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ABSTRACT

Purpose: The current study sought to establish how financial control practices influences financial sustainability of Non-Governmental Organization in Garissa County, Kenya. The study specifically sought to establish how financial reporting, financial monitoring, financial audits and financial risk assessment influences financial sustainability of NGOs.

Methodology: The study was anchored on the following theories: Agency Theory, Liquidity Trade-Off Theory, Cash Management Theory And The Rent Theory of Profitability. The study employed a descriptive survey research design and targeted 50 Non-Governmental Organizations operating in Garissa County. The unit of observation comprised of one finance manager and one operational manager from each of the NGO. Both primary and secondary data were used in the study. Structured questionnaires were used in collecting the data. The study employed both inferential and descriptive statistics to analyze the collected data. Both SPSS software and MS Excel was used in generating the statistics. The study conducted a pilot study in 10 NGOs from Wajir County to assess the reliability and validity of the data collection instrument. The results of the study were presented in form of figures and tables.

Results: The results of the study revealed that financial reporting, financial monitoring, financial audits and financial risk assessment impacts financial sustainability of NGOs to a positive and significant level as shown by Beta value of 0.317, 0.213, 0.447 and 0.376 respectively. This implies that increase in one unit of each of the variables results to an increase in the financial sustainability levels of NGOs with the respective beta values.

Unique contribution to theory, policy and practice The study recommended that there is a need for the NGOs operating in Garissa County to enhance their financial reporting practices, financial monitoring practices, financial audit practices and financial risk assessment practices since the practices bears a positive and a significant effect on financial sustainability of the organization.

Key Words: ***Financial Reporting, Financial Monitoring, Financial Audits, Financial Risk Assessment and Financial Sustainability of NGOs***

INTRODUCTION

In the current 21st century where organizations have to enhance their sustainability and continued performance, financial management remains one of the integral aspects that the organizations ought to keenly look into and monitor effectively. One of the major aspects of financial management is the financial control. While finance managers are mandated to monitor, plan, oversight and control the finances and make financial decisions in their respective organizations, controlling finances is one of the key and crucial mandates for the managers. According to Simko, Shatkovskaya, and Piontkevich (2020), financial control is the process of coming up with policies and framework on how internal and external financial resources in a firm are run and utilized towards ensuring the success of the organizational goals. It involves development of strategies and practices that are aligned to the strategic goals of the firm and that are intended to ensure that the allocated finances are effectively, efficiently and accountably used. On the other hand, financial performance is a crucial aspect that can be used to monitor the ability of an organization to sustainable its operations. Whether it is for profit of not-for profit, every organizations has to be financially independent and strong in having sustainable and strong financial inflows for effective operational capacity. To this end, financial performance has been one of the main subjects of discussion among the Non-governmental organizations, most of which are non-profit making organizations. With this in the limelight, it remains contentious whether these firms require financial performance measurement metrics or not. However, as contended by Ceptureanu, Ceptureanu, Bogdan, and Radulescu (2018), NGOs require finances effectively run their operations and mandates, thus there financial performance and viability is equally integral.

Financial Control Practices

Financial control has been construed as the analysis of a firm's actual results, compared to its short, medium and long-term objectives and business plans. These analyses require adjustment processes to ensure that business plans are being adhered to and that they are also amended in the event of any anomalies, irregularities or unpredicted circumstances. The need for control as opined by Prempeh (2015) is that organizations operate in an imperfect world where strategies do not always work as planned, hence control becomes inevitable because of the dynamism in the environment and behavioral factors. Financial control measures are incorporated in business strategies to accomplish planned performance and continued sustainability. Financial control is a management tool that allows for quick identification and elimination of factors that are not conducive for efficient attainment of goals. These tools could be budgetary control, improved financial reporting, reducing administrative cost reduction and improving efficiency, eliminating or managing unnecessary business risk. (Becker, et al. 2011; and McCrindell, 2015). The finances of every organisation are seen as the main pillars of sustenance of the organization thus its effective and efficient management has to be upheld by the management and any other stakeholder within the organization (Olumbe, 2012). To this end, the financial management involves financial planning and financial decision making and for these two objectives to be effectively performed, a well-planned, implemented and maintained financial control system has to be put in place (Cheruiyot, Oketch, Namusonge, & Sakwa, 2017).

Financial Sustainability

Financial sustainability according to Bowman (2011) refers to the NGOs ability of maintaining financial capacity over long period of time. Additionally, Renz et al., (2010) perceives financial sustainability as the NGOs abilities of developing a diverse bases of resources so that the organization can be in a strategic position to continue offering benefits to the beneficiaries after the financial support of the donor ceases. The definition encircles

three key aspects. One aspect involves developing a financial management and control system which avails information to managers enabling them make concise programmatic and financial decisions thereby improving the organization's operational efficiency. The second aspect comprises of analyzing costs aiming at identifying possible cost savings and formulating strategies and policies for cost reduction and enhancing financial budgeting and projections. The third aspect comprises of resource mobilization which entails formulating a strategy for mobilizing resources, capacity building to advance and market existing projects to prospective donors. NGOs are currently experiencing financial struggles especially those relying of funds from the government. UN (2009) noted that majority of Kenyan and African NGOs relies on funds from external support agents or donors for projects and programs sustenance. This explains the reasons for the organization's burst and boom trend culminating to their failures and gradual close down without having achieved their missions and visions. After receiving the funds from financiers, majority of NGOs fail to put in place appropriate financial management and control measures to account for the funds. This opens avenues for financial misappropriation which prompts donors to withdraw their financial support thus exposing the NGOs to financial instabilities and gradual collapse. This is why there is no proper leadership and management of the funds.

