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## **THE EFFECTS OF DONOR FUNDING ON THE PERFORMANCE OF SEXUAL REPRODUCTIVE HEALTH NGOS IN MOMBASA COUNTY**

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## THE EFFECTS OF DONOR FUNDING ON THE PERFORMANCE OF SEXUAL REPRODUCTIVE HEALTH NGOS IN MOMBASA COUNTY

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### ABSTRACT

**Purpose:** Local Non-Governmental Organizations (NGOs) play crucial role in uplifting livelihoods and overall economic development in Kenya. However, several local NGOs have experienced dwindling performance as a result of insufficient donor funding. It is in this vein that the current study assessed the effects of donor funding on the organizational performance of local sexual reproductive health NGOs in Mombasa County. The specific study objectives included; to establish the effect of availability of donor funds, funds management, and capacity building on the performance of local NGOs.

**Methodology:** The study adopted a descriptive survey research design while the target population was all the employees of sexual reproductive health NGOs in Mombasa County. The study used simple random sampling technique. A structured questionnaire was self-administered to all employees of the 14 NGOs. The study utilized descriptive statistics and multiple regression analysis. Diagnostic tests such as normality and multicollinearity were used.

**Results:** The research found that funds' management, funds' availability, capacity building, and government policies had positive relationship with NGOs project performance. The study concludes that NGOs had various sources of funding. It concludes that the NGOs ensured funds' management by employing qualified accounting staff, embracing openness for regular donor evaluations, ensuring financial disclosures to stakeholders. The study concludes that NGOs' staff had adequate experience in running projects. It was concluded that there was no level business environment for local NGOs, the available government NGO operation policies were unfriendly and the Co-ordination Act needed improvement.

**Unique contribution to theory, policy and practice:** The study recommends that all NGOs should continue sourcing for multiple reliable funders. The study recommend that all NGOs should uphold proper planning for finances, monitoring, evaluation, and budgeting control to ensure accountability to promote successful completion of projects. The study recommends that NGOs' staff should be subjected to regular timely task-oriented training.

**Key words:** *Donor Funding, Management of Funds, Capacity Building, And Availability of Funds.*

## INTRODUCTION

Non-governmental organizations' (NGOs) projects are the backbone of substantial recorded strides that have uplifted many developing countries out of dire social and developmental stagnations (Mujabi, Otengei, Kasekende, & Ntayi, 2015). Although governments are required to finance health and other development activities aimed at promoting healthy living and protecting citizens' lives, more often than not, this does not seem to happen. Governments around the world and especially in developing countries do not adequately fund health and socioeconomic activities. Therefore, NGOs complement governments' efforts by raising additional private resources to support their activities as well as sustain their operations (Marwell & Calabrese, 2015).

In Kenya, the country has seen a significant growth of organizations registered under the NGO coordination Act since 2011 (NGOs Coordination Board, 2019). Sustainable NGO funding in Kenya has contributed to the implementation of diverse programmatic interventions which have benefitted the local communities by improving their living standards (Ali & Kilika, 2016). These projects have had significant effects in reducing poverty, quality health service provision, child mortality reduction, provision of water and sanitation services, educational support among other socioeconomic interventions (Otundo, 2015).

In essence, the sexual reproductive health NGOs have been established in response to the declarations made at the International Conference on Population and Development in Cairo Egypt in 1994 (Tilahun, 2019). Projects implemented by these NGOs include capacity building on sexual and reproductive health related issues, provision of community education, prevention and HIV testing services among others (Maringa, 2018).

### Statement of the Problem

In order for NGOs to continue their good work, they need to be financially sustainable (Musyula, 2017). That notwithstanding, several health related NGOs face myriad financial constraints that inhibit their operations. Issues such as inadequate funding and cancellation of donor funds due to cessation of NGO-donor partnerships are constant concerns to NGOs (Ali & Kilika, 2016). Further, the changing donor landscape in the country have also affected the effectiveness and sustainability of Kenyan NGOs that offers health related services. Additionally, public health administration studies on donor funding have also largely focused on governments as the key recipients of donor funding and not the NGOs as the major beneficiaries of donor support (AbouAssi & Tschirhart, 2017) hence a knowledge gap. Furthermore, the link between donor funding and NGO performance is complex thereby necessitating more research.

Additionally, the unending squabble between the government and the NGOs including their funders have had adverse effect on the performance of the NGOs (Mutinda & Ngahu, 2016). Such conflicts have heavily contributed to several donors' hesitance to fund NGOs fearing interference by the local authorities (Njenga, 2018). Again, accusation on the lack of accountability by the government and the funders have also constrained the financing of NGOs' reproductive health projects (Marwell & Calabrese, 2015). This study, therefore, addressed these gaps by highlighting the effects (both positive and negative) of donor funding using a composite approach and hence provide NGOs in Mombasa with a road map on how to sustain their operations while maintaining both financial, organizational and programmatic sustainability.

