

**INFLUENCE OF FINANCIAL MANAGEMENT PRACTICES ON
SUSTAINABILITY OF REGISTERED NON-GOVERNMENTAL ORGANISATIONS
IN KWALE COUNTY, KENYA**

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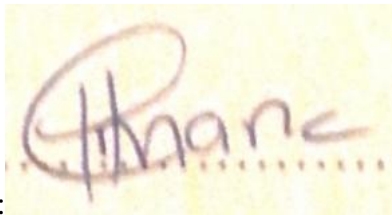
**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULLFILMENT OF THE
REQUIREMENTS FOR THE AWARD OF MASTERS DEGREE IN BUSINESS
ADMINISTRATION (FINANCE OPTION) OF
MOUNT KENYA UNIVERSITY**

NOVEMBER, 2024

DECLARATION AND APPROVAL

Student Declaration

This Project is my original work and has not been presented for a degree in any other university or for any other award.



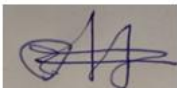
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Supervisor declaration

I confirm that the work reported in this Project was carried out by the candidate under my supervision.



Signature: Date: 28-10-2024.....

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DEDICATION

My dear wife Irene Karungari, my son Alvine Benedict Ondele, and my daughter Sydney Claire Ondele are the recipients of this project.



ACKNOWLEDGEMENT

Throughout the course of my research, which focused on influence of financial management techniques on the sustainability of non-governmental organizations in Kwale County, Kenya, I would like to express my sincere gratitude to Dr. Oscar Sangoro for his constant support and direction. His knowledge and support have been crucial in helping me develop and polish my work. I am deeply appreciative for his insightful feedback and dedicated efforts in rephrasing and reshaping my topic. Special thanks go to Mount Kenya university Librarian Mr. Ochich David Collins Oliech, who has been very instrumental in availing reading materials when requested. I am grateful to have had the privilege of working with such esteemed individuals and their contributions have significantly enriched the quality of my work. Thank you for your invaluable support and mentorship.



ABSTRACT

Non-governmental organizations' (NGOs') explosive growth in worldwide development during the last three decades is widely known. The emergence of NGOs has been driven by the frequently implicit belief that private actors, including private non-governmental organizations, are successful in reducing global poverty through market-based and participatory approaches, extending democracy through a strong civil society, and providing services when national governments lack the necessary funding or political will.

This study looked at how registered NGOs in Kwale County, Kenya, fared in terms of sustainability when it came to financial management procedures. The study was directed by the following goals: to determine how financial management system budgetary practices affected the sustainability of registered NGOs in Kwale County, Kenya; to determine how financial management system working capital management practices affected the sustainability of registered NGOs in Kwale County; to determine how financial management internal audit affected the sustainability of registered NGOs in Kwale County; and to determine how financial management system internal controls affected the sustainability of registered NGOs in Kwale County, Kenya. The study's geographical focus was Kwale County. The study, took place in Kwale County between 20th July 2024 to 25th October 2024, examined financial management techniques and how they impact generally non-governmental organizations' long-term viability. The Resource Dependence Theory (RDT) theory and Agency theory was used. This study used a quantitative approach as the method of collecting data. Gathering and evaluating numerical data is the process of quantitative research. The study's target population was all the 2200 officials in Kwale. The researcher used simple random sampling technique where a 10% sample was also used to select the volunteers resulting to sample size 220 to be randomly picked as respondents. A panel of experts assessed the study's content validity by determining the material's relevance and providing comments on how well the measuring device satisfies the requirements. The Cronbach's Alpha coefficient was used to assess the surveys' reliability. Ranges between -1 and 1 was used for this reliability coefficient, which allows for a bias-free assessment of data generalization. Both Likert-type and structured closed items were included in the questionnaires. The drop-and-pick technique of administering the questionnaires provided appropriate follow-up and clarifications if the respondents request them. The researcher assigned codes for the aim of maintaining anonymity. The study showed that there was a moderate positive and statistically significant correlation between Financial Management system working capital management practices and sustainability of registered non-governmental organisations in Kwale county, Kenya. ($r = -0.589$; $p < 0.05$). This demonstrated how working capital management techniques in the Financial Management system improved the sustainability of registered non-governmental organizations in Kwale County, Kenya. According to the study, the sustainability of registered non-governmental organizations in Kwale County, Kenya, was positively correlated with internal auditing of financial management systems in a moderately significant way. It is $p < 0.05$ ($r = 0.690$). This suggests that the internal audit of Financial Management systems improved the long-term viability of registered non-governmental organizations in Kenya's Kwale County.

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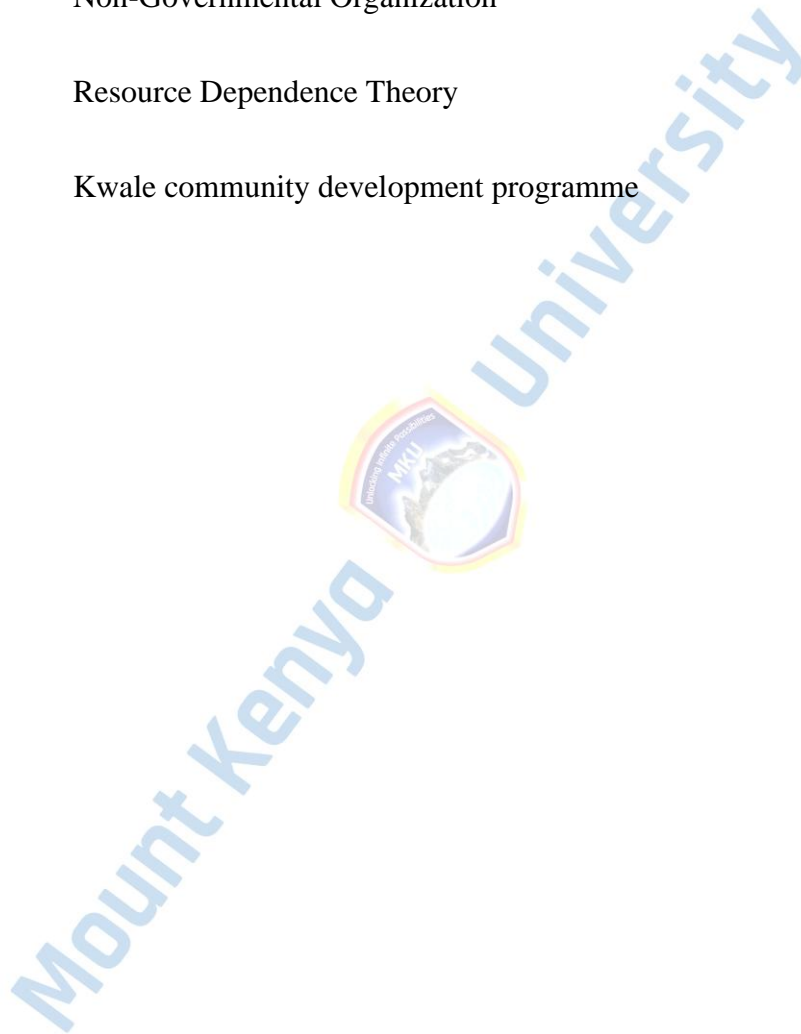
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List of Acronyms and Abbreviations

| | |
|------------------|---|
| FMS: | Financial Management Systems |
| ICT: | Information Communication Technology |
| IFRS: | International Financial Reporting Standards |
| NGO: | Non-Governmental Organization |
| RTD: | Resource Dependence Theory |
| KWACODEP: | Kwale community development programme |



CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

It is commonly known that non-governmental organizations (NGOs) have risen rapidly in the field of international development throughout the last thirty years. NGOs have grown significantly in countries like Bangladesh, where 90% of villages had at least one NGO by 2020, and Brazil, where the number of registered NGOs increased from a few hundred in 1990 to over 8000 by 2019 (Brass, 2021, Brass, 2019, Gauri and Galef, 2020). Globally, there has also been growth; the Union of International Associations reports that 38,500 international NGOs were operational in 2018 and that more than 1000 new ones are formed each year in the US alone (Union of International Associations, 2018, Schnable, 2021).

At the same time, NGOs have been increasingly integrated into the development process as a whole. According to the World Bank, NGOs and other civil society organizations are involved in almost 90% of projects that are now sponsored, up from 21% in 2019 (World Bank, 2021). Additionally, almost 20% of all bilateral aid goes through NGOs, according to the OECD (OECD, 2021). The growing popularity of NGOs has been fueled by the widely held notion that private actors, including private not-for-profits, can effectively extend democracy through a strong civil society, reduce global poverty through market-based and participatory methods, and provide services when national governments lack the necessary financial resources or political will (Brass, 2021).

The promise of NGOs in the late 20th century was further enhanced by donor suspicion of governmental interference, growing concerns about corruption, and widespread opposition to structural adjustment initiatives (Banks, Hulme, & Edwards, 2019). However, the emergence of NGOs has been greeted by growing suspicion. The failure of many NGOs that responded

to the 2010 Haitian earthquake was brought to light by the cholera epidemic (Schuller, 2021), and the spread of laws prohibiting foreign funding for NGOs points to additional resistance from governments in underdeveloped nations (Dupuy, Ron, & Prakash, 2019).

Good financial management techniques are still necessary for Non-Governmental Organizations (NGOs) to stay in business. The ability of NGOs to hire and train financial management experts has improved. Before collaborating with NGOs, donors have likewise established strict policies and procedures. These include items like NGOs' locations, a list of NGOs that have been put on a blacklist, books of accounts that have been audited every five years, etc. As a result, most NGOs may now comply with the International Financial Reporting Standards' (IFRS) criteria for financial management. NGOs are currently concentrating their efforts on the important subject of financial sustainability (McKinney, 2020). NGOs and donors would work together for the term of the agreement; after which it would end. Therefore, discussions are underway over the NGO's ability to proceed with unexpected futures before it enters another contract with a new donor.

Mango (2021) defines NGOs as organizations that promote development and are made up of diverse membership, organizational, functional, and geographic groupings. NGOs play a major role in advancing international human rights by establishing guidelines, recording transgressions, and advocating for the effective implementation of human rights laws around the world. NGOs played a crucial role in establishing international norms that serve as a benchmark for judging or measuring state conduct, by establishing standards. According to Achode and Rotich (2021), NGOs have also worked to increase the use of these treaties' complaint mechanisms and put pressure on national governments to sign and ratify accords that protect human rights norms. One of the main issues facing NGOs in the coming ten years will be project sustainability: only organizations with solid financial systems and steady revenue streams will be able to carry out their various tasks and address the issues at hand in

a world that is becoming more interconnected and complex. Financial sustainability is not an aim in and of itself; rather, it is the process of ensuring that an institution makes enough money to enable it to make investments in the future. There are two approaches to make up for unsustainable project operations: either develop sustainable operations or plan for a time when the necessary resources won't be available. Most firms aim for sustainability through more effective use of their resources.