Statement of the Problem

Non-Governmental Organizations play a critical role in the society, particularly in the developing World. Apart from employing a sizeable number of citizens, the NGOs contribute to the economic growth and development through enhanced commitment to offer support and aid to the needy in the community, thus augmenting the governments' role of providing the services to the people. According to USAID (2019), non-governmental organizations contributed over 37% of the aid given to the famine affected areas in Kenya between the year 2012 and 2018. This therefore makes them to be very critical organizations in the country's economy. However, despite their immense role in the country, the NGOs have been recording high failure rate and continued decline in their revenue sustainability. This has seen over 11% of the organizations close down their operations while others have ended up being declared bankrupt. According to the NGOs Coordination Board (2019), this has mainly been attributed to increasing mismanagement and mishandling of funds, withdrawal of donors, and turbulent operating environment. To salvage this, studies have suggested adoptions of better internal systems for controlling the operations of the NGOs and ensuring prevention of fraudulent activities (Omwaka & Wanyoike, 2016; Kituku, 2014; Rotich, 2014). Empirical studies suggest that effectiveness of internal financial controls should be considered critical because its purpose is ostensibly to detect and prevent fraud and errors which can adversely affect organizations financial performance (Meiss, Naumik-Gladka, Krivtsova, & Liadova, 2017; Dikan, Deineko, & Kalinkin, 2017; Isroilov, Abduganiyev, & Ibragimov, 2020). According to Kembauw, Munawar, Purwanto, Budiasih, and Utami (2020), an effective financial control is critical in ensuring that organizational resources are allocated and utilized in an open, responsible and accountable manner, so as to ensure the operational and financial goals of the organization are met. The studies, however, have been carried out in different contexts, and focused on for-profit organizations, whose scenario may not be replicated in not-for profit organizations like NGOs. This therefore has driven this study, which seeks to assess the effect of financial control practices on the financial performance of Non-governmental Organizations in Garissa County, Kenya.

Objectives of the Study

i. To examine the effect of financial reporting on financial sustainability of Non-Governmental Organizations in Garissa County, Kenya.

ii. To establish the effect of financial monitoring on financial sustainability of Non-Governmental organization in Garissa County, Kenya
iii. To determine the effect of financial audits on financial sustainability of Non-Governmental Organizations in Garissa County, Kenya
iv. To establish the effect of financial risk assessment on financial sustainability of Non-Governmental Organizations in Garissa County, Kenya

LITERATURE REVIEW

Theoretical Review

Agency Theory

Agency theory has been widely used in literature to investigate the information asymmetry between principals (shareholders) and agent (management). This study will use the agency theory to determine the effect of financial control practices on the financial Performance of NGOs in Garissa County. (Sarens and Abdolmohammadi 2011) state that according to the agency theory, a company consists of a set of linked contracts between the owners of economic resources (the principals) and managers (the agents) who are charged with using and controlling these resources. A significant body of work has been undertaken in this area within the context of the principal-agent framework. The work of Jensen and Mecklin (2016) in particular as well as that of (Fama 2010) is important. Agency theory identifies the agency relationship where one party, the principal, delegates work to another party, the agent. The agency relationship can have a number of disadvantages relating to the opportunism or self-interest of the agent: For example, the agent may not act in the best interests of the principal, or the agent may act only partially in the best interests of the principal. There can be a number of dimensions to this including for example, the agent misusing their power for pecuniary or other advantage, or the agent not taking appropriate risks in pursuance of the principal's interests because the agent views those risks as not being appropriate while on the other hand the principal may have different attitudes to risks (Kinyua 2016). There is also the problem of information asymmetry whereby the principal and the agent have access to different levels of information; in practice this means that the principal is at a disadvantage because the agent has more information. The theory was therefore very relevant in this study as shareholders who are the owners of the Faith Based facilities have delegated the responsibilities of daily running of the facilities to the management who acts as their agents and hence great need for strong internal control practices to ensure shareholders and other stakeholder's interests are adequately safeguarded. The theory therefore supports existence of internal control practices.

Liquidity Trade off Theory

Liquidity is the ability of a company to fulfill the short term obligations at the due time. In other words, liquidity is the relationship between the cash which will be given to the company in a short time period and the cash which the company needs (Talebi, 1997).Under perfect capital market assumptions holding cash neither creates nor destroys value. The firm can always raise funds from capital markets when funds are needed, there are no transaction costs in raising these funds, and the funds can always be raised at a fair price because the capital markets are assumed to be fully informed about the prospects of the firm. The trade-off theory suggests that firms target an optimal level of liquidity to balance the benefit and cost of holding cash. The cost of holding cash includes low rate of return of these assets because of liquidity premium and possibly tax disadvantage. The benefits of holding cash are in twofold: First, the firms save transaction costs to raise funds and do not need to liquidate assets to make payments. Second, the firm can use liquid assets to finance its activities and

investment if other sources of funding are not available or are extremely expensive. Jensen (1986) presents agency problem associated with free-cash flow. Jensen (1986), suggests that –free cash flow problem can be somehow controlled by increasing the stake of managers in the business or by increasing debt in the capital structure, thereby reducing the amount of "free" cash available to managers. As theory, the use of trade off model cannot be ignored, as it explains that, firms with high leverage attracts high cost of servicing the debt thereby affecting its financial performance and it becomes difficult for them to raise funds through other sources. Holding cash on that point is not only maintained by the smaller firm but also larger firms. The cash flow period as a strong liquidity index is indirectly associated with value of the company because low cash flow period (high liquidity) versus high cash flow period (low liquidity) means that the company has received the cash from selling products sooner, but has done its current payments later. So, current value net of the cash flow and consequently value of the company will increase (Ghorbani & Adili, 2013).