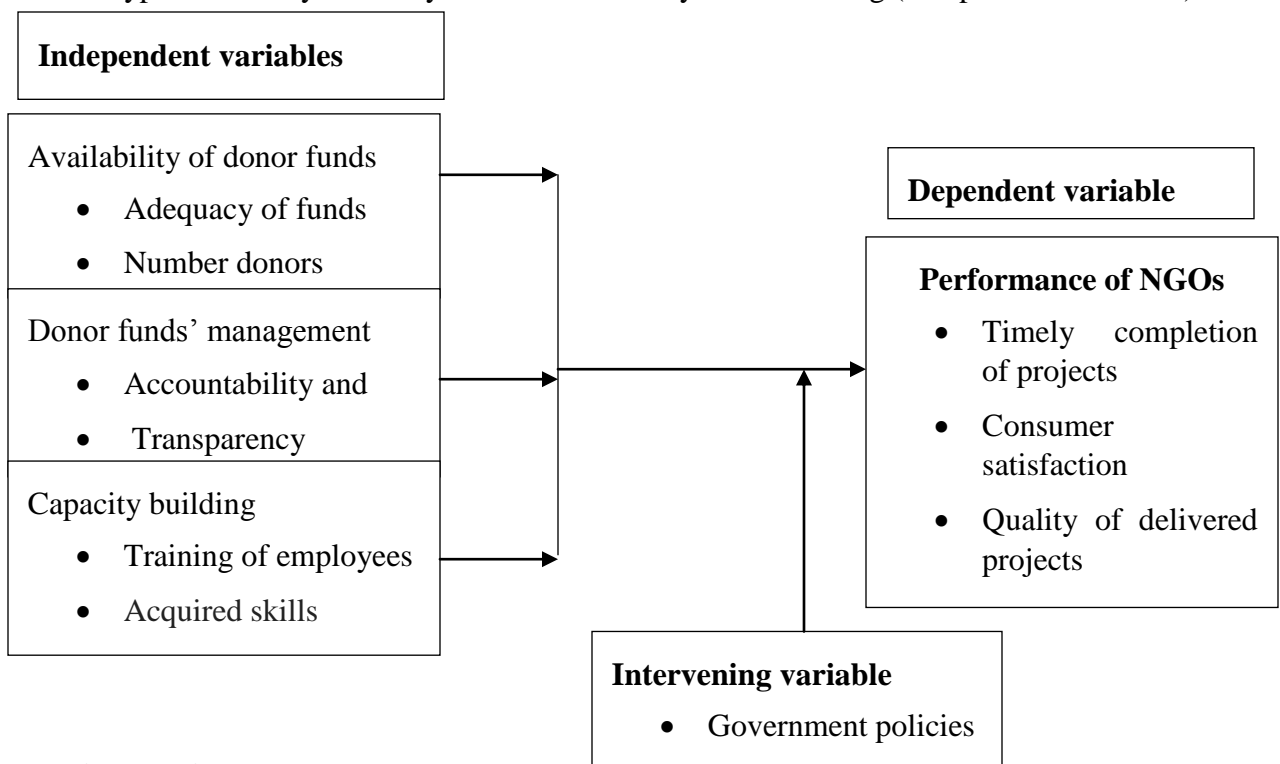


### Specific Objectives

- i. To establish the effect of availability of donor funds on the performance of local NGOs in Mombasa County
- ii. To assess the effect of donor funds management on the performance of local NGOs in Mombasa County
- iii. To find out the effect of capacity building on the performance of local NGOs in Mombasa County

### Conceptual Framework

The conceptual framework (figure 1) presents NGO's performance (dependent variables) indicators hypothesized by the study to be influenced by donor funding (independent variables).



### Theoretical Review

#### Dependency Theory

The resource dependence theory was championed by Pfeffer and Salancik (1978). The theory posits that organizations are not autonomous entities but rely upon networks within their environment in which they must strive to manipulate resources in order to survive. It further suggests that an organization is subject to external control because its critical resource, such as funding depends on outsiders.

This theory helps in explaining the behaviors, structures, stability, and organizational changes in NGOs. Moreover, this resource dependence theory has an effect on local NGOs as they are viewed as subordinate instruments rather than partners. Due to their frequent subordination in funding relationships, African NGOs are specifically vulnerable to institutional isomorphism

modeled upon their western counterparts (AbouAssi & Tschirhart, 2017). In addition, due to pressures from the external environment as a result dependence, NGOs can be manipulated in their programs to match donor preferences regardless of their mission identity or beneficiary need. This theory was, therefore, utilized in understanding the funding, performance, and management of NGOs.

### **Priority Based Budgeting Theory**

Priority-based budgeting theory was put forth by Kavanagh, Johnson, and Fabian (2011). The theory focuses on organizational priorities and accordingly allocates resources to ensure completion of projects. The priority-driven budgeting' philosophy is about how organizations can use resources for intended projects based on priorities. Kavanagh et al. (2011) points that organizations (in this case the local NGOs), do have in place budgeting practices governed by the need to embrace effective funding, accountability, and transparency in their daily operations. Consequently, priority-based budgeting theory is related to the current study because it offers a possible elaboration on how the use of funds among NGOs is influenced by project prioritization through budgetary information systems that enhance financial management for effective service delivery.