Hailey (2021) defined financial management as the operation of an internal control system. Since financial management is a crucial part of the project management process, project managers, the financial team, stakeholders, and significant project team members should examine it on a frequent basis (Williams, 2022); Saungweme, (2020); Renz, (2021). You may be confident that the project budgets are staying within the initial forecast by closely monitoring them. A financial management system's features include physical control, authorization and approval control, people control, job segregation, supervision control, mathematical or accounting control, management control, and organizational control. Financial management is one of the most important project management responsibilities since it ensures that your project will be finished within the financial parameters established in the project description (Chung & Chuang, 2020). Financial management involves more than just examining the budget and deciding what is left over will "obviously" finish the project, just like any other control procedure; it is also not about gathering and quantifying the amount of money you have spent on the project (Deloitte & Touché, 2022). favourable project control techniques provide favourable cost and schedule results, which in turn lead to the project's success. These practices are the foundation of cost control success criteria (Zietlow, Hankin, Seidner & O'Brien 2022).

Sustainable programs and good financial management practices need to be able to balance the risks and possibilities that come with sustainability in order to generate long-term shareholder value. Cost increases are the main drawback of choosing sustainability versus business as usual. Accordingly, sustainability entails going beyond threat management to reduce value and generate profits (Santarossa,2020). Some organizations don't have a finance policy in place, or if they have, most of their employees don't know about it. This policy is crucial to NGOs' ability to maintain their financial viability. A significant and positive relationship between sustainability and financial management was found by Rono (2021). Using financial management techniques, the net present value (NPV) is one kind of financial model used to evaluate a project or program's sustainability.

Pre-screening is a common practice for programs and projects to ensure sustainability and strategic fit. The project or program that adds the most value to the NGO is chosen after they have been ranked using the NPV model. The conventional capital budgeting practice, which emphasizes awareness, identification, selection, and monitoring in accordance with environmental challenges, is crucial to the world of NGOs. According to Abongó and Ombaba (2022), one of the main factors influencing financial sustainability is, in fact, financial management. The special purpose framework financial statement and IFRS should be followed while preparing financial reports. The latter comprise compliance, internal control, and other required reports (Banks & Hulme,2020). The sustainability of projects in the future will be significantly impacted by the proper administration and maintenance of financial data.

Kenya has seen an increase in the quantity of NGOs that are registered within the past ten years. There are over 12000 NGOs operating locally as of right now and approximately 22 non-governmental organizations (NGOs) registered and operating in Kwale County (NGOs coordination board, April 2024). NGOs have developed into and are still playing a significant

role in global social improvement (Bowman, (2021). They are mainly found in nations that deal with political unrest, natural disasters, widespread ethnic strife, unstable economies, and a dearth of social amenities including schools, hospitals, and health care (Bell, Masaoka & Zimmerman (2020). In most third-world nations, the state is unable to address the aforementioned issues on its own in order to guarantee sustainable human development (Islam, (2021). NGOs are the primary recipients of monies from the Global Fund for basic services in Kwale County. They have also assisted the government and partners in their efforts to expand health care to underserved populations and fortify health systems, all of which improve service delivery. While keeping an emphasis on long-term, sustainable development, NGOs in Kwale County have taken a flexible approach to assessing and revising their work and customizing programs to fit the population's evolving needs. In order to address pressing issues, Kwale County created an integrated Crisis Prevention and Recovery program for the 2014–2015 year that prioritizes restoring livelihoods, fostering peace and reconciliation, and strengthening democracy and government.

According to Kabdiyeva (2021), NGOs have been at the vanguard of promoting social and economic services to most developing nations, with Kenya being one of the beneficiaries. Furthermore, NGOs are essential in raising public awareness of the need to watch over government actions for the good of the populace (Goddard & Assad, 2020). In Kenya, non-governmental organizations (NGOs) are essential in tackling social and economic issues, especially in underprivileged areas like Kwale County. These groups provide major contributions to community development, healthcare, education, poverty alleviation, and environmental preservation (Odhiambo, 2019). However, NGOs in Kenya frequently depend mostly on donor financing, which can be unstable and inadequate to fulfill expanding requirements, posing significant financial sustainability issues (Kavilu & Muigai, 2021). This

reliance on outside funding sources emphasizes how crucial sound financial management procedures and strategic planning are to NGOs' long-term survival and influence.

Working capital management, which includes keeping an eye on cash flows, receivables, payables, and inventory, is a crucial component of financial management in non-governmental organizations. Maintaining liquidity, fulfilling financial commitments, and avoiding operational interruptions are all made possible by efficient working capital management, which is especially important in a situation with limited resources (Njoroge & Wanjiku, 2020). For example, cash management ensures that programs continue to function efficiently even when donor support fluctuates by helping NGOs plan for unanticipated funding delays.

Pfeffer and Salancik's (1978) Resource Dependency Theory (RDT) is especially pertinent to comprehending the difficulties that NGOs in Kwale County confront. The idea draws attention to the power dynamics that develop when organizations depend significantly on outside funding, which can result in pressure to match donor interests and, occasionally, mission drift. According to research conducted in Kenya, non-governmental organizations frequently modify their operations and programs to conform to donor requirements, which might take away from their primary objective and diminish their long-term efficacy (Mwangi & Otieno, 2018).

International and local NGOs have actively contributed to the nation's development for decades, and the legal system has been pleasantly comforting. NGOs, however, appear to be under scrutiny about matters pertaining to accountability, transparency, tax incentives, and registration fees for groups engaged in "public benefit activities" in Kwale County. Owing to the afore mentioned worries, funding for NGOs in Kwale County has decreased, which has resulted in their closure (NGOs coordination board, 2019). Due to a decrease in institutional

support, there has also been a strain on finance, forcing NGOs in Kwale County to shoulder all overhead expenses and activity implementations.

Understanding and putting into practice sound financial management techniques and strategies to lessen resource reliance are essential given the limitations and external dependencies that NGOs in Kwale County face. This study offers insights into practical methods for achieving operational autonomy and financial resilience by analysing the effects of RDT-based strategies and working capital management techniques on the sustainability of registered NGOs in Kwale County.

1.2 Problem of the Statement

The sustainability of NGOs has been impacted by their inability to continue operating due to inadequate financial management practices, according to the NGO Council (2019). This is because the organization's goals will not be achieved and the benefits from such cash would be negligible in the absence of sound financial management techniques. Project sustainability is in doubt when an organization's goals aren't reached. Since local NGOs are typically tiny organizations, there is a chance that they won't be able to establish appropriate financial procedures since they won't have the necessary funds or staff members to allow for job segregation (NGO council 2019).

In Kwale County, Kenya, non-governmental organizations (NGOs) are essential in tackling socioeconomic issues like poverty, healthcare, education, and environmental preservation. Despite their significance, these organizations have serious problems with their financial sustainability, mostly because they are highly dependent on donations from outside sources and have little potential to make money on their own (Odhiambo, 2019). The ability of NGOs to successfully carry out their objectives is undermined by fluctuations in donor financing,

which frequently result in staff layoffs, program delivery disruptions, and, in certain situations, the shutdown of vital services.

In addition to endangering these organizations' financial health, their reliance on a small number of funding sources causes issues with goal alignment. There is a risk of "mission drift," when programs change their focus to satisfy donor expectations rather than the needs of the local population, when NGOs are under pressure to align with donor goals (Mwangi & Otieno, 2018). Particularly in an area like Kwale County, where poverty rates and resource requirements are high and steady NGO support is crucial for development, this reliance breeds fragility. By allowing NGOs to preserve liquidity, effectively manage cash flows, and lessen their need on outside financing, effective financial management techniques, such as working capital management, might help to alleviate some of these sustainability issues. However, a lack of funding and resources makes it difficult for many NGOs in Kenya to adopt these methods (Kavilu & Muigai, 2021).

For a business to stay in business in the future, it should prioritize both optimal financial management techniques and financial sustainability. When it comes to the expansion of a business, financial management techniques and financial sustainability form a strong, practical alliance. Without a doubt, businesses must be sustainable in order to reach their full potential. Due to these, NGOs will be able to keep providing their users with necessary services even when donors stop paying them (Lawrence & Chad, 2021).

NGOs in Kwale County are held accountable for their approaches to luring contributors via forceful resource mobilization and effective financial management. Now, the majority of NGOs in Kwale County are unable to raise money locally or mobilize resources. As a result, they become dependent on donors by constantly adjusting activities to meet their strict

requirements (NGOs coordination board, 2019). Donors, the government, and the community have voiced concerns about the NGOs' ability to remain financially viable in Kwale County. According to preliminary research, NGOs have trouble maintaining their financial viability. According to the NGOs coordination board (2019), the majority of NGOs in Kenya are still developing and suggest that notable labour is necessary to maintain financial viability. In light of this, the purpose of this study is to look at how financial management techniques affect the long-term viability of NGOs that are registered in Kwale County. This study intends to shed light on how NGOs may attain financial autonomy and resilience by concentrating on working capital management and Resource Dependency Theory (RDT) tactics. This would improve the organizations' long-term influence on the communities they serve.

Most studies focus on program outcomes, capacity building, and community and government involvement rather than the NGOs' ability to continue operating financially. Since NGOs receive limitless funding from many donors, financial sustainability has only been briefly mentioned in these study evaluations. However, as a result of the NGOs' present shifting financing dynamics, funding has been reduced, therefore, investigating financial sustainability is necessary. Considering the aforementioned, this study looked at how financial management techniques affected the long-term viability of registered non-governmental organizations in Kwale County, Kenya.

1.3 Purpose of the Study

This study sought to ascertain how registered non-governmental organizations in Kwale County, Kenya, fared in terms of sustainability in relation to their financial management methods.

1.4 Objectives of the Study

1. To assess the effect of Financial Management System Internal Control practices on sustainability of registered non-governmental organisations in Kwale county, Kenya.
2. To evaluate the effects of Financial Management system budgetary practices on sustainability of registered non-governmental organisations in Kwale county, Kenya
3. To assess the effect of Financial Management system working capital management practices on sustainability of registered non-governmental organisations in Kwale county, Kenya
4. To examine the effect of Financial Management systems internal audit on the sustainability of registered non-governmental organisations in Kwale county, Kenya.

1.5 Research Questions

1. What are the effects of Financial Management system internal control practices on sustainability of registered non-governmental organisations in Kwale county, Kenya?
2. What are the effects of Financial Management system budgetary practices on sustainability of registered non-governmental organisations in Kwale county, Kenya?
3. What is the effect of Financial Management system working capital management practices on sustainability of registered non-governmental organisations in Kwale county, Kenya?
4. What is the effect of Financial Management systems internal audit on sustainability of registered non-governmental organisations in Kwale county, Kenya?

1.6 Significance of the Study

Kwale county and the national government will also benefit through strengthening NGO's leadership, in Kwale county, including the advisory boards and management committees, which will have access to reliable information, empowering them to make critical strategic decisions.

Academicians: The study will ignite academicians to do more research in the field of sustainability of NGOs within the country. The study will also share insights through recommendations which can help academicians improve the studies in the field.

NGO's: Future research on the sustainability of NGOs across Kwale county and the nation at large, will benefit from the study as well.