Cash Management Theory

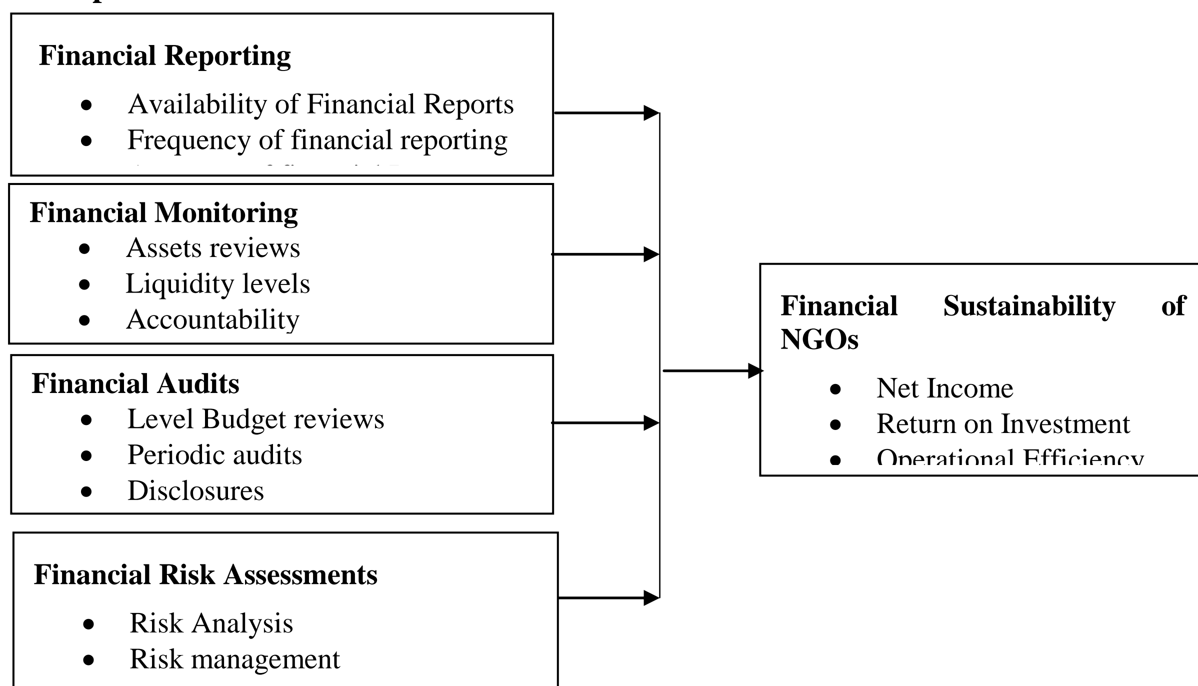
The cash management theory was put forward by Miller and Orr (1966) in an effort to create a more reasonable way of dealing with internal finance controls and finance management. The theory figures out how to accomplish a sensible level of authenticity while not being excessively detailed. It conjectures that the aggregate cash flows are constantly distributed with very low levels of the mean and standard deviation (Moraes & Nagano, 2013). It accepts that the day by day cash flows are unverifiable and in this manner take after a trendless random walk. This model thusly sets bounds inside which money ought to be managed. These cut-off points are: A furthest breaking point, which is the most extreme value of money to be held, Lower restrict, which is the base value of money to be held (thought to be zero), and Return point, which is the target amount of money considered optimal (Liu & Xin, 2008). Gadome and Thaeer (2008) indicate that the ampleness of finance and current resources together with their successful taking care of for all intents and purposes decides the survival or death of a concern. An endeavor ought to keep up satisfactory liquidity for its smooth working. In the event that materials are heedlessly bought, it will bring about dormant moderate moving and outright stock. In any case, deficient value of stock will result to stock outs and interference in operations (Greene, 1992). Money should likewise be kept up at a perfect level. It might result to expanded cost because of misusing, waste and theft. da Costa Moraes, Nagano, and Sobreiro (2015) noted that excessively or deficient level of money equalizations mean money is not appropriately used. Insufficient level of finance balance for instance can prompt stoppage in business operations. An organization might be beneficial however with no liquid finance which can result to operations intrusions, but it ought to have proper internal finance controls for effectiveness in the operations. This is critical towards enhancing the financial independence of the firm and continued financial performance.

Rent Theory of Profitability

The rent theory of profitability was proposed by Walker (1974). As an economist, Walker considered profitability as one of the major goals that every business seeks to achieve. According to Walker, profit is the 'rent' of superior businesses or entrepreneurs over marginal earnings of a less efficient business/entrepreneur. Walker and Wang (2003) elaborate the theory by indicating that rent and profit have a high resemblance, in the they are constituted and defined. Rent is the compensation for the use of land while profit is the return for the ability deployed by the entrepreneur or a business. Just as land differs in terms of fertility, so also, entrepreneurs differ in their abilities. Ward and Aalbers (2016) contemplate that as organizations seek to enhance their capacity through investing in varied and diversified areas, profitability remains their main goals and aim. This is to imply that through achieving a better financial position and being able to generate more income than the invested

amount and operating expenses, organizations meet the expectations of the shareholders, thus proving their viability. Czyzewski (2013) supports this theory by alluding that as much as rent is expected to come as a compensation to the occupied area, the owner gains more income and economic value that guarantees them of financial freedom for a foreseeable future. This is also the same case when it comes to the profitability and financial performance in businesses. A firm through management and the shareholder is more comfortable when the turnovers are higher than the overheads, thus enabling the shareholders to gain financial freedom and reinvest to enhance the sustainability of their enterprises. According to the critics of this theory, there cannot be a perfect likeness between these two terms; rent and profit. While rent is generally positive and in rare cases cannot be zero, when entrepreneurs suffer loses, profit can be negative. The theory explains profit as differential surplus rather than a reward for an entrepreneur. Despite the critics, the theory strongly expounds on how profitability is an integral part of the organization This theory therefore will be used in this study to expound more on the financial performance of the NGOs, as the dependent variable.