### **Empirical Review**

#### **Effect of Donor Funding on the Performance of Local NGOs**

Anunda (2016) investigated the factors that influence the performance of HIV/AIDS projects implemented by NGOs in the health sector in Nairobi County. The study employed descriptive research design and the target population was 347 projects implemented by 112 NGOs operating in Nairobi County. Questionnaires was used to gather both qualitative and quantitative data. The study analyzed data using descriptive statistic through Statistical Packages for Social Sciences (SPSS) Version 21.0. The study found that there was no adequate funding as such several projects run out of funds before completion. The study also found that stakeholder involvement, effective planning, project leadership type, and financial management had direct influence on projects performance. The study was based on factors influencing performance of NGOs implementing HIV-AIDS project in Nairobi County while the current study focusses of effects of NGOs donor funding on the performance of local NGOs with specific focus on sexual reproductive health NGOs in Mombasa County.

In his study, Gachui (2017) evaluated the effects of donor funding on the success of community developments in Kenya. The target population was 1853 respondents. A two-stage sampling procedure was used to select 330 respondents. The study used constructed questionnaires to gather information from the respondents. The multiple regression analysis was used to conduct data analysis. The study established that training and development, stakeholder involvement, and adequate donor funds had positive significant relationship with the success of development projects. A unit increase in donor grants would lead to a 0.324 increase in success of community development projects; a unit increase in training and development would lead to a 0.216 increase in success of community development projects and a unit increase in stakeholder involvement would lead to a 0.462 increase in success of community development projects. However, the study used success of projects as dependent variable whereas the current study uses performance of local NGOs as the dependent variable. Again, the current study focusses on sexual

reproductive health NGOs hence the results of the study cannot be used to generalize the situation of all local NGOs in Kenya hence the need for the current study.

Further, Ntimama (2018) assessed then determinants of performance of local NGOs in Kenya. The study employed descriptive research design. The study collected data from 770 active NGOs out of the 3,334 NGOs registered in Nairobi. Questionnaire was used to collect data from the respondents. The study used both descriptive statistics and Pearson moment correlation analysis to analyze data through SPSS. The study found that resources such as employees and financial management influenced performance of the organizations. Further, availability of finances also affects the performance of NGOs and as well as the number of donors or funding divergences affected the performance of the NGOs. The study found that all the variables had a positive relationship with performance of the NGOs. The study however, focused on several NGOs which made it impossible to draw inferences on which particular NGOs had ascertained improved performance or otherwise as a result of divergences of funds, availability of employees, and financial management. The current, however, specific looks at how donor funding has affected the performance of sexual reproductive health NGOs in Mombasa County.

Another study to determine the factors that affect sustainability and performance of nongovernmental organizations in Nairobi, County Kenya was done by Gitonga (2018). The study employed the explanatory research design and used qualitative approach. Questionnaire was chosen for data collection and data was analyze using descriptive and inferential statistics. The study relied on 1,881 NGOs in Nairobi County and a sample size of 128 NGOs was chosen. The study utilized a non-probability sampling design. The study found that that community engagement, fund development, and human resources had positive influence on the sustainability of NGOs. The findings showed that there was a positive relationship between the independent and dependent variables. The study gap was evident in the use of sustainability of projects as dependent variable. The current study used performance of donor funded projects as dependent variable to bridge the gap.

### **Availability of Donor Funds and Performance of Local NGOs**

In another study, Meessen, Soucat, and Sekabaraga (2017) researched on the effect of donor funds on the performance of local NGOs in Turkey. The target population was 1,233 registered local NGOs in the country. The researchers developed questionnaire that assisted in the collection of data from the employees of 102 organizations. The study then used descriptive researched design to carry out data analysis. The research established that, 10 percent of the funding for the local NGOs were from private charitable provisions while 43 percent donations were from the government support and other public sector payments. Further, another 47 percent of the funding was from the private institutions. The study found that donor fund diversification and adequacy of funds improves performance of the local NGOs in Turkey. However, the study was conducted in an environment of developed economy hence a study in a developing economy such as Kenya is crucial.

Another study was done by Batti (2018) on a comparative analysis on global civil society among 35 countries Asia and Europe, on the sources of NGOs funding and its challenges. The study used both qualitative and qualitative research designs. The researcher developed open ended and close ended questionnaire. By use of descriptive statistics and cross tabulation, the study found that, international generated funds were the dominant source of funds for NGOs and this

accounted for 43 percent of local NGOs total funding sources. Further, private offers such as individual, corporate as well as foundation sources accounted for 30 percent. However, Government as source of funding ranked last at 27 percent. Further, one-third of NGOs had individual business and used the proceeds to finance the NGO activities. However, the study was done several years ago hence the findings cannot relate with the current situation. Further, it was done in a developed country and so there is need for the current study with a focus on locally run organizations.

Omollo (2017) also did a study on the influence of funds' availability on effective implementation of donor financed projects in Busia County. The study used descriptive research design and the target population was 415 donor funded projects. The sample size was 204 project managers as well as 204 citizens. The study used semi structured questionnaire to collect data. The study analyzed data using descriptive statistics and regression analysis. The found that diverse source of funds influenced effective implementation of donor projects. The study also found that upholding accountability positively influences donors to keep financing the projects. However, inadequacy of funds was found to negatively influence effective implementation of donor projects. The study was however, done in Busia, a county with different geographical features and it also focused on several organizations hence drawing inferences was hard. The current study therefore joins the debate to assess the effect of donor funding on performance of sexual reproductive health NGOs in Mombasa County. The study used effective implementation as dependent variable while the current study used performance of donor projects.