1.7 Scope of the Study

Kwale County was the geographic focus of the investigation. One of Kenya's counties is Kwale County. Kwale County is located in Kenya's former Coast Province. Although Ukunda is the largest town, Kwale serves as its capital. The estimated population of Kwale County is 866,820. Despite having a coastline south of Mombasa, Kwale is primarily an inland county. The division of Msambweni includes Diani Beach. Other attractions in the county include the Mwaluganje Elephant Sanctuary and the Shimba Hills National Reserve. The Digo and Duruma clans of the larger Mijikenda tribe, as well as a sizable Kamba tribe, are the county's principal ethnic groups. In Msambweni, Lunga Lunga, and Matuga, the Digos make up the majority, whilst in Kinango, the Durumas hold the upper hand. The majority of Kambas reside in Kinango, Matuga, and Lunga Lunga, with Msambweni housing a sizable number. Matuga Constituency, Kinango Constituency, Lunga Lunga Constituency, and Msambweni Constituency are the county's four constituencies. Regarding the study's scope, it will concentrate on NGOs that are registered in Kwale County. The study was

conducted in Kwale County from July 2024 to October 2024. Its scope included an examination of financial management strategies and their effects on the long-term viability of non-governmental organizations in general.

1.8 Limitations of the Study

The researcher encountered the following limitations: In this study for instance, the key informants' busy schedules reduced the response rate as planned. Owing to the nature of the work done by non-governmental organizations, many managers' and supervisors' responsibilities involve coordinating several activities in remote locations, often outside of officially registered physical offices. Such cases need members of staff that are committed and focused to the organizational goals and objectives

The possibility of sample size/sample bias existed since individual results are not always representative of the entire population, and financial resources were constrained by the economic crisis in Kenya.

The other constraint pertains certain respondents' who were hesitancy to divulge financial data that they deem highly confidential or sensitive to the organization. The researcher assured the respondents that they remained anonymous and that the information they provide is for only academic purposes to get genuine responses concerning financial data of the targeted organizations.

1.9 Delimitations of the Study

Prior appointments were sought with the manager and the staff notified to ensure they are present or available on the material day. On the possible hesitancy of participants, the participants were assured that this study was for academic purposes. On financial constraints, the researcher tried to work within the budget and avoided unnecessary expenses. Purposive sampling was done to ensure the views given portray those of entire population.

1.10 Assumptions of the Study

The study's assumptions included the presence and application of yearly budget planning inside the organizations, active grant administration, current financial reports and accounting records, and audited project accounts. The study also made the assumption that governments enact and enforce rules and regulations impartially in order to foster the development of non-governmental organizations in Kwale County.

1.11 Operational Definition of Key Terms

Budgetary Practices: An elegant way to manage income and expenses in monetary terms is through budgetary practices. Practically speaking, this means that in order to determine whether remedial action is necessary, actual revenue and expenses are frequently compared to anticipated income and expenses.

Financial Management System: This is the software and procedures that an organization uses to manage its assets, income, and expenses.

Internal audit: refers to a third-party service that assesses an organization's corporate practices, procedures, and methodologies as well as internal control.

Internal Control: Accounting and auditing procedures known as internal controls assist businesses in abiding with legal requirements and preventing fraud. They are intended to offer a fair level of assurance regarding the timeliness, accuracy, and dependability of information.

Sustainability: At the individual and organizational levels, projects must be sustainable to guarantee that the results, outputs, and advantages are sustainable throughout their life cycles, as well as during their creation, disposal, and decommissioning.

Working Capital Management: The accounting practice of managing a company's short-term financial assets and obligations is known as working capital management. It involves

striking a balance between a company's present liabilities and assets to make sure they have adequate capital to run effectively.



CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

In order to comprehend the results of the studies on the impact of financial management practices on the sustainability of nongovernmental organizations in Kwale County, Kenya, the researcher reviewed relevant concepts and works by other researchers in this chapter. The study's conceptual framework and a summary of the identified research areas and knowledge gaps were also discussed.

2.1 Empirical Literature Review

2.1.1 Internal Controls Practices

According to a study by Acharya (2022), internal controls are the process by which an organization's resources are allocated, tracked, and evaluated. They also noted that risk management and internal controls have received more attention recently than in the past because they were thought to be essential components of fraud management. According to Correia (2019), the firm's internal control system is crucial since it makes financial management techniques far more successful. Management may undermine its ability to control external elements, such as suppliers and other stakeholders, if they are unable to implement procedures that would allow them to successfully regulate internal practices (Amiri & Pagheh, (2019).

According to a study by Giorgi (2019) these controls are also tools used by top management to accomplish the organization's goals for efficiency and effectiveness. According to Kherwa

& Bansal (2020) an organization that lacks internal controls runs the risk of suffering from a number of detrimental outcomes, including the depletion of financial resources, fraudulent claims that go undetected, costly mistakes in grant management, and poor publicity.

According to Miriti and Karithi's (2020) analysis of the impact of internal controls in Kenyan commercial banks, businesses must establish and uphold internal controls in order to reduce risk and its negative effects on financial performance. The study suggested that businesses establish and manage internal controls well. According to Waiganjo, Ngethe & Mugambi (2019), the implementation of effective internal controls within an organization led to favourable changes, enhanced performance, and ultimately the long-term viability of that particular establishment. This is a result of the programs' development of trust and support from donors and other important stakeholders. The survey also found that faith-based businesses have not fully adopted formal internal control systems as they are now implemented in the corporate sector.

Internal audit's duties include keeping an eye on how the organization's policies and procedures are being implemented and determining whether the internal control system in place is successfully producing the desired outcomes (Nyanje,2016). According to Ndimitu,(2018) there is a significant relationship between internal Audit Practices and Firms Performance.The financial management of the public sector is significantly impacted by these internal controls (Waiganjo, Ngethe & Mugambi (2019).

Operating in a creative and successful environment that guarantees the accomplishment of the specified goals and offers insightful feedback can help a business become more productive. According to Lynn (2013), an organization's internal audit and control procedures ensure a high degree of accuracy and dependability of the financial management information, lower fraud and other potential errors within the system, protect the organization's assets, increase

adherence to established policies, and foster overall efficiency and effectiveness in the operation of the business.

External audits offer significant and beneficial insights into the data that is present in a business. According to a report by the NGO Coordination Board (2019), registered non-governmental organizations (NGOs) in Kenya that receive funding exceeding one million Kenya shillings or incur expenses are required to submit their books for audit by a registered auditor if they have one million Kenyan shillings. The worldwide financial reporting standards must be followed by the audited accounts. According to Lewis and Kanji (2013), a study done in the banking sector revealed that external audit significantly contributed to the firm's increased reputation, which in turn raised customer and stakeholder confidence. To bolster these conclusions, Lewis (2011) noted that an organization's external audit serves a useful purpose by enhancing the calibre of its financial data and clearing the path for better financial reporting.

The numerous studies on internal controls in organizations that have been covered above have demonstrated the critical role that internal controls play in an organization's performance. However, the majority of the studies were carried out outside of the subject area and in profit-making institutions. This study had to be conducted within the NGOs in Kwale County since further research had to be done in areas with larger populations and higher concentrations of NGOs.

2.1.2 Budgetary Practices

Budgets enable an organization to control how its resources are used and to use them effectively and efficiently in order to accomplish its goals and objectives. Maendo, James, and Kamau (2018) investigated how financing techniques affected the long-term viability of non-governmental organizations in Kwale County's health sector.

They found that in order to ensure the long-term viability of health programs, improved budget planning, monitoring, and adjustment, effective funding, record keeping, managers' financial attainment of goals, and solid financial management are all required.

Using budgeting as a financial planning tool helps a company analyze its financial performance and track how its resources are being used by accounting for and tracking the income and expenses from the different levels of management (Michalski & Mercik, 2012). According to this study, non-governmental organizations' standard budgeting practices are predicated on allocating cash from external contributors. Therefore, in order to achieve financial independence, budgeting must be fundamentally rethought, with revenue being discovered only after the spending budget has been developed using activity plans.

In support of this, Miroga (2015) found that budgetary allocations are important factors that improve the sustainability of public health facilities, and as a result, the facilities should adopt appropriate budgetary practices. The study examined the effects of budgeting allocation on financial sustainability within the health sector in Nakuru county. According to this study, financial standards and allocations have a critical role in improving the sustainability of public health facilities. As such, it is recommended that these institutions adopt proper budgetary procedures. According to Michalski and Mercik (2012), traditional budgeting techniques lead non-governmental organizations (NGOs) to allocate resources that are primarily derived from outside sources. As a result, there is a pressing need to identify an alternative budgeting strategy that will allow the organization to create spending guidelines based on activity plans before seeking out revenue.

For financial sustainability, it is essential to ensure that the budgeting strategies used by the majority of NGOs to get financing fall within the established bounds. A well-designed budget should provide both financial and programmatic flexibility while focusing on the organization's primary goals and objectives (Lewis, 2015). The impact of financial planning

practices on the health sector in Kiambu County was examined by Maendo, James, and Kamau (2018). They found that budgetary practices significantly and favorably affect an organization's performance and that, in order to improve both financial effectiveness and financial stability, organizations should proactively prepare their budgets in reference to their strategic goals.

Kherwa and Bansal (2020) conducted a study on the impact of budgetary goals on financial performance and found that while some organizations aim to maintain their competitive advantage by maximising effectiveness and efficiency in budgetary processes, many other organisations did not recognise the significance of setting and adhering to appropriate budgetary goals that accurately reflect their performance. A budget committee comprising members from all business segments and senior executives should lead the budgeting process. The study revealed that committee will be responsible for providing insightful reports and skilfully defending the opportunities and resources available to the units. Miriti and Karithi(2020) stressed the significance of the budget committee's approval, implementation, attentive monitoring, and timely modifications made within the budgetary year.

As was said in the previous discussions, the majority of the studies were on for-profit businesses, corporations, government agencies, and non-governmental organizations (NGOs) that provide health services. There is a need to fill in the gaps that have been identified regarding a number of unique aspects of budgeting in the larger NGO sector, such as the involvement of budget holders and support partners, beneficiary involvement in the budgeting process, budget planning, and communication to various stakeholders.

2.2.3 Working Capital Management practices

For NGOs, cash management is an essential component of working capital management (WCM), which entails keeping an eye on financial inflows and outflows to guarantee there is enough liquidity for operational requirements. This includes tracking and collecting money owing to the company, keeping financial reserves, projecting cash flow, and effectively managing bank accounts.

Tracking and collecting money owing to the organization, including grants, promised gifts, and reimbursements for project-related costs, is the responsibility of accounts receivable management. Strong internal controls lower the risk of fraud and improper payments, while positive vendor connections can aid in negotiating advantageous payment terms. In addition to effective internal controls lowering the risk of fraud and illegal payments, good connections with vendors can aid in negotiating advantageous payment terms. To maintain enough liquidity for daily operations, cash management entails monitoring cash inputs and outflows. Effective cash management is essential for NGOs to preserve their financial stability and prevent service delivery interruptions (Pandey, 2015).

