rono, L. (2019). *Influence of Operational Strategies on Performance of Social Entrepreneurship Projects: a Case of Social Enterprise Society of Kenya, Nairobi County* (Doctoral dissertation, University of Nairobi).
- Salman, D., & Hosny, N. A. (2021). The relationship between Egyptian renewable energy resources and economic expansion in order to fulfill the objectives

- of sustainable development. *Future Business Journal*, 7(1), 47.
- Shani, F. Y. (2022). *Kenyan Project-Based Non-Governmental Organizations' Competitive Strategies, Managerial Autonomy, Decision Quality, and Performance* (Doctoral dissertation, University of Nairobi).
- Shigoli, T. (2018). *The International Rescue Committee-Kenya serves as an example of the factors that affect the strategic execution of donor-funded initiatives in non-governmental organizations in Kenya*. (Doctoral dissertation, United States International University-Africa).
- Wakoli, M., & Kitainge, K. (2019). Principals Administrative Strategies and Academic Performance of Public Secondary Schools in Mount Elgon Sub County, Bungoma County, Kenya. *IJRDO-Journal of Educational Research*, 4(11), 10-20.
- Wanjohi, H. (2021). *Impact of Financial Accountability on Non-Governmental Organizations' Financial Sustainability in Nairobi County, Kenya* (Doctoral dissertation, Strathmore University).
- Yitayaw, M. K. (2021). Factors that affect the financial viability and profitability of cooperatives that provide lending and savings in Eastern Ethiopia. *International Journal of Rural Management*, 17(2), 239-261.