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### **Donor Funds Management and Performance of Local NGOs**

A study by Wandera and Sang (2017) investigated the effect of financial management challenges on financial sustainability of Non-Governmental Organizations in Juba, South Sudan. The study used descriptive research design. The target population was all the 112 NGO in South Sudan. The study used a census to select 112 key financial managers' personnel. Questionnaire was used to collect data. Both descriptive and inferential statistics (regression and correlation analysis) were used. The study found a significant and positive relationship between budget control and the financial sustainability. A significant and positive relationship between financial reporting and the financial sustainability was also found. Income source diversification was also found to have a positive and significant relationship with the financial sustainability of NGOs in South

Sudan. Finally, a significant and positive relationship between donor fund management and the financial sustainability of NGOs in the country. However, the study was based in South Sudan hence the results cannot be used to draw inferences to the local situation. Again, the study used sustainability as dependent variable while the current study used performance as the dependent variable.

A study by Ebenezer, Musah, and Ahmed (2020) examined the factors that determine financial management of NGOs on financial sustainability in Ghana based on sound financial management practices, good donor relationship, the utilization of Cloud Accounting and ERPs by NGOs. The sample size was 56 NGOs. Data was gathered through questionnaires. The study analyzed data using descriptive statistics, Kruskal Wallis Test, as well as regression analysis. The study found that NGOs in Ghana lacked sound financial management practices and this affected the performance of the organizations. It was found that the NGOs used ERP systems and cloud accounting and the variables had positive influence on NGO financial sustainability but statistically not significant. The study was done in Ghana hence the conclusions cannot suit the Kenyan aspects hence the need for the current study. The study also used financial sustainability as dependent variable while the current study employed performance as dependent variable.

Further, Kimunguyi, Memba, and Njeru (2015) established the effect of budgetary process on financial performance of NGOs in health sector in Kenya. The study used exploration research design. The target population was financial managers of the selected NGOs in Kenya. The study analyzed data using multiple regression analysis. The study established that budgetary process had positive significant influence on financial performance of NGOs. The study found that good budgetary management practices positively influence financial performance of the selected NGOs. Despite the fact that the study is related to the current study, it was done over five years ago an indication that the concept and context has shifted hence the results cannot be used to justify the current funds management and performance of sexual reproductive health NGOs in Mombasa County.

In another study, Yator (2016) examined the utilization of donor funding by NGOs in Kenya. The study used descriptive research design. Due to smallness of the population, all the 15 NGOs having a total of 45 projects were selected. The study used both primary and secondary data and was collected through questionnaires. The study used only descriptive statistics for data analysis. The study found that there was 59 % underutilization of the funding as per the budget. A whole 91 % of the NGOs requested for a no-cost extension period to complete their projects while another 27% returned the fund balance to funders. The study only used descriptive statistics that cannot determine the statistical significance relationship among variables while the current study used regression model to bridge the gap.

Furthermore, Okinda (2018) study was meant to establish the accountability of donor funding by NGOs in Kisumu County. The study used a descriptive survey design. The target population was all NGOs (187) in Kisumu County-Kenya. The sample size was 49 NGOs. The study made use of open-ended questionnaire. Through Spearman rank correlation, the study found that donor funding was reliance on the accountability mechanisms put in place by the local NGOs. It was established that NGOs were required to have statements of financial position, cash flow statement and statement of comprehensive income. The study also found that involvement of community in the oversight of NGOs was inadequate. The donors insisted that authenticity of financial statements must be verified by independent auditors. However, the study used



accountability as independent variable while the current study used it as an indicator to management of donor funds.

### **Capacity Building and Performance of Local NGOs**

Globally, Zapata, Bathan, Manipol, and Montemayor (2016) conducted a study based on NGO capacity building and its impact on performance of NGOs in Philippines. The study used descriptive research design. Data was collected using questionnaire and interview guide. The target population was the 203 NGOs based in Canada. Data was analyzed using linear regression model and descriptive statistics. The study found that capacity building as measured by skills of the employees, technical competencies as a result of training increased their performance. The study found that there was a strong positive relationship between capacity building and the performance of employees. The study was done in a developed economy hence the results cannot be used to determine the Kenyan aspects hence the need for a local based study.

Again, Woldeyohannes and Alebachew (2020) assessed the practices and challenges of training and development at the Ethiopian Textile Industry Development Institute (ETIDI). The study used mixed research design. The study collected data using questionnaire for 116 selected operating employees and middle-level managers. Semi-structured interview was used for top managers. Both descriptive statistics, Pearson correlation coefficient ( $r$ ) and multiple linear regression were involved. The study found a positive relationship between the dependent variable and independent variables (skills, knowledge, and education). The study was done in a different sector hence the findings cannot be used to determine the donor funding and project performance among sexual reproductive health NGOs in Mombasa County.

A study by Omondi (2016) examined the influence of capacity building programs on project performance among NGOs (Danish Refugee Council). The study employed descriptive survey design. The study also utilized stratified sampling, simple random sampling and purposive sampling. Data was analyzed through cross tabulation. It was found that training methodology was a key contributor to project performance. It was also found that project performance was influenced by the curriculum content of a capacity building program. It was also found that employees' adequacy, work-related systems such as tools and equipment promoted organizational performance. Capacity building was thus found to have a positive significant relationship with performance and improved staff expertise. The study only used cross tabulation while the current study will use descriptive statistics, diagnostic tests together with regression analysis.