Cash Flow Forecasting: By projecting cash inflows from grants and donations and expenditures for program and operating costs, forecasting assists NGOs in anticipating funding shortfalls. Better planning and a lower chance of operational delays are made possible by cash flow forecasting (Gitman, 2005). **Cash Reserves:** As a safeguard against fluctuations in cash flow, NGOs must maintain a cash reserve. Research indicates that having a cash reserve can help keep things stable when financing is delayed or the economy is struggling (Bagley, 2020). **Bank Account Management:** By keeping limited and unrestricted monies in distinct accounts, it is possible to stop the misappropriation of designated cash and make reporting to donors more transparent (Dougherty, 2018).

Management of Accounts Receivable Monitoring money owing to the organization—which may include grants, gifts, and reimbursements—requires effective accounts receivable administration. NGOs that manage their receivables well have the cash on hand to support their continuing operations (Schwartz, 2017). Grant and Donation Tracking: Ensuring the NGO obtains expected cash inflows requires prompt follow-up on pledged funding. Improved financial stability is reported by nonprofits that regularly oversee donor tracking (Hager & Pollak, 2002). Receivables Aging Analysis: This technique helps NGOs prioritize collection operations and prevent cash shortages by classifying receivables according to the number of days they are past due (Gitman, 2005).

Management of Accounts Payable Management of accounts payable entails planning and fulfilling duties to contractors, suppliers, and employees. Effective payables management helps NGOs save money and keep positive vendor connections (Pandey, 2015). Vendor Relationships and Payment Terms: By enabling NGOs to postpone payments without incurring penalties, negotiating advantageous payment terms helps enhance cash flow. Additionally, favorable vendor connections may lead to prospects for extended credit or discounts (Ross, Westerfield, & Jaffe, 2013). Prioritizing Payments: In order to avoid interfering with vital activities, NGOs might give priority to payments that are really necessary, such as salaries and program expenses (Schwartz, 2017). Internal Controls: The organization is shielded against fraud and financial mismanagement by strong internal controls, such as demanding numerous approvals for significant payments (Bagley, 2020).

Management of Inventory For NGOs that deal with tangible products like food supplies, medical supplies, or educational materials, inventory management is crucial. Stockouts and excess goods that might tie up funds are avoided with proper inventory management (Lambert, 2012). Demand Predicting: NGOs can prevent excessive inventory expenses and guarantee timely supply distribution by estimating resource demand based on program

demands (Pandey, 2015). Inventory Turnover: While a low turnover rate might imply overstocking, a high turnover rate shows effective utilization of resources. Effective inventory control promotes cost-effectiveness and liquidity (Gitman, 2005). NGOs can maintain working capital for programming requirements by lowering storage and handling expenses via effective storage management (Ross et al., 2013). For non-governmental organizations (NGOs) that handle tangible items, such food, medical equipment, or educational materials, inventory management is crucial in order to avoid shortages and overstocking. Demand forecasting aids in preserving an ideal stock level.

Allocation and Management of Funds NGOs frequently oversee both restricted and unrestricted funds, each with unique requirements for use. Donor satisfaction and financial compliance are guaranteed by appropriate resource distribution (Dougherty, 2018). Restricted vs. Unrestricted Fund Allocation: In order to preserve accountability and transparency, NGOs must rigorously distribute restricted money in accordance with donor regulations. This approach promotes sustainable funding and increases donor confidence (Hager & Pollak, 2002). Budgeting for programs: Setting aside money for each project guarantees that money is spent effectively, promoting program sustainability and improving financial responsibility (Bagley, 2020).

Options for Short-Term Financing When there is a cash shortfall, short-term borrowing offers short-term liquidity. However, because of the expenses involved, NGOs usually consider this a last choice (Schwartz, 2017). Bridge loans and microloans: To meet immediate requirements, several NGOs turn to bridge loans or microloans. However, because of repayment requirements, these choices are frequently employed sparingly (Lambert, 2012). Advances from Donors: NGOs may be able to manage their funding demands by negotiating early payments from funders. According to Ross et al. (2013), this tactic aids in maintaining program continuity without taking on debt.

Observation and Assessment of Working Capital Policies To make sure that NGOs are fulfilling their financial goals and being flexible in the face of cash flow swings, regular monitoring of WCM policies is required (Bagley, 2020). KPIs, or key performance indicators: KPIs that offer insight into liquidity and operational efficiency, including the cash conversion cycle and current ratio, allow for proactive modifications (Gitman, 2005). Analysis of Budget Variance: NGOs can find areas for improvement and make well-informed changes to their spending habits by comparing their actual financial performance with their planned aims (Pandey, 2015).

For every business to function, working capital management must be done well. Since working capital is the resource that the business employs to carry out its everyday activities, it is intended to cover its short-term demands (Muazu & Abdullahi, 2019). Since current assets and current liabilities have a significant impact on the business's liquidity and profitability, their efficacy and efficiency should be regularly checked. Working capital is strongly tied to the company's ability to employ its current assets to meet its current commitments. The organization's capacity to effectively execute its day-to-day activities is essential. Kherwa and Bansal's (2020) study on the connection between corporate performance and working capital management states that the goal of working capital management is to make sure that businesses can control their operating costs and satisfy their short-term obligations by preserving sufficient cash flow.

According to Michalski and Mercik's (2012) examination of working capital management's effect on manufacturing firms' profitability, maintaining proper levels of current assets and current liabilities is a key component of working capital management. It involves organizing, setting up, and establishing appropriate controls to guarantee that the business has cash on hand as a safety net or cushion to conduct operations in the near term. It has a significant impact on the organization's profitability (Patanakul, 2015). In support of this, Ojua (2016)

pointed out that management of small and medium-sized firms needs to pay enough attention to working capital management in order for the company to have continuity, expansion, and solvency.

According to Waiganjo, Ngethe, and Mugambi (2019), there is a positive and significant relationship between working capital management and an organization's financial performance because a company's cautious management of its short-term assets directly affects its profitability, liquidity, and overall performance. They also mentioned that working capital management helps the company reach its objectives. A 2019 study by Muazu and Abdullahi on the relationship between working capital management and supermarket financial performance states that effective working capital management in an organization through inventory control, accounts payable, accounts receivable, and cash flow monitoring is crucial for the ongoing enhancement of a particular entity's financial performance. For small and medium-sized businesses, this is especially important because current assets are the primary source of expensive and unavailable external finance for current liabilities.

With proper working capital management, the NGO should be able to sustain operations with adequate liquidity levels. A business with good working capital management will need less outside finance and be less susceptible to liquidity risk, claim Michalski and Mercik (2012). According to Ojua (2016), one of the most important financial decisions a company can make is how to manage its working capital. Regardless of the type of business, a firm need enough of these levels to function well.

Numerous studies were conducted in both public and private institutions to examine the effects of the working management strategies discussed above. The influence of working capital management techniques within the NGOs in Kwale County must be investigated, nevertheless, because money is constantly flowing into and out of those organizations. NGOs

function in a distinct setting and have distinct applications and financing sources compared to public and commercial groups.

2.2.4 Financial Management System internal audit

NGOs' mission-driven strategy depends on their financial management, which guarantees sustainability and financial accountability. A crucial element is budgeting, which involves estimating costs and distributing resources appropriately. Gaining the confidence of stakeholders, donors, and the general public requires financial reporting to be transparent. Inadequate reporting procedures might impact sustainability and decrease donors' desire to support projects.

NGOs must diversify their funding in order to prevent becoming overly reliant on a single revenue stream. According to research, NGOs with a variety of revenue sources are more robust and can continue to operate even if some funding sources decline. Grants, donations, fundraising events, and social entrepreneurial endeavors are a few ways to generate income. The viability of NGOs and their activities depends on efficient financial management and financial reporting.

Mungai and Ndegwa (2019) investigated how the Kenyan Ministry of Finance's internal control structure affected financial management. The purpose of this study was to determine how the Ministry of Finance's financial management was impacted by the internal control systems in IFMIS. Evaluating the impact of the internal control system on the Ministry of Finance's financial management was the specific goal. According to the study, there was a substantial positive correlation between internal control systems and Ministry of Finance financial management, as well as between financial reporting systems and Ministry of Finance financial management. According to the report, the ministry of finance should make

sure that its systems are dependable in order to guarantee that it provides fast, accurate, consistent, and comprehensive information. In order to increase cash management efficiency, the ministry should also make sure that the infrastructure supporting IFMIS is safe, free from corruption, and protected from unauthorized access and confidentiality breaches. The ministry of finance's management should make sure that the IFMIS in use can track the payment stream in the future. By doing this, the government's financial flow will be well managed, preventing debt increase.

Okolocha and Ezejiofor (2020) looked into how the internal audit function affected the financial performance of Nigerian commercial banks. This study assessed how much the internal audit function affects the financial performance of Nigerian commercial banks. The study found that internal auditing procedures and controls enhance Nigerian commercial banks' financial performance, and that this effect is statistically significant at the 5% level of significance. According to the study's findings, Nigerian commercial banks have a robust internal auditing mechanism in place to guard against financial fraud. All of them demonstrate the efficiency of Nigerian banks' internal control frameworks. These results are consistent with those of Bunu and Omwenga (2017), who found that Lamu County has an effective internal audit function that monitors and evaluates organizational activities, and Ziniyel, Otoo, and Andzie (2018), who concluded that effective internal auditing practices are crucial for influencing Ghana's financial performance. Although fraud can be detected by this feature, it cannot be stopped or managed. Furthermore, Abeer (2015) found that improving financial performance is impacted by the internal audit function.

The impact of internal audit and budget management quality on the quality of financial statements in ministries and agencies was investigated by Inayattulloh and Siswantoro (2019). At the significance level of 0.003, the internal audit variable shows a considerably beneficial impact on the quality of financial statements. The internal audit variable has a

coefficient of 0.674. The quality of financial statements is positively impacted by the state's budget management, according to the analysis of the research findings. Financial statement quality has been shown to rise empirically when budgeting performance value has grown. Furthermore, the quality of financial statements is greatly improved by internal audit. Reliable financial information and a high-quality financial report are the outcomes of an internal audit in government. The government should pay attention to these two aspects in order to produce high-quality financial statements for the organization and agency.

Nyello and Kalufya(2021). investigated financial management reforms and internal auditing practices: the payroll accounting system used by Tanzania's public sector. The results demonstrated that the control environment greatly improved the processing of payroll records, but risk-based internal audit positively affected payroll reconciliation. Internal auditors' professional competence greatly improved payroll accounting system coverage, payroll record processing, and payroll reconciliation. Payroll accounting system coverage and payroll reconciliation were also significantly improved by the efficiency of internal auditing. According to the report, managers should consider the internal audit function as a strategic one rather than an operational one in order to improve the payroll accounting system. Jinyu, Al-Kuhali, Tabash, Hazaea and Khatib (2020). An empirical study on the relationship between the quality of internal audits and the financial performance of Yemeni commercial banks. According to the findings, internal audit standards, internal auditor independence, and quality governance all significantly affect banks' financial performance, even though the size of internal audit committees and the frequency of their meetings often had little positive impact on banks' performance. According to national results, banks also use automated internal auditing to enhance their financial performance.

2.3 Theoretical Literature

Theories give us a way to increase our understanding. The study examines how various theories tackle the issue of financial management, with a focus on the sustainability of funding for non-governmental groups in Kwale County. Agency theory and resource-based perspective theory were two of the ideas evaluated.