Conceptual Framework



Independent variables **Dependent Variable**

Figure 1: Conceptual Framework

Financial Reporting

According to Mitlin et al. (2014), existence of a health relationship with financier of NGOs is portrayed by existence of financial records of all funds received, number of events organized, records on utilization of funds in long term projects, and records of all expenses incurred by the organization in the course of running its activities. Onsongo (2012) further viewed effective and efficient financial reporting as one of the key strategies for NGOs to attain financial stability. Financial reporting acts as a crucial element for enhancing positive NGO-donor relationships for enhancement of donor loyalty and in creating engagements for long term that would play a role in helping the NGOs access future funding. Iwu et al.,(2015) remarkably established that constant and effective communication, accountability and integrity coupled with sufficient financial reporting formed the basis of establishing extended beneficial relationship between financiers and the management of NGOs.It is the

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responsibility of NGOs to utilize effective financial management practices in both long and short terms for them to realize the commitments and mandate made to partners and individuals as well as accomplish their set goals and objectives. Iwu et al., (2015) is in the support of these assertions and further postulates existence of a positive relationship between effective financial management practices and financial sustainability of NGOs. Kanji and Lewis(2013) agree that sound financial management and reporting practices in conjunction with organizational frameworks played a crucial role in convincing donors on their capability of efficiently utilizing the donated funds occasioned by existence of solid financial reporting structures. According to Simone(2013), NGOs possessing a good financial reporting and management frameworks attract more donors and issue the benefactors the assurance that there will be efficient utilization of resources on the planned purposes. A concrete financial reporting system calls for attention on the upcoming and exiting financial engagements of the NGOs and assisting them identifying how best their activities and programs can be funded. Availability of a good system for reporting financial activities assists the organization in sourcing finances from donors who assess the prevailing organization's financial situation (Rono, 2012). Neely and Chikoto(2014) posited the needs for NGOs to put more efforts on managing and reporting their financial activities for them to achieve their set objectives efficiently with the limited funds at their disposal. Failure by the NGOs to engage in concise financial reporting practices bears the possibilities of exposing the organization to the risks of daily financial management pressures which culminates to losing focus on foreseen financial sustainability.

Financial Monitoring

Monitoring is the process of tracking the progress of a program or an activity to ensure it progresses as planned and any mistake noticed is corrected on time (Sirenko, Prokopenko, Poltorak, Melnik, & Trusevich, 2019). In the perspective of finance, financial monitoring encompasses the systematic process of reviewing the financial procedures in the firm to ensure that the available funds in the organization are used efficiently and accountably, and that there are no loopholes that could lead to losses and misappropriation (Kolychev & Solovov, 2018). These activities encompass the security of assets, including adequate safeguards such as secured facilities over access to assets and records; authorization for access to computer programs and data files; and periodic counting and comparison with amounts shown on control records. Losses may occur in cases where there is no comparing of the results of cash, security and inventory counts with accounting records. According to Almog and Shmueli (2019), through financial monitoring, frauds are discovered in these controls and hence improving the organizational performance. The extent to which physical controls intended to prevent theft of assets are relevant to the reliability of financial statement preparation, and therefore the audit, depends on circumstances such as when assets are highly susceptible to misappropriation. For example, these controls would ordinarily not be relevant when any inventory losses would be detected pursuant to periodic physical inspection and recorded in the financial statements. However, if for financial reporting purposes management relies solely on perpetual inventory records, the physical security controls would be relevant to the audit. Stealing of assets as commented on by Ghafran, and Yasmin (2018) can range from shoplifting an accessory, diskettes and software from a store to taking a whole large asset. This when prevented enhances organizational financial performance.

Financial Audits

Whittington & Pany (2011) suggest that internal auditing is performed as part of the monitoring activity of an organization. It involves investigating and appraising internal controls and the efficiency with which the various units of the organization are performing their assigned functions. An Internal Auditor is normally interested in determining whether a

department has a clear understanding of its assignment, is adequately staffed, maintains good records, properly safeguarding cash, inventory & other assets and cooperates harmoniously with other departments Goodwin & Kent (2006) on the other hand asserts that "Internal audit is an independent appraisal function established within an Organization to examine and evaluate its activities as a service to the organization". The objective of internal audit is to assist members of the organization in the effective discharge of their responsibilities. According to Gupta "the 13 scope of internal audit is determined by management". This may however, impair the internal auditor's objectivity and hampers his independence, it is quite hard to report negatively on someone who determines the scope your work. In accordance to Institute of Internal Auditors (IIA-UK; 1997), independence is applicable to all categories of auditors. This means the opportunity granted to the auditors to report directly to the top authority. Woolf (1986), says, although an internal auditor is an employee of the enterprise and cannot therefore be independent of it, he should be able to plan and carryout his work as he wishes and have access to the highest level of management. However, Millichamp (1993) says, effective internal audit should be carried out by an independent personnel though they are employees appointed by management, for them to work efficiently, they should have scope to arrange priorities and activities have un restricted access to records, assets and personnel.

Financial Risk Assessment

Risk assessment is the identification and analysis of relevant risks associated with the achievement of the management objectives, Theofanis, et al (2011). Similarly, Sudsomboon & Ussahawanitchakit, (2009) view risk assessment as the process of identifying and analyzing management relevant risks to the preparation of financial statements that would be presented fairly in conformity with General Accepted Accounting Principles. The management must determine the level of risk carefully to be accepted, and should try to maintain such risk within determined levels. Therefore, NGOs are required to frequently assess the level of risk they are experiencing in order to take necessary actions. Financial risk assessment is the process used by an organization (management) to decide how it will deal with the financial risks that pose a threat to achieving its objectives (Maitin, 2010). It entails the identification and prioritization of objectives, the identification of risks and assessment of their likelihood and impact. Consequently Menon & Williams (2010) looks at risk assessment as the identification, evaluation and management of risks. He further notes that risks can relate, to financial statement fraud or to the misappropriation of assets. This is the identification and analysis of relevant risks to the achievement of objectives, forming a basis for how the risks should be managed. During financial reporting, an organization's risk assessment process includes how management identifies risks relevant to the preparation of financial statements that give a true and fair view (or are presented fairly, in all material respects) in accordance with the entity's applicable financial reporting framework, estimates their significance, assesses the likelihood of their occurrence, and decides upon actions to manage them. Organization's risk assessment process may address how the entity considers the possibility of unrecorded transactions or identifies and analyzes significant estimates recorded in the financial statements.