Further, Otibine (2016) researched on the effects of capacity development strategies on performance of the Department for International Development (DFID) in Kenya. Descriptive statistics was used in the study. The target population was employee in all finance department among government led institutions. The study used simple random sampling techniques. Both descriptive statistics and correlation were used. The study found that the DFID capacity development strategies entailed effective financial management, human resource development and communication and technology as well as continuous automation of systems. Such capacity development strategies contributed to the timely flow of funds to project beneficiaries, accurate financial forecasting, effective program management and improved relationships between employer and staff. Improved project implementation of project was also evident as a result of use of various capacity development strategies. The study found a positive significant relationship between capacity development as measured by regular training and performance for

DFID. However, the study dwelt on DFID while the current study concentrated on sexual reproductive health NGOs in Mombasa County.

## RESEARCH METHODOLOGY

The study adopted a descriptive survey research design (Bell, Bryman, & Harley, 2018). The design is the most applicable in the current study because it is able to describe the state of affairs as they presently exist without variables' manipulation. The chosen research design basically uses quantitative data that was collected using questionnaire hence its suitability to the study. It thus helped in answering the why, what, how and when a phenomenon. The target population of the study was all employees of all the sexual reproductive health NGOs in Mombasa County totaling to 14. These includes, Pathfinder International, ICRHK, Jhpiego, LVCT, Action Aid, Plan international, Family Health Optons-FHOK, AHF, UNFPA, DSW, AMURT, KANCO, AMREF, and Aga Khan Foundation. To arrive at accurate respondents' sample size based on the target population (276), the study used Yamane (1967) formula. The formula has a margin error of 0.05% and a desired level of confidence of 99.95%.

Therefore, Yamane formula takes the form of,  $n = N \div [1 + N(e^2)]$

Whereby;

n: Sample size

N: Population

e: Margin error of 0.05% .0025

Therefore,  $n = 276 \div [1 + 276 (0.05^2)]$

Employees' sample size = 163.

Thus, questionnaire was distributed to 163 respondents across the 14 NGOs. Each organization was, therefore, given about 12 questionnaires. The study then adopted simple random sampling technique during the distribution of questionnaire. The method was used because it guarantees every respondent an equal opportunity to participate in the study and it is not biased (Cooper & Schindler, 2014). Primary data was collected through a structured questionnaire. The questionnaire had open ended and closed questions that helped in collection both qualitative and quantitative data (Queirós, Faria, & Almeida, 2017). Questionnaire was appropriate for the current study because they can collect lots of information from large population within a short time. Again, questionnaire is also particularly of help when trying to retrieve objective data because there is limited room for manipulation of respondents by the research. Further, questionnaire is less costly and the researcher also consumes less time because it embraces 'drop' and 'pick' method. Firstly, quantitative data was inspected for completeness and consistency followed by coding and appropriate data transformations (Johnston, 2017). Demographic characteristics of study participants as well as research objectives' responses were presented using descriptive statistics. The descriptive statistics was presented into means and standard deviations. Regression analysis helped in establishing the relationship between independent and dependent variables. The regression results were presented using regression coefficients (correlation coefficient and coefficient of determination/ $r^2$ ) with 95% confidence interval. Results were statistically significant if p-value was < 0.05. All quantitative data analysis

was analysed using Statistical Packages for Social Sciences (SPSS) version 20. The study also used diagnostic tests to determine the reliability of the model.

### Regression Analytical Model

The model was used because it helped in identifying which of the independent variables matters most on the dependent variable. By using Beta coefficients to determine the level of influence of an independent variable against dependent variable, the study was able to understand the extent the factors (capacity building, adequate funds, and funds management) relate with the dependent variable (performance of local NGOs). Again, through regression, the study determined whether the independent variables had significant or insignificant positive/negative relationship with dependent variable by use of significance level of 0.05.

#### The regression model:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \mu$$

Where

Y = NGOs' performance

$\beta_0$  = Regression constant

$\beta_1, \beta_2$  &  $\beta_3$  = Coefficient of independent variables

$X_1$  = Availability of donor funds

$X_2$  = Management of donor funds

$X_3$  = Capacity building

$\mu$  = Error term meant to capture the unexplained variations in the regression model

## FINDINGS AND DISCUSSION

### Results for Descriptive Statistics

In table 1, results for performance of local NGOs are presented.

**Table 1: Performance of Local NGOs**

	Strongly disagree (%)	Disagree (%)	Not sure (%)	Agree (%)	Strongly agree (%)	Mean	Std Dev
The organizations adhere to completion of project within stated time frame	23	51	10	5	12	<b>2.36</b>	<b>1.235</b>
The organization's completed projects meet standards required	10	9	6	38	36	<b>3.82</b>	<b>1.315</b>
The organization's completed project has long lifespan.	4	11	6	37	41	<b>4.00</b>	<b>1.146</b>
The organization's completed projects meet customer needs	8	13	7	38	33	<b>3.52</b>	<b>1.332</b>
The projects delivered by the	8	20	16	31	26	<b>3.74</b>	<b>1.277</b>

organizations acceptable by customers.