2.3.1 Resource Dependency Theory

A theoretical framework known as Resource Dependency Theory (RDT) examines how businesses depend on outside resources to exist and prosper, including money, supplies, and assistance from other businesses or stakeholders. RDT, which was developed by sociologists Jeffrey Pfeffer and Gerald R. Salancik in their 1978 foundational book, *The External Control of companies: A Resource Dependence Perspective*, asserts that companies rely on their surroundings for essential resources rather than being self-sufficient. Because of this dependence, a set of power dynamics is created, and organizations are always planning how to get necessary resources, lower uncertainty, and gain more autonomy.

The fundamental tenets of resource dependency theory and environmental interdependence state that organizations are a part of an ecosystem of outside parties that supply them with resources they need to survive, such as governments, suppliers, and other partners. An organization's operations and strategic choices are influenced by its degree of reliance on these entities (Pfeffer & Salancik, 1978). **Power and Influence:** When a company relies on a third party to supply resources, the third party has authority over the company. An NGO that depends significantly on donations, for instance, may change its priorities to suit donor preferences, even if those preferences diverge from the organization's primary goal. **Managing Dependencies:** In order to lessen their reliance on any one source, organizations try

to manage their dependencies by expanding their own capabilities, establishing partnerships, or diversifying their resources. This proactive approach reduces the need for outside control and hazards of reliance (Hillman et al., 2009).

Utilizing RDT in Non-Governmental Establishments, RDT is especially important for NGOs as they frequently depend significantly on outside financing. NGOs are particularly vulnerable to resource dependencies since, in contrast to for-profit companies that make money from sales, they frequently rely on grants, donations, and government funding.

Dependency on Donor Funding: Government funds or a small number of major donors provide the majority of the funding for many NGOs. This dependence might put NGOs at risk since, in order to maintain funding, they might have to match their objectives or activities with those of donors. According to research, NGOs frequently modify their reporting procedures and initiatives to satisfy funding agencies' demands, sometimes at the price of their primary goals (Bryson et al., 2018).

Resource Diversification as a Strategy: According to RDT, NGOs can lessen reliance by expanding their pool of resources. A combination of public funds, private contributions, profits from social entrepreneurship ventures, and alliances with other NGOs or businesses may be used for this. Because diversification lessens dependence on a single source, financing can remain stable even when some sources change (Froelich, 1999).

Decision-Making and Power Dynamics: Donor influence can affect NGOs' decision-making as resources determine priorities. In order to obtain financing, the organization's actions may start to deviate from its initial goal, a phenomenon known as mission drift. For instance, an NGO that specializes in health programs may branch out into fields like economic development or education if those fields are more appealing to funders, which might perhaps be weakening its primary objective (Mosley, 2011).

Important Techniques for Handling Dependencies on Resources, RDT highlights a number of tactics that businesses employ to limit their dependence and lessen external oversight:

Diversification of Resources: NGOs can prevent becoming overly dependent on any one donor by diversifying the kinds and sources of funding. Diversification lessens the chance of sudden financial crises in the event that one funding source declines and gives NGOs more control over their goal (Froelich, 1999).

Creating Strategic Partnerships: Working together with other NGOs, governmental organizations, or private businesses can improve operational capability, foster resource sharing, and lessen reliance on private funders. Additionally, partnerships can draw in more varied funding sources and boost an NGO's reputation.

Internal Resource Development: Some NGOs set up revenue-generating ventures, such as the sale of mission-related items or services. For instance, an NGO with a health focus may offer training courses or medical supplies to finance its main initiatives. Organizations become independent of outside patrons by producing their own resources (Young, 2000).

Critiques and Restrictions of the Theory of Resource Dependency Despite providing a useful viewpoint on organizational reliance, RDT has many drawbacks. The intricacy of power relations Because it frequently implies that resource suppliers have unilateral control, the theory may oversimplify power dynamics. Relationships are usually reciprocal in practice, and NGOs may have considerable influence over donors, especially if they are well-known or have a significant effect in their industry.

Organizational and Agency Decision: RDT's detractors contend that it may minimize the importance of internal agency and choice while overemphasizing external constraints. Rather of being totally reactive to outside factors, organizations frequently have some flexibility to design their strategies and reactions to reliance (Hillman et al., 2009).

Changing Resource Environment: Non-profits are increasingly embracing cutting-edge financing approaches, such impact investment or hybrid models that blend for-profit and non-profit operations, as a result of changing funding

landscapes. To properly take into consideration these more recent methods of resource management, RDT might need to be modified.

Resource Dependency Theory's Practical Implications RDT provides NGOs seeking to operate sustainably with a number of useful insights: Emphasis on Developing Financial Resilience: NGOs might give priority to developing financial resilience by boosting internal revenue sources or creating an endowment fund in light of the dangers associated with resource reliance. Adopt Flexible Strategic Planning: Non-profits can use flexible strategic planning to adapt to shifting resource situations. Adaptive budgeting techniques and routine evaluation of financing sources can reduce the danger of reliance. Enhance Accountability and Mission Alignment: Non-profits may strengthen their primary mission and reduce the danger of mission drift by concentrating on funders who share their values and being open and honest with contributors. In order to draw in and keep donors who support the organization's long-term goals, impact communication is crucial. (RDT) also examines how an organization's actions are influenced by the external resources it obtains. The relationship between the organization and the resources it needs to function is examined by the theory. For any firm, finding the finest resource at the lowest cost is essential to both strategic and tactical management. RDT has an impact on contract structure, hiring practices for board and staff positions, external organization connections, organizational structure, and any other crucial area of organizational strategy (Ebenezer, Musah & Anyass (2020).

If a company hoard all of a certain resource, other companies that run comparable businesses will become dependent on it. As a result, developing a symbiotic relationship that will probably make that organization more susceptible to external scrutiny and make it feel insecure. The government or another entity may carry out these external checks. NGOs ought to make it their mission to understand their history and current situation. Obtaining a reliable financial management system can help with knowledge about the past, present, and future.

2.3.2 Agency Theory

Problems in the interaction between corporate principals and their agents are explained and resolved by the idea of agency theory. The connection between firm executives acting as agents and shareholders acting as principals is the most prevalent example of this.

Agency theory became well-known as a distinct theory in the 1970s. It was first seen in the domains of accounting and finance. Nonetheless, many of the core concepts and traits of agency theory predate these more scholarly justifications. Prior to the literature of the 1970s, the ideas of agent, principal, and the various linkages they can have have been a part of social discourse for millennia.

For example, Thomas Hobbes' concept of sovereignty, in which a sovereign representative body represents people who have made a social compact, already included the fundamental structure of principal and agent. Everyone wants to live a secure existence; thus it makes sense for them to cede some of their freedom in exchange for security by consenting to submit to a strong representative (the sovereign). Every citizen is a principal who must submit to the sovereign acting on their behalf. Although Hobbes' concept was specifically meant to apply to the entire commonwealth, it could be applied to any contractual arrangement due to the social contract, a method of social formation. the relationship in which the employer serves as the principal and the agent. Many financial decisions that affect the principal are primarily the agent's responsibility. Conflict or the agency problem may develop from a disagreement in viewpoint and interest (Jensen & Meckling, 1976). To lessen the agency problem that develops between the principal and the agent, NGOs should have robust organizational policies in place.

Because the principle or employer will bear the penalties, the agent, who is an employee, is more likely to take financial risks that should be avoided. This creates a possibility for moral hazard. Incentives are used to realign the interests of the principal/employer and the

agent/employee in order to lessen these problems. Additionally, the NGO should implement corporate governance to establish guidelines and norms that the agent must abide by in order to protect the principal interest (Eisenhardt, 1989).

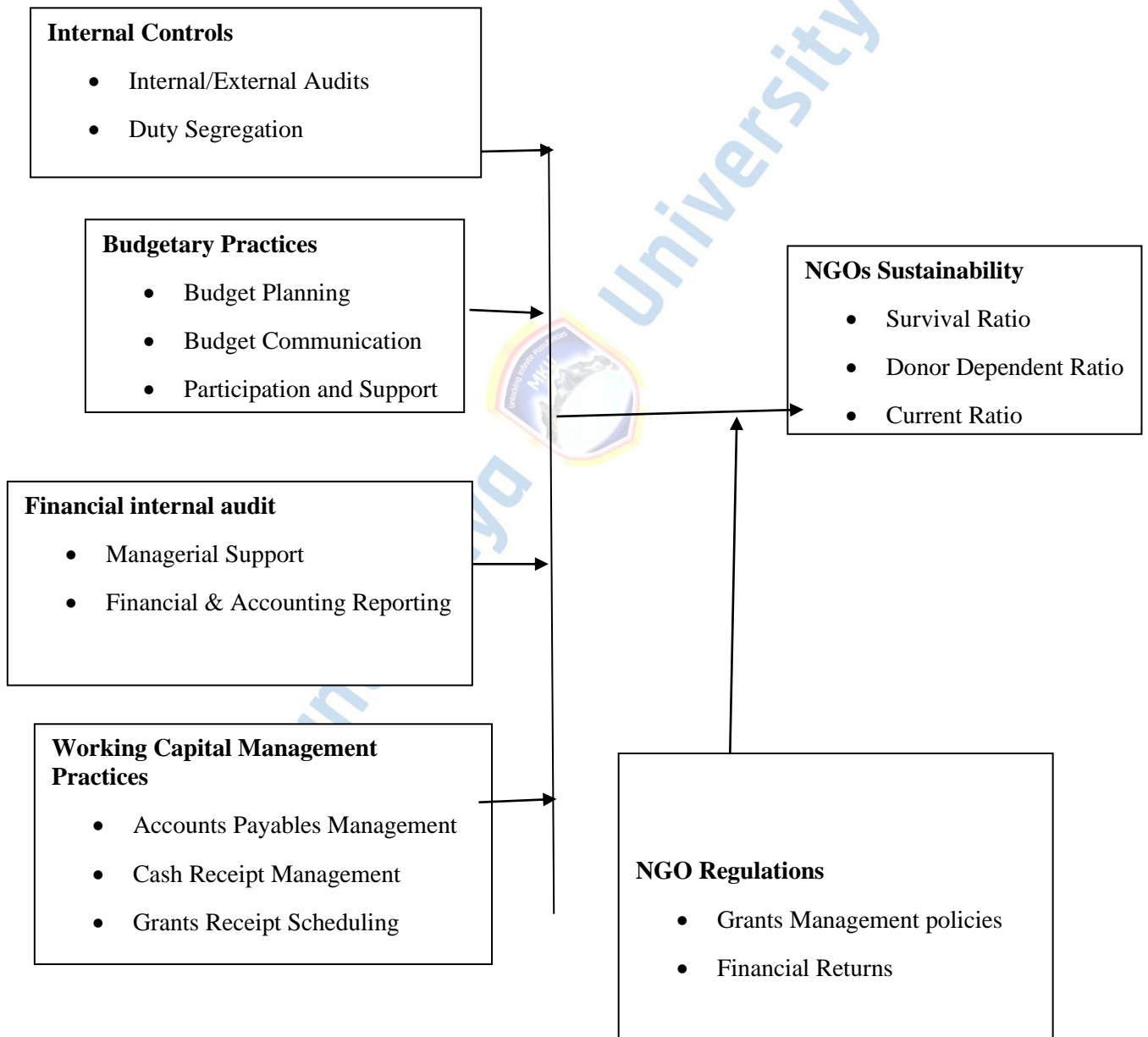
2.4 Conceptual Framework

The conceptual framework that follows demonstrates the apparent connection between the sustainability of Kwale County's registered non-governmental organizations and their financial management approaches.