RESEARCH METHODOLOGY

The study adopted a descriptive survey design and the target population comprised of 50 Non-Governmental Organizations operating in Garissa County. The unit of observation comprised of one finance manager and one operational manager from each of the NGO. The study adopted census approach and employed structured questionnaires in collecting both qualitative and quantitative data captured through a 5-point likert scale. Inferential and

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descriptive statistics was used to analyze data. Results of the analysis were presented by use of tables and figures. The study used the following regression model:

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon}$$

Where Y = Financial Sustainability, X_1 = Financial Reporting, X_2 = Financial Monitoring, X_3 = Financial Audits, X_4 = Financial risk Assessment, *e* is an error term, α = constant term and β_1, β_2, β_3, andβ_4 are coefficients for the independent variables. The results were presented in form of tables and figures.

RESULTS

The study issued 100 questionnaires to the target respondents comprising of finance and operational managers of the selected NGOs. 86 questionnaires were fully filled and returned. This represented a response rate of 86%. The rate of response was considered adequate, appropriate and sufficient for analysis which was supported by assertions from Mugenda and Mugenda (2013) who noted that a response rate of 70% and above is very good for analysis. A close follow up, constant reminders and drop and pick methods that the researcher applied in the data collection contributed to the high response rate.

Descriptive Findings and Analysis

Descriptive Statistics

The study adopted descriptive statistics aiming to enable the researcher describe the distribution of measures of the variables of the study as responded by the target respondents. The descriptive statistics adopted in the study comprised of means and standard deviations. The statements contained in the questionnaires were rated and the respondents were supposed to indicate their levels of agreements in a scale of 1-5 where 1-5 where 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree and 5= Strongly Agree. The ratings were used to generate the means and standard deviations in the study.

Financial Reporting

The study aimed at assessing how financial reporting impacts financial sustainability of NGOs. Statements pertaining to financial reporting were availed to the respondents and were supposed to indicate their level of agreement with the statements. According to the results presented in table 1, respondents agreed with the statements that the organization keeps all financial reports (mean= 4.56 and std.dev= 0.345), that the financial reports are easy to retrieve and review(mean=4.55, std.dev=0.765), that all the financial reports are digitally maintained(mean= 3.97, std.dev=0.926) and that the organization has an established modalities of financial reports(mean=3.88, std.dev=1.031). Respondents further agreed with the statements that the financial reports maintained by the organization are accurate(mean=3.91, std.dev=0.924), that the financial reports maintained by the organization are reliable(mean=3.91, std.dev=1.388) and that the level of maintenance of the financial reports in the organization builds confidence with financiers(mean=4.11, std.dev=0.348). Respondents however were neutral on the fact that the timeline set for financial reporting is strictly adhered to(mean=3.46 , std.dev=1.238). On average however, respondents were in agreement with statements on financial reporting as shown by average response mean of 4.04 and average standard deviation of 0.871. The results concurs with Onsongo (2012) who noted that financial reporting acts as a crucial element for enhancing positive NGO-donor relationships for enhancement of donor loyalty and in creating engagements for long term that would play a role in helping the NGOs access future funding.

Table 1: Descriptive Statistics on Financial Reporting

Statement	Mean	Std.Dev
The organization keeps all financial reports	4.56	0.345
The financial reports are easy to retrieve and review	4.55	0.765
All the financial reports are digitally maintained	3.97	0.926
The organization has an established modalities of financial reports	3.88	1.031
The timeline set for financial reporting is strictly adhered to	3.46	1.238
The financial reports maintained by the organization are accurate	3.91	0.924
The financial reports maintained by the organization are reliable	3.91	1.388
The level of maintenance of the financial reports in the organization builds confidence with financiers	4.11	0.348
Average	**4.04**	**0.871**

Financial Monitoring

The study aimed at assessing how financial monitoring impacts financial sustainability of NGOs. Statements pertaining to financial monitoring were availed to the respondents and were supposed to indicate their level of agreement with the statements. According to the results presented in table 2, respondents agreed with the statements that their respective NGOs frequently reviews the statuses of fixed assets(mean=4.01, std.dev=0.786), that their respective NGOs frequently reviews the statuses of current assets(mean=4.07, std.dev=0.799) and that the review of assets enables the organization to monitor the financial implications of the assets(mean=4.58, std.dev=0.676). Additionally, respondents agreed that their organization puts efforts in ensuring a balance between liabilities and assets(mean=4.08,std.dev=0.981), that the assets at organization's disposal can easily be converted to cash(mean=3.76, std.dev=1.012) and that there is full accountability of all financial transactions in the organization(mean=4.55, std.dev=0.453). On average, respondents agreed with statements on financial monitoring as shown by average response mean of 4.175 and average standard deviation of 0.07845. The results are in consistent with Almog and Shmueli (2019) who noted that through financial monitoring, frauds are discovered through the monitoring practices thus improving the organizational performance.