The results in table 1, most respondents disagreed with a mean of 2.36 that organizations adhere to completion of project within stated time frame. In agreement, Anunda (2016) found that most NGOs in Kenya failed to complete projects within stated time frame due to inadequate funding and diversion of funds. The study found that respondents agreed with a mean score of 3.82 that organization's completed projects that meet standards required. The results are inconsistent with another study by Ntimama (2018) who established that several NGOs completed projects that failed to meet client demands. It was found that respondents strongly agreed that organizations completed projects with long lifespan as represented by a mean of 4.00. The findings are in support of a study by Maringa (2018) who found that several projects initiated by NGOs in Mbeere had long lifespan. It shows that most respondents agreed that the organizations completed projects that meets customer needs as supported by a mean value of 3.52. In support, Gitonga (2018) found that many NGOs in Nairobi County adhered to completion of quality projects to meet the consumer and donor demands. The study established that most respondents agreed that the projects delivered by the organizations are acceptable by customers as shown by a mean score of 3.74. The results are in uniformity with a study by Musyula (2017) who revealed that acceptability of projects by clients is an indication of their satisfaction with projects' outcome.

The results for the availability of donor funds on the performance of NGOs are shown in table 2.

**Table 2: Effect of Availability of Donor Funds on the Performance of Local NGOs**

	Strongly disagree (%)	Disagree (%)	Not sure (%)	Agree (%)	Strongly agree (%)	Mean	Std. Dev
The organization has multiple sources of donor funding	5	18	7	44	26	<b>3.68</b>	<b>1.186</b>
The funds available complete projects initiated by the organization	18	51	7	11	13	<b>1.53</b>	<b>1.284</b>
Funds are utilized for intended project without diverting to other projects	20	46	14	8	11	<b>1.45</b>	<b>1.225</b>
Sometimes the organization is unable to raise enough funds for new projects	5	8	6	40	40	<b>4.02</b>	<b>1.127</b>
The success of projects is directly subject to funds' availability	3	3	5	40	48	<b>4.20</b>	<b>.909</b>

As shown in table 2, majority of the respondents agreed that their respective organizations have multiple sources of donor funding as indicated by a mean score of 3.68. The results are in



agreement with another study by Meessen et al (2017) that found that donor fund diversification and adequacy of funds improves performance of the local NGOs in Turkey. It was found that respondents disagreed that the funds available complete projects initiated by the organizations as indicated by a mean score of 1.53. The results resonate with a study by Tilahun (2019) who found that funds allocated to NGOs were inadequate and these affected the performance of the NGOs. The study found that most respondents disagreed that funds are utilized for intended project without diverting to other projects as supported by a mean score of 1.450. The results are inconsistent with a study by Batti (2018) who established that most NGOs in Europe used the donor funds for the intended purposes. Further, most respondents strongly agreed that sometimes NGOs are unable to raise enough funds for new projects as shown by a mean score of 4.02. In agreement, another study by Omollo (2017) found that most NGOs struggle to fund new projects due to inadequate sources of funding.

The results for effect of donor funds management on performance of NGOs are shown in table 3.

**Table 3: Effect of Donor Funds Management on the Performance of Local NGOs**

	Strongly disagree (%)	Disagree (%)	Not sure (%)	Agree (%)	Strongly agree (%)	Mean	Std. Dev
The organization has qualified accounting staff entrusted with financial management	2	5	7	42	43	<b>4.19</b>	<b>.928</b>
The organization's financial operations always subjected to independent auditing	14	56	12	9	8	<b>2.41</b>	<b>1.106</b>
The organization's operations are open to regular donor driven evaluations	6	9	7	42	35	<b>3.91</b>	<b>1.164</b>
The organization usually ensures disclosure of financials to all stakeholders	3	7	8	27	55	<b>4.23</b>	<b>1.075</b>
The organization ensures financial reporting are regularly done to promote transparency	5	11	4	42	37	<b>3.95</b>	<b>1.158</b>

According to the results presented in table 3, it was found that majority of the NGOs had qualified accounting staff entrusted with financial management as shown by a mean score of 4.19. The results are inconsistent with Ebenezer et al.'s (2020) who found that NGOs in Ghana lacked sound financial management practices and this affected their performance. It was also found that most respondents disagreed with a mean score of 2.41 that organizations' financial operations have always been subjected to independent auditing. In support Okinda (2018) alluded that most NGOs lack financial capacity to invite external auditors, as such they usually embrace internal auditing procedures. Again, it was established that organizations' operations are open to regular donor driven evaluations as supported by most respondents agreed with a mean

score of 3.91. In agreement, Kimunguyi et al. (2015) found that good budgetary management practices positively influence financial performance of NGOs. Further, most respondents strongly agreed with a mean score of 4.23 that the organizations usually ensure disclosure of financials to all stakeholders. The results are in support of another study by Mutinda and Ngahu (2016) who found that those NGOs who embrace accountability received more donor funds thus successfully completing projects. Finally, the results show that NGOs ensured that the financial reporting were regularly done to promote transparency as reported by most respondents who agreed with a mean score of 3.95. In agreement, Okinda (2018) established that NGOs that operated transparently ensured regular authentication of their financial statements by independent auditors.

The results for effect of capacity building on the performance of NGOs are shown in table 4.