Independent Variables

Dependent Variable



Intervening Variables

Figure 1: Conceptual Framework

Source: Researcher (2024)

For Non-Governmental Organizations to be sustained, there must be internal and external audits, which will enhance accountability. Two, there must be duty segregation, everybody within the organisation should have his or her own duties, separated from the rest. Budget planning and budget communications should be there too. This helps the organisation to run its own financial matters well. Member should participate and support each other, including managerial support. There should be cash receipts and grant receipts.

2.5 Recap of Literature Review

According to a study by Aacharya (2022), internal controls are the process by which an organization's resources are allocated, tracked, and evaluated. According to Correia (2019), the firm's internal control system is crucial since it makes financial management techniques far more successful. According to a study by Giorgi (2019) these controls are also tools used by top management to accomplish the organization's goals for efficiency and effectiveness. According to Kherwa and Bansal (2020) an organization that lacks internal controls runs the risk of suffering from a number of detrimental outcomes, including the depletion of financial resources, fraudulent claims that go undetected, costly mistakes in grant management, and poor publicity. Karithi (2020) indicated that the companies need to create and maintain internal controls to limit the risk and minimize the impact on the financial performance. The study suggested that businesses establish and manage internal controls well. According to Waiganjo, Ngethe and Mugambi (2019), the implementation of effective internal controls within an organization led to favourable changes, enhanced performance, and ultimately the long-term viability of that particular establishment. According to Lewis (2011), internal audit controls play a crucial role in guaranteeing the presence of appropriate internal controls that

support the continued effectiveness of organizational processes and provide assurance that operations are properly managed. Maendo, James, and Kamau (2018) investigated how financing techniques affected the long-term viability of non-governmental organizations in the health sector of Kwale County. According to a study by Miroga (2015) on the impact of budgetary allocations on the financial sustainability of the health sector in Nakuru County, budgetary allocations are essential components that improve the sustainability of public health facilities; as a result, the facilities ought to adopt suitable budgetary practices. According to Michalski and Mercik (2012), traditional budgeting techniques lead non-governmental organizations (NGOs) to allocate resources that are primarily derived from outside sources. Kherwa and Bansal (2020) conducted a study on the impact of budgetary goals on financial performance and found that while some organizations aim to maintain their competitive advantage by maximising effectiveness and efficiency in budgetary processes, many other organisations did not recognise the significance of setting and adhering to appropriate budgetary goals that accurately reflect their performance. According to Kherwa and Bansal (2020) research on the relationship between working capital management and corporate performance, the aim of working capital management is to make sure that businesses can control their operating costs and satisfy their short-term obligations by preserving sufficient cash flow.

Ojua (2016) noted that in order for the business to have continuity, expansion, and solvency, management must devote enough attention to managing working capital within small and medium-sized businesses. Since a company's careful management of its short-term assets directly affects its profitability, liquidity, and overall performance, Waiganjo, Ngethe, and Mugambi (2019) assert that there is a positive and significant relationship between working capital management and an organization's financial performance. According to Patanakul (2015), a financial management system impacts an organization's overall performance and

should be viewed as a crucial tool that lowers expenses and boosts operational efficiency. According to Reforms (2013) information technology is a crucial and distinct company resource in the current context. Muazu and Abdullahi (2019) noted that senior management ought to encourage the implementation financial management systems and the related policy. According to Kherwa and Bansal (2020) research on the use of ICT in educational institutions, improving an institution's ICT for general administration use in its functional areas allowed for improved performance and elevated it to the level of a globally competitive institution. According to (Medne & Lapina,2019). For making critical and well-informed decisions, managers need access to information and trustworthy communication. Partelow, Winkler and Thaler (2020) in their study of the variables affecting non-governmental organizations' financial stability, reported similar findings. Waiganjo, Ngethe and Mugambi (2019) provided advice in support of these findings, stating that an effective financial management system facilitates accountability to donors and project beneficiaries, increasing their respect and confidence in the organization. Metin, Coskun and Kuzey (2021) conducted a study on the adoption of FMS in South Africa's public sector. The study of Resource Dependence Theory (RDT) examines how an organization's actions are influenced by the external resources it obtains. With the principal being the employer and the agent being the employee, agency theory describes the connection between the two parties. Resource definition is clarified by the Resource Based View (RBV) paradigm; in this instance, the resource is more of a strategic asset than a simple resource.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

Several facets of the study's methodology are covered in this chapter. Target population and sampling design, sample size and technique, research instruments, data gathering process, data visualization, and study analysis techniques are all included in this.

3.1 Research Methodology

A quantitative approach was used to collect data for this investigation. Quantitative research is the process of collecting and analysing numerical data. It was used to assess causal relationships, forecast outcomes, spot patterns and averages, and extend results to broader populations. Quantitative research is often rapid, focused, scientific, and easily comprehensible. Because it answered the "how" and "why" research questions and allowed for a deeper comprehension of experiences, phenomena, and context, qualitative research was crucial in this area of education. According to Mugenda and Mugenda (2003), qualitative research helped the researcher better comprehend human experience by enabling him to raise questions that are difficult to answer with quantitative data.

3.2 Research Design

The study's descriptive design used was to clarify the connection between NGOs' financial management strategies and their financial sustainability. According to Lee, Wu, and Tseng (2018), the design was suitable since the researcher was able to describe variables as they

exist in real time as well as emergent drifts at the time of analysis. The idea was successful because it reduced bias in data collection by gathering data from many sources and educational environments.

3.3 Study Location

Kwale County, Kenya was the site of the study. According to a 2019 research by the NGO Coordination Board, Kwale provides access to facilities that are semi-modern. Most NGOs in Kenya would rather work in semi-urban areas. Kwale County was chosen to be the study area because it was necessary to reach a diverse population from the many NGO sector categories Health, Education, WASH and Livelihood, Orphanages and Rehabilitation, Environment Protection, and Human Rights. All of the various categories could be accommodated by Kwale, which allowed me to undertake a study that was informed by a range of industry participants.

3.4 Target Population

The population under study was an integrated collection of the objects, services, events, and individuals (Creswell, 2018). The demographic under examination closely aligned with the target population. A research population's distinguishing characteristics aid in drawing conclusions (Creswell, 2018). The study's target population was all the employees in the 22 registered NGOs in Kwale who are the Finance Person, Project Manager, Project Supervisor and Field officers, making a total of 2200, Mohamed (2019).

Table 1: List of Membership of NGO's In Kwale County

| | |
|---------------------------------|-----|
| YOUNG MOTHERS KENYA | 120 |
| LITTLE SPORTS ORGANIZATION | 120 |
| CHILDREN OF AFRICA ORGANISATION | 112 |

| | |
|---|------|
| MORE WATER 4 KENYA | 88 |
| TENDA PAMOJA FOUNDATION | 100 |
| UMOJA CHILDRENS VILLAGE-UKUNDA | 130 |
| CONSERVATION ALIVE KENYA | 100 |
| COAST - RURAL DEVELOPMENT ORGANIZATION | 140 |
| COAST CHILDREN WATER PROJECT | 100 |
| HUMAN DEVELOPMENT AGENDA | 96 |
| THOMAS MAKORI YOUTH FOUNDATION | 115 |
| SIMILANI DEVELOPMENT ORGANIZATION | 110 |
| ENZI NJEMA ORGANIZATION | 120 |
| COASTAL ORGANIZATION FOR PREVENTION AND CARE OF TUBERCULOSIS IN KENYA | 125 |
| HEKIMA CENTER FOR EDUCATION AND DEVELOPMENTS | 75 |
| BETTER EDUCATION FOR CHILDREN IN KENYA (BECKEN) | 76 |
| DENTAL PROJECT KENYA | 124 |
| REDEEMED GOSPEL CHIGUTU CHILD DEVELOPMENT CENTRE(CDC) | 149 |
| FUTURE FOR CHILDREN e. V | 100 |
| SKIZA KENYA | 100 |
| TOTAL | 2200 |

Source: Researcher 2024

3.5 Sampling Technique and Sample Size

According to Kumar (2019), a sample size should be pegged on what researchers consider statistically viable. In this study, a purposive sampling was done to allow selection of all the 2200 employees as main respondents because they were well positioned to provide required information. According to Creswell and Creswell (2022), for descriptive studies, 10% or above is termed as enough for the entire study. Random sampling procedure was used to select 10% of the NGOs population of 2200. In this case, the researcher used simple random sampling technique where a 10% sample was used to select the volunteers resulting to sample size of 220 employees who were randomly picked. Using stratified sampling, respondents were picked at random with the representative sample which ensured all the employees from the 22 NGOs were represented.

Total employees=2200

Sample size=10% of 2200

=220.

3.6 Data Collection Instruments

3.6.1 Questionnaires

For the aim of conducting this study, a structured questionnaire was created and validated for validity and reliability. The questionnaires were distributed directly to the respondents, providing an opportunity for the researcher to introduce themselves and provide clarifications on any questions the respondents may have. The researcher was able to establish positive relationships with the respondents thanks to the delivery technique. The researcher provided an introduction letter with the questionnaire to reassure respondents of their secrecy and anonymity in an effort to increase response rates. Along with the researcher's name and address, the letter also outlined the goals and purpose of the study.

3.7 Pilot Test Results

A pilot study of this particular study was conducted in one of the NGOs in Mombasa to determine the precision and reliability of the research instrument. The utilization of 22 respondents represented 10% of the total sample size (10% of 220). The Statistical Package for the Social Sciences (SPSS) program was then used to examine the data. The dependability of the instruments was then evaluated using Cronbach Alpha. Following that, the outcomes were as displayed in Table 2.

Table 2: Reliability Test Results

| Variable | N | Cronbach's Value | Alpha |
|------------------|-----|---------------------|-------|
| Internal Control | 208 | .765 | |
| system budgetary | 208 | .703 | |
| working capital | 208 | .718 | |
| internal audit | 208 | .720 | |

(Source field data, 2024)

Following a thorough coding process, the Cronbach's Alpha Test was performed. The Cronbach's Alpha threshold values for each of the four study variables were higher than 0.7. Cronbach Alpha values from the pilot research were 0.765, 0.703, 0.718, 0.720, and 0.744. This suggests that the tools were highly dependable.

3.8 Validity

The degree to which an instrument measures what it claims to measure is known as its validity (Medne & Lapina, 2019). It also relates to how well the study's findings generalize or transfer to different contexts or settings and how faithfully they reflect the data that was gathered (internal validity and external validity). A panel of experts assessed the study's content validity by determining the material's relevance and providing comments on how well the measuring device satisfied the requirements.