Table 2: Descriptive Statistics on Financial Monitoring

Statement	Mean	Std.Dev
Our NGO frequently reviews the statuses of fixed assets	4.01	0.786
Our NGO frequently reviews the statuses of current assets	4.07	0.799
The review of assets enables the organization to monitor the financial implications of the assets	4.58	0.676
The organization puts efforts in ensuring a balance between liabilities and assets	4.08	0.981
The assets at organization's disposal can easily be converted to cash	3.76	1.012
There is full accountability of all financial transactions in the organization	4.55	0.453
Average	**4.175**	**0.07845**

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Financial Audits

The study aimed at assessing how financial audits impacts financial sustainability of NGOs. Statements pertaining to financial audits were availed to the respondents and were supposed to indicate their level of agreement with the statements. According to the results presented in table 3, respondents agreed with the statements that there is occasional review of budgets in the organization(mean=3.98, std.dev=0.936), that the budgetary reviews are availed to the financiers on demand(mean=3.94, std.dev=1.002) and that the organization audits all processes in a timely manner(mean=3.76, std.dev=1.123). Consequently, respondents were in agreement with the statements that the audit processes paves ways for transparency in the organization(mean=4.19, std.dev=0.838), that the audit reports acts as a basis for bargaining funds from financiers(mean=3.99,std.dev=0.885) and that the audit processes keeps the organization glued to its mission by ensuring funds are utilized as planned(mean=4.34, std.dev=0.417). However, respondents were neutral on the statements that the loopholes identified during audits are addressed promptly(mean=3.45, std.dev=1.132) and that the organization discloses all the audit reports to parties of interest(mean=3.34, std.dev=1.295). On average, all respondents agreed with the statements on financial audits as shown by average response mean of 3.87 and average standard deviation of 0.954. The results are in tandem with Goodwin & Kent (2016) who noted that the objective of internal audit is to assist members of the organization in the effective discharge of their responsibilities.

Table 3: Descriptive Statistics on Financial Audits

Statement	Mean	Std.Dev
There is occasional review of budgets in the organization	3.98	0.936
The budgetary reviews are availed to the financiers on demand	3.94	1.002
The organization audits all processes in a timely manner	3.76	1.123
The loopholes identified during audits are addressed promptly	3.45	1.132
The audit processes paves ways for transparency in the organization	4.19	0.838
The audit reports acts as a basis for bargaining funds from financiers	3.99	0.885
The audit processes keeps the organization glued to its mission by ensuring funds are utilized as planned	4.34	0.417
The organization discloses all the audit reports to parties of interest	3.34	1.295
Average	**3.87**	**0.954**

Financial Risk Assessment

The study aimed at assessing how financial risk assessment impacts financial sustainability of NGOs. Statements pertaining to financial risk assessment were availed to the respondents and were supposed to indicate their level of agreement with the statements. According to the results presented in table 4, respondents agreed with the statements that the organization conducts risk analysis prior investing in any project(mean=4.53, std.dev=0.349), that the risk analysis enables the organization to prioritize less risky investments(mean=4.34, std.dev=0.412) and that there is evaluation of risks prior expenditure(mean=4.14, std.dev=0.876). Remarkably, respondents agreed with the statement that the evaluation process enables the organization determine the best expenditure approach to take(mean=4.29, std.dev=0.203), that the organization formulates ways and means of managing the risks(mean=4.09,std.dev=0.939) and that the risks assessment practices enables the organization to keep off from risky endeavors(mean=4.19, std.dev=0.822). On average, all

respondents were in agreement with the statements on financial risk assessment as shown by average response mean of 4.26 and average standard deviation of 0.600. The results concurs with Maitin (2010) who revealed that financial risk assessment entails the identifying and prioritizing of objectives, the identification of risks and assessment of their likelihood and impact.

Table 4: Descriptive Statistics on Financial Risk Assessment

Statements	Mean	Std.Dev
The organization conducts risk analysis prior investing in any project	4.53	0.349
The risk analysis enables the organization to prioritize less risky investments	4.34	0.412
There is evaluation of risks prior expenditure	4.14	0.876
The evaluation process enables the organization determine the best expenditure approach to take	4.29	0.203
The organization formulates ways and means of managing the risks	4.09	0.939
The risks assessment practices enables the organization to keep off from risky endeavors	4.19	0.822
Average	**4.26**	**0.600**

Financial Sustainability

The study sought to assess the financial sustainability of NGO in terms of number of investments and return on investments. The study first presented statements pertaining to financial sustainability to the respondents and were supposed to indicate their level of agreement with the statements. According to the results presented in table 5, respondents agreed with the statements that the organization had recorded increased revenues(mean=3.77, std.dev=0.928), that the organization has established various ways of generating revenue(mean=3.82, std.dev=1.018) and that the organization has extended its coverage in the county(mean=3.56, std.dev=1.531). However, respondents were neutral on the statement that the organization has a continuous flow of income(mean=3.43, std.dev=1.197), that the organization has a stable financial standing(mean=3.32,std.dev=1.361) and that the organization has experienced operational efficiency due to availability of funds(mean=3.39,std.dev=1.769). On average, all respondents agreed with the statements of financial sustainability as shown by average response mean of 3.55and average standard deviation of 1.301. The results concurs with Abdelkarim(2012) who established that financial sustainability comprises of resource mobilization, concise financial management, and ability to generate income or become self-financing and that a that a sound financial management and control practices bears a high influence on the degree of financial sustainability of organizations.

Table 5: Descriptive Statistics on Financial Sustainability

Statements	Mean	Std.Dev
The organization has recorded increased revenues	3.77	0.928
The organization has established various ways of generating revenue	3.82	1.018
The organization has a continuous flow of income	3.43	1.197
The organization has a stable financial standing	3.32	1.361
The organization has experienced operational efficiency due to availability of funds	3.39	1.769

The organization has extended its coverage in the county	3.56	1.531
Average	**3.55**	**1.301**