**Table 4: Effect of Capacity Building on the Performance of Local NGOs**

	Strongly disagree (%)	Disagree (%)	Not sure (%)	Agree (%)	Strongly agree (%)	Mean	Std. Dev
There is presence of regular task-oriented training	24	45	4	15	11	<b>2.45</b>	<b>1.315</b>
Employees have adequate experience in running projects as a result of training	5	25	7	32	31	<b>3.59</b>	<b>1.297</b>
Employees had skills as a result of training	9	16	7	36	31	<b>3.63</b>	<b>1.325</b>
Projects with consistent training programs are more successful.	2	1	4	23	70	<b>4.58</b>	<b>.801</b>
The organization ensures funds are adequate for timely training programs	21	55	9	8	7	<b>1.27</b>	<b>1.104</b>

As shown in table 4, the study found that most respondents disagreed with a mean score of 2.45 that their respective NGOs have regular task-oriented training. However, a study by Zapata et al. (2016) found that NGOs in Philippines embraced task-oriented training that sharpened skills of the employees and technical competencies thereby increasing their performance. The study also found that respondents agreed with a mean score of 3.59 that employees have adequate experience in running projects as a result of training. In support, a research by Omondi (2016) found that training methodology was a key contributor to project performance. It was also established that projects with consistent training programs for employees were more successful as supported by strong agreement levels with a mean score of 4.58. The results conform to yet another study by Woldeyohannes and Alebachew (2020) who found study found that acquired skills, knowledge, and education through training improves employees' ability to complete tasks.

Again, it was revealed that most respondents disagreed with a mean score of 1.27 that NGOs ensures that funds are adequate for timely training programs. In support, a study by Otibine (2016) revealed that inadequacy of funds negatively affected timely and regular training of staff and this impacted on their productivity.

The results for the effect of government policies on project performance are shown in table 5.

**Table 5: Government Policies**

	Strongly disagree (%)	Disagree (%)	Not sure (%)	Agree (%)	Strongly agree (%)	Mean	Std. Dev
There is level business environment for all local NGOs	10	47	11	24	7	<b>2.70</b>	<b>1.156</b>
The available government policies for the local NGOs' operations are friendly	21	47	11	12	8	<b>2.40</b>	<b>1.187</b>
Policy makers always engage local NGOs when enacting new policies for operations	18	41	18	12	11	<b>2.59</b>	<b>1.240</b>
The current NGOs Co-ordination Act should be improved to promote conducive business environment	2	7	6	39	45	<b>4.19</b>	<b>.982</b>

The results in table 5 shows most respondents disagreed with a mean score of 2.70 that there was a level business environment for all local NGOs. In congruence, Njenga (2018) found that the government led NGOs operational policies do not offer level 'playing field' for NGOs. The study revealed that majority of the respondents disagreed with a mean score of 2.40 that the available government policies for the local NGOs' operations are friendly. The results agree with another study by Maringa (2018) who observed that the policies governing NGOs in the country were unfriendly. Again, respondents disagreed with a mean score of 2.59 that policy makers usually engage local NGOs when enacting new policies for operations. The results are in uniform with a research by Gitonga (2018) who established that various departments from the government failed to offer thorough engagement of various stakeholders from the local NGOs. Lastly, it was found that the current NGOs Co-ordination Act should be improved to promote conducive business environment as reported by many respondents who strongly agreed with a mean score of 4.19 and deviated at 0.982. The results contradict a study by Musyula (2017) who revealed that AAI-Kenya indicated that the NGO Coordination Act was friendly to them.

### Diagnostic Tests

The Variance Inflation Factor (VIF) was used to test multicollinearity. The results are presented in table 6.

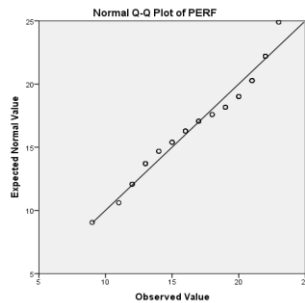
**Table 6: Multicollinearity Tests**

	Collinearity Statistics	
	Tolerance	VIF
Fund's availability	.755	1.324
Fund management	.637	1.569
Capacity building	.563	1.778
Government policies	.707	1.414

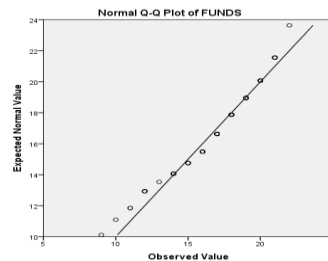
Dependent variable: Project performance

The results presented in table 6 shows that the VIF for the availability of funds was 1.324 while for fund management was 1.569. It was also found that the VIF for capacity building was 1.778 whereas for government policies was 1.414. From the results, it is clear that all the VIF values for all the variables were  $>1$  and  $<10$  hence, there was no multicollinearity.

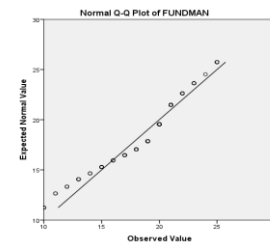
The results show that all variables had normal distribution because all the dotted lines appeared close to the diagonal line. The results are shown in figure 4, 5, 6, 7, and 8.