3.9 Reliability

A measuring tool's reliability is determined by how consistently it assesses the idea it is intended to measure (Metin, Coskun & Kuzey,2021). A data collection instrument's

dependability was able to tell the researcher how much error had been removed, which guaranteed consistency when measuring the different items in the instrument. The dependability of the questionnaires was examined to make sure that bias and inaccuracy are removed, as well as to look for question duplication. The reliability of the surveys was evaluated using the Cronbach's Alpha coefficient. Ranges between -1 and 1 was used for this reliability coefficient, which allowed for a bias-free assessment of data generalization (Medne & Lapina, 2019).

3.10 Data Collection Procedure

To obtain first-hand knowledge about the features and explanation of non-governmental financial management procedures, along with sustainability indicators, primary data was gathered. Both Likert-type and structured closed items was included in the questionnaires. The drop-and-pick technique of administering the questionnaires provided appropriate follow-up and clarifications for the respondents who requested them. Before data input and processing, the surveys were gathered and reviewed for completeness and usefulness. This improved the data's correctness and efficiency in terms of display.

3.11 Data Analysis

The collected data was cleaned, edited, and organized in order to be ready for analysis and presentation. Additionally, the data was gathered and displayed in tables and charts to provide a visual depiction. Both descriptive and inferential statistical methods were used in the investigation. Measures of central tendencies, such as mean, frequency, standard deviations, coefficients of skewness, and kurtosis, were computed as part of the descriptive statistical procedures. To assess the degree of fit and identify, the causal and functional relationships between the variables were studied. The study also included inferential techniques such as regression analysis and correlation.

3.12 Ethical Considerations

The researcher was given authorization to carry out the study by the National Commission for Science, Technology, and Innovation (NACOSTI). The authorities inside the non-governmental organizations and the relevant administrative stakeholders also granted the researcher permission. Furthermore, any data collected for the study was used for scholarly research in order to improve Kwale County's non-governmental organizations' financial viability. This was what the researcher had been guaranteed to the respondents. Additionally, the researcher guaranteed each respondent's privacy and the security of the information they reveal. The study-maintained anonymity by avoiding the use of participants' original names; moreover, the researcher assigned codes for the aim of maintaining anonymity.

CHAPTER FOUR:

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

In the subsequent section, the findings of the study were presented, encompassing the response rate and socio- demographic characteristics of the research participants. A descriptive analysis was provided for each research objective, offering insights into the key variables under investigation and their respective distributions within the study population. This section serves to contextualize the research findings and lay the foundation for the subsequent discussions and interpretations presented in the study.

4.2 Response Rate

Fowler (2014) states that the response percentage is determined by dividing the total number of study participants by the number of participants who answered the questionnaires correctly. In order to gather data for this study, 220 questionnaires were distributed. Nevertheless, 208 questionnaires were finally completed and returned as needed. In actuality, this amounted to an overall successful response rate of 80%. Additionally, study participants were guaranteed the privacy of the data they submitted. A response rate of at least 50% is sufficient, 60% is good, and 70% or higher is extremely good for analysis, according to Trex (2018). This suggests that a response rate of 80% was appropriate for data analysis.

Table 3: Response Rate

| Sampled respondents | No. of | No. of | Questionnaires Returned | Response Rate (%) |
|------------------------|-----------|-----------|----------------------------|-------------------|
| 220 | | 208 | | 80 |

(Source field data, 2024)

4.4 Demographic Information

Demographics are the characteristics within the 2200 employees to which the study was conducted. With this study the researcher concentrated on the below chosen so that data could be collected that was useful in the final Analysis.

4.4.1 Gender of the Respondents

During the research process, the researcher aimed to determine the gender of the participants in the study. Knowing the gender of the respondents was very useful since gender influences human options, conditions and experiences. This was very helpful to the researcher to ascertain the accuracy. The results were presented as seen in table 4.

Table 4: Gender of the Respondents

| Gender | Frequency | Percentage (%) |
|--------|-----------|----------------|
| Male | 118 | 51 |
| Female | 90 | 49 |
| Total | 208 | 100 |

(Source field data, 2024)

As per the findings, 118(51%) of the respondents were male whereas 90 (49%) were female. This implies that many respondents were males.

4.4.2 Age of the Respondents

Determining the age range of the study participants was another goal of the researcher. Age shows the time a person has lived on this world. The researcher determined the age of the responded to categorize the kind of data he was collecting. With the Current emerging age demographics, researcher found it necessary to collect. This date was very useful when

carrying out analysis. The Table 5 displays the investigation's findings which is tabulated as shown below.

Table 5: Age of the Respondents

| Age | Frequency | Percentage (%) |
|--------------|------------------|-----------------------|
| 18-25 Years | 25 | 2.44 |
| 26-32 Years | 78 | 48.78 |
| 33-39 Years | 49 | 21.95 |
| 40- 46years | 56 | 26.83 |
| Total | 208 | 100.0 |

(Source: Researcher 2024)

As per the results of the study, 25 (2.44%) of the participants were between the ages of 18 and 25, 78 (48.78%) were between the ages of 26 and 32, 49 (21.95%) were between the ages of 33 and 39, and 56 (26.73%) were between the ages of 40 and 46. As a result, it may be inferred that most participants in the study on the impact of internal audits of financial management systems on the long-term sustainability of 22 registered non-governmental organizations in Kwale County, Kenya, were younger than thirty-three.

4.4.3 Level of Education

The researcher further sought to find out the educational or call it academic qualification of the respondents. With this the researcher focused on the academics in form of a certificate, Diploma or degree. Some is said to have attained a certain educational level when she or he has successfully completed an education program. This means he or she has achieved a

specific learning objectives typically validated through an assessment of acquired knowledge and competencies. The findings then are as indicated in table 6.

Table 6: Education level

| Education Level | Frequency | Percentage (%) |
|------------------------|------------------|-----------------------|
| KCPE | 00 | 00 |
| KCSE | 00 | 00 |
| Certificate | 00 | 00 |
| Diploma | 36 | 14.6 |
| Bachelor | 140 | 80.5 |
| Post graduate | 32 | 4.9 |
| Total | 208 | 100.0 |

(Source field data, 2024)

The study findings showed clearly that 00 (00%) of the respondents had attained KCPE level (Kenya certificate of primary Education) level. Those who had obtained KCSE (Kenya Certificate of Secondary Education) level qualification were 00 (00%) while those who had certificates comprised 00 (00%). Those who had acquired diploma were 36(14.6%) and those with bachelor’s degrees from universities comprised of 140 (80.5%). Those who had gotten post graduate degree comprised the minority of 32 (4.9%). These results did imply that majority of the respondents were well schooled thus understanding and filling the questionnaire was done well.

4.4.4 Length of Service

The researcher also wanted to know the length of service every employee had in the organization they served in. This are the days or period of time during which and employee

actually was in active service in the organization. With this research even the days the employee was on leave was considered. In the interest of the researcher to know this information so that it can be helpful in the analysis of data and come up with informed data. Table 7 shows the results of the researcher's further attempt to determine the length of service of the the responded type.

Table 7: Length of Service

| Length in Years | Frequency | Percentage (%) |
|------------------------|------------------|-----------------------|
| 0-2 Years | 105 | 68 |
| 3-5 Years | 27 | 12.2 |
| 6-8 Years | 35 | 29.9 |
| Above 8 Years | 41 | 43.9 |
| Total | 208 | 100.0 |

(Source field data, 2024)

Based on the aforementioned results, 105 respondents (68%) had worked for 0–2 years, 27 respondents (12.2%) had worked for 3–5 years, 35 respondents (20.9%) had worked for 6–8 years, and 41 respondents (43.9%) had worked for 6+ years. As most of the study participants were new hires, this statistically suggests that the majority had worked for 0–2 years.

4.5 Descriptive Statistics

The study looked at how registered non-governmental organizations in Kwale County, Kenya, fared in terms of sustainability in relation to their financial management procedures. The arithmetic mean and standard deviation were used to interpret the study or research data.

4.5.1 To assess the effect of financial management system internal control practices on sustainability.

On a scale of 1 to 5, with 1 representing no impact, 02 low, 03 moderate, 04 great, and 05 very great, the respondents were then asked to rate the degree to which internal control practices in the financial management system affected the sustainability of registered non-governmental organizations in Kwale County, Kenya. Table 9 presents the results of these investigations.

Table 8: Extent of the effect of financial management system internal control practices on sustainability.

| | 5 | 4 | 3 | 2 | 1 | Mean | Std |
|------------------|----|----|----|----|---|------|------|
| Statements | % | % | % | % | % | | |
| Internal Audit | 30 | 39 | 19 | 10 | 2 | 4.46 | 0.81 |
| External Audits | 34 | 48 | 13 | 4 | 1 | 3.57 | 0.64 |
| Duty Segregation | 31 | 38 | 17 | 12 | 2 | 4.17 | 0.88 |

(Source field data 2024)

According to the research findings, the majority of respondents (30%) agreed to a very great extent, while 39% agreed to a great extent and 19% agreed to an average amount. With an arithmetic mean of 4.46 and its standard deviation of 0.81, the research findings showed that internal audit had an impact on the sustainability of 22 registered non-governmental organizations in Kwale County, Kenya. Many of the respondents (34%) agreed to a very great extent (48%) agreed to a great extent, while those who agreed to no extent at all were at 2%. With a mean of 3.57 and a standard deviation of 0.64, those who agreed to a limited degree were at 4%, while those who agreed to no extent were at 1%. The results indicated that 31% of respondents agreed to a very great extent, 38% agreed to a great extent, and 17%

agreed on average. With an arithmetic mean of 4.17 and a standard deviation of 0.88, the percentage of respondents who agreed that external audits had an impact on the sustainability of registered non-governmental organizations in Kwale County, Kenya, was 12%, while the percentage of respondents who agreed to no extent at all was 2%. According to the findings, 17% of respondents agreed on average, 38% agreed to a considerable extent, and 31% agreed to a very great extent. Twelve percent of respondents agreed that external audits had an impact on the sustainability of registered non-governmental organizations in Kwale County, Kenya, with an arithmetic mean of 4.17 and a standard deviation of 0.88. Two percent disagreed completely.

4.5.2 To determine the effects of financial management system budgetary practices on sustainability.

Assessing respondents' agreement with the effect of the Financial Management system's budgetary procedures on the long-term viability of registered non-governmental organizations in Kwale County, Kenya, was the aim of this survey. Table 9 displays the findings.

Table 9: Level of Agreement on the effects of Financial Management system budgetary practices on sustainability.

| Level of Agreement | Frequency(n) | % |
|---------------------------|---------------------|------------|
| Budget Planning | 58 | 22 |
| Budget Communication | 104 | 67 |
| Participation and Support | 46 | 11 |
| Total | 208 | 100 |

(Source field data, 2024)

The results pinpointed that majority of the respondents agreed at a moderate degree that they were aware that Financial Management system budgetary practices impacted sustainability of registered non-governmental organisations in Kwale county, Kenya 104(67%), those who agreed at a high degree at 58(22%) while those who agreed at low degree comprised of 46(11%). This then implies that the most of the respondents agreed that they were very much aware that Financial Management system budgetary practices impacted on sustainability of registered non-governmental organisations in Kwale county.

4.5.3 to determine the effect of financial management system working capital management practices on sustainability.