The second section sought to assess the return on investment for the NGOs involved in the study for the period between 2016 and 2020. The results presented in table 6 shows that in 2016, the return on investment of 11.1% of the NGOs was below ksh.500,000, 19.7% had a ROI of between ksh.500,000 and ksh.1million, 37.9% had ROI of between ksh.1million and ksh.1.5million while 31.3% of the NGOs had a ROI of above ksh. 1.5million. In 2017, the return on investment of 46.5% of the NGOs was below ksh.500,000, 23.8% had a ROI of between ksh.500,000 and ksh.1million, 16.8% had ROI of between ksh.1million and ksh.1.5million while 12.9% of the NGOs had a ROI of above ksh. 1.5million. In 2018, the return on investment of 37.9% of the NGOs was below ksh.500,000, 29.7% had a ROI of between ksh.500,000 and ksh.1million, 13.7% had ROI of between ksh.1million and ksh.1.5million while 18.7% of the NGOs had a ROI of above ksh. 1.5million. In 2019, the return on investment of 15.4% of the NGOs was below ksh.500,000, 23.6% had a ROI of between ksh.500,000 and ksh.1million, 29.6% had ROI of between ksh.1million and ksh.1.5million while 31.4% of the NGOs had a ROI of above ksh. 1.5million. Lastly in 2020, the return on investment of 54.8% of the NGOs was below ksh.500,000, 20.8% had a ROI of between ksh.500,000 and ksh.1million, 14.9% had ROI of between ksh.1million and ksh.1.5million while 9.5% of the NGOs had a ROI of above ksh. 1.5million. The results of the study shows that the return on investment for majority of NGOs varied between 2016 and 2020 with both 2017 and 2020 showing the lowest ROI. This can be attributed to existence of unfavorable operational environment in the country that rendered the NGOs from reaping maximally form their investments.

Table 6 : Return on Investment

Year	Below ksh 500,000	Between ksh 500,000-1million	Between ksh 1m-1.5m	Above ksh 1.5m
2016	11.10%	19.70%	37.90%	31.30%
2017	46.50%	23.80%	16.80%	12.90%
2018	37.90%	29.70%	13.70%	18.70%
2019	15.40%	23.60%	29.60%	31.40%
2020	54.80%	20.80%	14.90%	9.50%

Inferential Statistics

Correlation Results

The correlation analysis results show that financial reporting and financial sustainability of NGOs positively and significantly correlates. This is shown by a correlation coefficient value of .354 and a respective p-value of 0.000. This bears implications that enhancing financial reporting practices results to enhanced financial sustainability in the NGOs. The results concurs with Onsongo (2012) who noted that financial reporting acts as a crucial element for enhancing positive NGO-donor relationships for enhancement of donor loyalty and in

creating engagements for long term that would play a role in helping the NGOs access future funding. The correlation analysis results also show that financial monitoring and financial sustainability of NGOs positively and significantly correlates. This is shown by a correlation coefficient value of .246 and a respective p-value of 0.009. This bears implications that enhancing financial monitoring practices results to enhanced financial sustainability in the NGOs. The results are in consistent with Almog and Shmueli (2019) who noted that through financial monitoring, frauds are discovered through the monitoring practices thus improving the organizational performance.

The correlation analysis results further show that financial audits and financial sustainability of NGOs positively and significantly correlates. This is shown by a correlation coefficient value of .476 and a respective p-value of 0.000. This bears implications that enhancing financial audit practices results to enhanced financial sustainability in the NGOs. The results are in tandem with Goodwin & Kent (2016) who noted that the objective of internal audit is to assist members of the organization in the effective discharge of their responsibilities. The correlation analysis results finally show that financial risk assessment and financial sustainability of NGOs positively and significantly correlates. This is shown by a correlation coefficient value of .269 and a respective p-value of 0.004. This bears implications that enhancing financial audit practices results to enhanced financial sustainability in the NGOs. The results concurs with Maitin (2010) who revealed that financial risk assessment entails the identifying and prioritizing of objectives, the identification of risks and assessment of their likelihood and impact.

Table 7: Correlation Analysis

		Financial Reporting	**Financial Monitoring**	**Financial Audits**	**Financial Risk Assessment**	**Financial Sustainability**
Financial Reporting	Pearson Correlation	1				
	Sig. (2-tailed)					
Financial Monitoring	Pearson Correlation	0.165	1			
	Sig. (2-tailed)	0.221				
Financial Audits	Pearson Correlation	0.011	0.154*	1		
	Sig. (2-tailed)	0.087	0.098			
Financial Risk Assessment	Pearson Correlation	-0.149	-0.234	-0.243**	1	
	Sig. (2-tailed)	0.121	0.136	0.036		
Financial Sustainability	Pearson Correlation	.354**	.246*	.476**	.269**	1
	Sig. (2-tailed)	0.000	0.009	0.000	0.004	
	N	86	86	86	86	86

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

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

Multiple Regression Analysis

The study conducted a multiple regression analysis aiming at assessing the degree of relation between the variables of the study and the percentage of independent variable accounted by the independent variables. The results presented in table 8 shows that financial reporting, financial monitoring, financial audits and financial risk assessment strongly relates financial sustainability of NGOs. This is depicted by the value of R=0.789. The coefficient of determination represented by R-Squared value was 0.623 bearing implications that financial reporting, financial monitoring, financial audits and financial risk assessment accounts for 62.3% of financial sustainability of NGOs in the county.

Table 8 : Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.789[a]	0.623	0.601	1.0201873

a. Predictors: (Constant), Financial Reporting, Financial Monitoring, Financial Audits and Financial Risk Assessment

The statistical significance of the regression in assessing the relationships between the study variables was assessed through the analysis of variance (ANOVA). According to the results presented in table 9, the F-calculated value was 13.209. The F-critical value from F Statistics tables was 2.47. The value of F-calculated exceed the value of F-critical implying that the model was statistically significant.