**Figure 4: Performance**

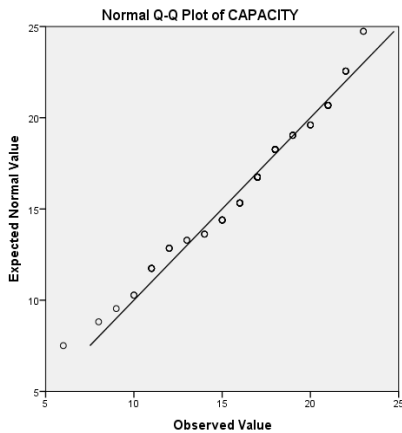


**Figure 5: Availability of Funds**

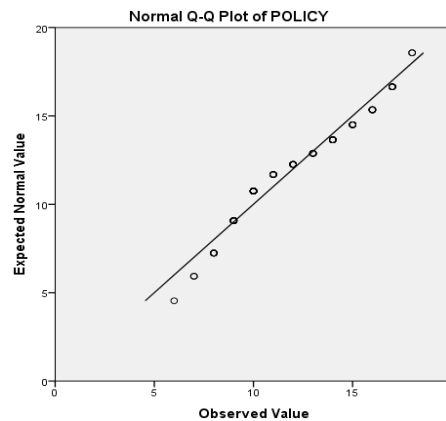


**Figure 6: Fund Management**





**Figure 7: Capacity Building**



**Figure 8: Government Policies**

### Multiple Regression Model

The results for regression were analyzed, presented, and interpreted in table 7.

**Table 7: Multiple Regression Model**

Variables	Standardized Coefficient (Beta)	Standard errors	t-value	p-value
Constant	13.943	3.357	4.153	0.000
Fund availability	0.240	0.125	2.617	0.010
Fund management	0.122	0.105	1.227	0.023
Capacity building	0.740	0.108	6.970	0.000
Government policies	0.071	0.119	0.749	0.046
R	.634 <sup>a</sup>			
R square	0.417			
ANOVA: F-statistic (p-value)			16.441 (0.000 <sup>b</sup> )	

Dependent variable: Project performance

Significance level = 0.05

Significance level = 0.01

The results presented in table 7 indicate that the values for R (coefficient of correlation) and Adjusted R square (determination coefficient) are high. Specifically, R was 0.634. This means there is a variation of 63.4% in project performance. The ANOVA results shows that the model is significantly reliable because the p-value of 0.000 is significant at the 0.01 level.

The regression coefficients show that availability of funds had was statistically significant and positively related with project performance ( $\beta = .240$ , p-value = .010); it is significant at the 0.01 level. This implies that an increase in the availability of funds by 24% can result into improved project performance. It was also revealed that the management of funds was significantly and positively related with project performance at the 0.05 significance level ( $\beta = 0.122$ , p-value = 0.023). This can be interpreted to mean that an increase in the management of funds can improve project performance by 12%

Further, capacity building was positively and significantly related to project performance at the 0.01 significance level ( $\beta = 0.740$ , p-value = 0.000). This means that a unit increase in capacity building results to increase in project performance by 74%. Again, the study found that government policies had positive and statistical significant relationship with project performance ( $\beta = 0.071$ , p-value = 0.046). The results can be interpreted to imply that improved government policies by 7.1% can lead to increased project performance.

### **Conclusions**

The study concludes that NGOs had various sources of funding but the funds were still insufficient to complete projects in time and this also affected the introduction of new projects. Still, the available funds were sometimes diverted to other projects hence derailing the completion of the original projects.

It concludes that the NGOs ensured funds' management by employing qualified accounting staff, embracing openness for regular donor evaluations, ensuring financial disclosures to stakeholders to promote transparency. However, many NGOs failed to subject their financial operations to independent auditing.

The study concludes that NGOs' staff had adequate experience in running projects, however, there was presence of irregular task-oriented training as a result of inadequate funding to the kitty. This is so, despite that the NGOs were aware that consistent training programs promoted successful completion of projects.

It was concluded that there was no level business environment for local NGOs and the available government NGO operation policies were unfriendly. Further, it was concluded that policy makers seldom engage local NGOs when enacting new policies and that the current NGOs Co-ordination Act needed improvement to promote conducive business environment for NGOs.

### **Recommendations**

The study recommends that all NGOs should continue sourcing for multiple reliable funders so that adequate funds can be availed for the successful completion and the introduction new projects. The sources of funding can be charitable donations from corporations, individuals, and grants (both local and international). NGOs should also strictly use the funds for the intended projects to boost the funders confidence who will in turn reciprocate by offering timely and adequate funds.

Regarding funds management, the study recommend that all NGOs should uphold proper planning for finances, monitoring, evaluation, and budgeting control to ensure accountability to promote successful completion of projects. NGOs should also be open to external independent auditing for their financial operations to promote accountability and transparency. The study recommends that NGOs' staff should be subjected to regular timely task oriented training to promote their contribution towards successful completion of projects. For regular training to be successful, funds should be made available and qualified trainers involved at all time. Therefore, during annual budgeting, training kitty should be allocated enough resources. The study recommends that the NGO coordination board should at all-time involve all NGOs in any decision making particularly on policy making so as to explore and implement agreeable policies and laws that could support the operation of NGOs.

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