Table 9: ANOVA (Model Significance)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	51.674	4	12.9185	13.209	0.014[b]
	Residual	79.222	81	0.9780		
	Total	130.896	85			

a. Dependent Variable: Financial Sustainability
b. Predictors: (Constant), Financial Reporting, Financial Monitoring, Financial Audits and Financial Risk Assessment

The model coefficients are presented in table 10. According to the results, financial reporting positively and significantly impacts financial sustainability of NGOs. This is shown by a beta value of 0.317 and Sig value of 0.004. This bears implications that increasing the financial reporting practices with one unit results to 0.317 unit increase in financial sustainability of the NGOs. The results concurs with Wanjohi, Wanjohi, and Ndambiri (2017) who established that having effective systems of internal financial controls gives assurance regarding the integrity of financial reporting and safeguarding of assets which ensures easier detection of

fraudulent activities within the firm and enhances the accuracy of financial reporting. The coefficient results also show that financial monitoring positively and significantly impacts financial sustainability of NGOs. This is shown by a beta value of 0.213 and sig value of 0.011. This bears implications that increasing the financial monitoring practices with one unit results to 0.213 unit increase in financial sustainability of the NGOs. The results concurs with Almog and Shmueli (2019) who noted that through financial monitoring, frauds are discovered through the monitoring practices thus improving the organizational performance.

The coefficient results further show that financial audits positively and significantly impacts financial sustainability of NGOs. This is shown by a beta value of 0.447 and sig value of 0.000. This bears implications that increasing the financial audit practices with one unit results to 0.447 unit increase in financial sustainability of the NGOs. The results tallies with Zavalko *et al.,* (2017) who observed that financial control is a critical process that ensures the organization's financial viability is aligned to the organizational goals and that with properly controlled financial structures and frameworks, organizations are able to finance their projects and other operations effectively and put their finances where a return is guaranteed. The coefficient results finally show that financial risk assessment positively and significantly impacts financial sustainability of NGOs. This is shown by a beta value of 0.376 and sig value of 0.001. This bears implications that increasing the financial risk assessment practices with one unit results to 0.376 unit increase in financial sustainability of the NGOs. The results in tandem with Maitin (2010) who revealed that financial risk assessment entails the identifying and prioritizing of objectives, the identification of risks and assessment of their likelihood and impact which culminates into only investing in areas that contributes to enhanced performances.

Table 10: Model Coefficients

	Unstandardized Coefficients		Standardized Coefficients		
Predictors	**B**	**Std. Error**	**Beta**	**T**	**Sig.**
(Constant)	0.217	0.045		4.8222	0.123
Financial Reporting	0.317	0.133	0.301	2.3834	0.004
Financial Monitoring	0.213	0.176	0.198	1.2102	0.011
Financial Audits	0.447	0.101	0.419	4.4257	0.000
Financial Risk Assessment	0.376	0.111	0.336	3.3874	0.001

The model therefore becomes;

Financial Sustainability = 0.217 + 0.447 (Financial Audits) + 0.376 (Financial Risk Assessment) + 0.317(Financial Reporting) + 0.213 (Financial Monitoring)

According to the model, financial audit bears highest impacts on financial sustainability, followed by financial risk assessment, then financial reporting and finally financial monitoring.

Conclusion

The finding of the study led to conclusions that financial reporting and financial sustainability of NGOs positively and significantly correlates. Additionally, financial reporting practices such a keeping all financial reports in a way that is easy to retrieve and review, digitally

maintain the financial records, establishing modalities of financial reports, strictly adhering to financial reporting timelines as well maintaining accurate and reliable financial reports positively and significantly contributes to financial sustainability of the NGOs. The finding of the study also led to conclusions that financial monitoring and financial sustainability of NGOs positively and significantly correlates. Additionally, financial monitoring practices such as frequently reviewing the statuses of both fixed and current assets, putting efforts in ensuring a balance between liabilities and assets, having assets that can easily be converted to cash and having a full accountability of all financial transactions in the organization positively and significantly contributes to financial sustainability of the NGOs.

The finding of the study further led to conclusions that financial audits and financial sustainability of NGOs positively and significantly correlates. Additionally, financial audits practices such as having an occasional review of budgets in the organization, availing the budgetary reviews to the financiers on demand, auditing all processes in a timely manner, ensuring that audit processes paves ways for transparency in the organization, letting audit reports acts as basis for bargaining funds from financiers and ensuring funds are utilized as planned positively and significantly contributes to financial sustainability of the NGOs. The finding of the study finally led to conclusions that financial risk assessment and financial sustainability of NGOs positively and significantly correlates. Additionally, financial risk assessment practices such as conducting risk analysis to enable to prioritizing on less risky investments prior investing in any project, evaluating, risks prior expenditure, formulating ways and means of managing the risks, and having risks assessment practices that enables the organization to keep off from risky endeavours positively and significantly contributes to financial sustainability of the NGOs.

Recommendations for the Study

The study provides recommendations to the NGOs operating in Garissa County to enhance their financial reporting practices since the practice bears a positive and a significant effect on financial sustainability of the organization. The NGOs can achieve this keeping all financial reports in a way that is easy to retrieve and review, digitally maintain the financial records, establishing modalities of financial reports, strictly adhering to financial reporting timelines as well maintaining accurate and reliable financial reports. The study further provides recommendations to the NGOs to enhance their financial monitoring practices since the practice bears a positive and a significant effect on financial sustainability of the organization. This can be achieved through frequently reviewing the statuses of both fixed and current assets, putting efforts in ensuring a balance between liabilities and assets, having assets that can easily be converted to cash and having a full accountability of all financial transactions in the organization.

The study further provides recommendations to the NGOs to enhance their financial audit practices since the practice bears a positive and a significant effect on financial sustainability of the organization. This can be achieved through having an occasional review of budgets in the organization, availing the budgetary reviews to the financiers on demand, auditing all processes in a timely manner, ensuring that audit processes paves ways for transparency in the organization, letting audit reports acts as basis for bargaining funds from financiers and ensuring funds are utilized as planned. The study finally provides recommendations to the NGOs to enhance their financial risk assessment practices since the practice bears a positive and a significant effect on financial sustainability of the organization. This can be achieved through conducting risk analysis to enable to prioritizing on less risky investments prior investing in any project, evaluating, risks prior expenditure, formulating ways and means of managing the risks, and having risks assessment practices that enables the organization to keep off from risky endeavours.

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