The influence of the working capital management strategies of the Financial Management system on the sustainability of registered non-governmental organizations in Kwale County, Kenya, was also rated by the respondents on a scale of 1 to 5. Table 10 then displays the outcomes.

Table 10: The effect of Financial Management system working capital management practices on sustainability.

| | 5 | 4 | 3 | 2 | 1 | Mean | Std |
|------------------------------|----------|----------|----------|----------|----------|-------------|------------|
| Statements | % | % | % | % | % | | |
| Accounts Payables Management | 39 | 31 | 18 | 8 | 4 | 4.49 | 0.97 |
| Cash Receipt Management | 38 | 44 | 13 | 4 | 1 | 3.57 | 0.64 |
| Grants Receipt Scheduling | 31 | 38 | 17 | 10 | 4 | 4.72 | 0.88 |

(Source Field Data 2024)

The outcomes of the research findings on the impact of Accounts Payables Management on sustainability of registered non-governmental organisations in Kwale county, Kenya, showed

majority of the respondents (39%) agreed the impact was at a very high extent (31 %) agreed to a great extent while those who moderately agreed were at 18 %. Those who agreed to a low extent at 8% while those at no extent at all were at 4 % with a mean of 4.49 and the standard deviation of 0.97. The findings on the impact of Cash Receipt Management on sustainability of registered non-governmental organisations in Kwale county, Kenya, showed majority of the respondents (38%) agreed on the impact was at a very great level (44 %) agreed to a great level while those who mediumly agreed were at 13 %. Those who agreed to a low level at 04% while those at no extent at all were at 01 % with a mean of 3.57 and the standard deviation of 0.64.

The findings on Grants Receipt Scheduling on sustainability of registered non-governmental organisations in Kwale county, Kenya, indicated respondents (31%) agreed the impact was at a very great level (38 %) agreed to a great level while those who averagely agreed were at 17 %. Those who agreed to it was low at 10% while those at no extent at all were at 04 % with an arithmetic mean of 4.72 and the standard deviation of 0.88.

4.5.4 To examine the effect of financial management systems internal audit on the sustainability.

The respondents were also asked to look at how the internal audit of Financial Management systems affected the long-term viability of legitimate NGOs in Kwale County, Kenya. The results are shown in Table 11

Table 11: To examine the effect of Financial Management systems internal audit on the sustainability.

| Evaluation of Financial Management systems internal | Frequency(n) | % |
|--|---------------------|----------|
|--|---------------------|----------|

| audit | | |
|--------------|------------|------------|
| Very good | 31 | 6 |
| Good | 38 | 12 |
| Fair | 61 | 35 |
| Poor | 78 | 47 |
| Total | 208 | 100 |

(Source field data, 2024)

The results of the study upon analysis indicated that majority at 78(47%) showed that it was poor. This was followed by those who showed that it was very good. The minority 31(6%) showed that it was very good. These results did indicate that Financial Management systems internal audit impacted on the sustainability of registered non-governmental organisations in Kwale county, Kenya.

4.6 Diagnostic Test

4.6.1 Autocorrelation Assumption Test

The general research results of the test of autocorrelation assumption are presented in Table 12

Table 12: Autocorrelation Assumption Test Results

| Variable | Durbin-Watson |
|---|----------------------|
| Internal Controls | 1.632 |
| Budgetary Practices | 2.435 |
| Financial Internal Audit | 2.448 |
| Working Capital Management Practices | 1.390 |

(Source, field 2024)

According to the study findings, which are displayed in Table 12, Internal Controls' Durbin-Watson statistic score was 1.632. Additionally, Budgetary Practices' Durbin-Watson statistic value was 02.435. Additionally, the findings showed that the financial internal audit The value for Working Capital Management Practices was 01.390, and the Durbin-Watson statistic value was 02.448. Because it satisfies the Durbin-Watson criterion between 0 and 4, this suggests that the research variables have the independence of errors. A test statistic with a value between 00 and 04 is reported by the Durbin-Watson test, where a score between 00 and 2.5 indicates no autocorrelation. 05(12%) indicated that the data collection instruments were good, indicating that they were deemed to be quite valid and reliable. As a result, they can be used for data collecting in the main study.

4.6.2 Normality Assumptions Test

To determine if the data is normally distributed, the study subsequently performed a normality test. Table 13 displays the final result or results of the normalcy test.

Table 13: Normality Assumption Test Results

| Variable | Kolmogorov- Smirnov | Sig |
|---|---------------------|------|
| Internal Controls | .362 | .523 |
| Budgetary Practices | .370 | .741 |
| Financial Internal Audit | .245 | .860 |
| Working Capital Management Practices | .252 | .609 |

(Source, field 2024)

Given that the Kolmogorov-Smirnov significance values were higher than 0.05, the results of the normality assumption test in the table indicated that the data was distributed normally. According to the final results, the Kolmogorov-Smirnov significant value for Internal Controls was $p=.523 > 0.05$, while the value for Budgetary Practices was $p=.741 > 0.05$. The

Kolmogorov-Smirnov significance value for working capital management practices was $p=.609>0.05$, while the value for financial internal audit was $p=.860>0.05$. This suggests that the data were normally distributed because the p-values were higher than the significance level (0.05).

4.6.3 Multicollinearity Test

When two or more independent variables have a very high correlation with one another, this is known as multicollinearity. Determining the distinct contributions of each independent variable to the results can be extremely challenging when Multicollinearity is present in a regression model. Table 14 displays the results of the investigation.

Table 14: Multicollinearity Assumption Test Results

| Variables | Tolerance | VIF |
|---|------------------|------------|
| Internal Controls | .528 | 1.722 |
| Budgetary Practices | .511 | 1.774 |
| Financial Internal Audit | .613 | 1.535 |
| Working Capital Management Practices | .764 | 1.402 |

(Source, field 2024)

Internal Controls (tolerance = 0.528 and VIF = 01.722), Budgetary Practices (tolerance = 0.0608 and VIF = 01.595), and Internal Controls (tolerance = 0.512 and VIF = 01.774) were the results of the study. Internal financial audit (VIF=01.402 and tolerance=00.764). It is evident from the study results that there was no Multicollinearity in the data collected because all tolerance values for the variables under investigation were above 00.10 and VIF values were below ten.

4.6.4 Homoscedasticity Test Results

The homogeneity of disturbances between independent and dependent variables across all independent variable values is described by homoscedasticity. Throughout the observations, it displays consistent residual terms. On the other hand, heteroscedasticity issues may arise due to unequal errors. Inaccurate confidence intervals and ineffective parameter approximations are caused by heteroscedasticity. The error term must not vary significantly when the dependent variable's value changes. The p-value for homoscedastic data is higher than 00.05. Table 15 displays the results of the homoscedasticity test.

Table 15: Homoscedasticity Test Results

| Model | Unstandardized | | Standardized | t | Sig. |
|-----------------------------------|-----------------------|-------------------|---------------------|----------|-------------|
| | Coefficients | | | | |
| | B | Std. Error | Beta | | |
| (Constant) | .036 | .209 | | .153 | .819 |
| Internal Controls | .020 | .054 | .048 | -.169 | .857 |
| Budgetary Practices | .056 | .059 | .272 | 1.013 | .350 |
| Financial Internal Audit | .039 | .034 | .073 | .220 | .853 |
| Working Capital Management | | | | | |
| Practices | .030 | .045 | .097 | -.370 | .744 |

Internal Controls, Budgetary Practices, Financial Internal Audit, and Working Capital Management Practices all had p-values of 00.857, 00.350, 00.853, and 00.744, respectively, according to the data in Table 15. Since all of these numbers are higher than 0.05, it can be concluded that there was no heteroscedasticity problem and the data was homoscedastic. The findings helped the researcher confirm that the linear regression analysis was adequate.

4.7 Inferential Statistics

4.7.1 Correlation Analysis

4.7.1.1 The effect of Financial Management System Internal Control practices on sustainability.

The study once more aimed to determine the relationship between the sustainability of registered non-governmental organizations in Kwale County, Kenya, and the Internal Control practices of the Financial Management system. The study's conclusions are displayed in Table 16.

Table 16: The effect of Financial Management System Internal Control practices on sustainability.

| | | Sustainability of NGOs |
|----------------------------|---------------------|------------------------|
| Internal control practices | Pearson Correlation | .531** |
| | Sig. (2-tailed) | .000 |
| | N | 41 |

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

The study found a moderately favorable and statistically significant connection ($r = 0.531$; $p < 0.05$) between the sustainability of registered non-governmental organizations in Kwale County, Kenya, and their Financial Management System Internal Control practices (Table 4.15). This demonstrated how internal control procedures in the Financial Management system improved the sustainability of NGOs that were registered in Kwale County, Kenya.

4.7.1.2 Effect of Financial Management system budgetary practices on sustainability.

The study found a relationship between the sustainability of registered non-governmental organizations in Kwale County, Kenya, and the budgetary practices of the Financial Management system. The study's conclusions are displayed in Table 17.

Table 17: Financial Management system budgetary practices on sustainability.

| | | Sustainability of NGOs |
|---------------------|---------------------|------------------------|
| Budgetary practices | Pearson Correlation | .591** |
| | Sig. (2-tailed) | .000 |
| | N | 41 |

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

The study found a fairly favourable and statistically significant association ($r = 0.591$; $p < 0.05$) between the sustainability of registered non-governmental organizations in Kwale county, Kenya, and their budgetary practices using the Financial Management system (Table 17).

4.7.1.3 The effect of Financial Management system working capital management practices on sustainability.

Again, the study sought to ascertain how the Financial Management system's working capital management procedures and the sustainability of registered non-governmental organizations in Kwale County, Kenya, relate to one another. Table 18 presents the findings of the investigation.

Table 18: The effect of Financial Management system working capital management practices on sustainability.

| | | Sustainability of NGOs |
|--|--|------------------------|
|--|--|------------------------|

| | | |
|-----------------|---------------------|--------|
| Working capital | Pearson Correlation | .589** |
| | Sig. (2-tailed) | .000 |
| | N | 41 |

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

In Kwale County, Kenya, registered non-governmental organizations' sustainability and the Financial Management system's working capital management practices had a moderately positive and statistically significant correlation ($r = 0.589$; $p < 0.05$), as shown in Table 18.

4.7.1.4 To Establish the effect of Financial Management systems internal audit on the sustainability.

Once more, the goal of the study was to determine how the internal audit of Financial Management systems affected the long-term viability of registered non-governmental organizations in Kwale County, Kenya. The study's conclusions are displayed in Table 19.

Table 19: The effect of Financial Management systems internal audit on the sustainability.

| | | Sustainability of NGOs |
|----------------|---------------------|------------------------|
| Internal audit | Pearson Correlation | .690** |
| | Sig. (2-tailed) | .000 |
| | N | 171 |

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

The study found a somewhat positive and statistically significant relationship between the sustainability of registered non-governmental organizations in Kwale County, Kenya, and the internal audit of their financial management systems (see Table 4.18). ($p < 0.05$; $r = 0.690$). This suggests once more that the viability of registered non-governmental organizations in Kwale County, Kenya, was positively impacted by the internal audit of Financial Management systems.

4.7.2 Regression Analysis

Regression analysis was once again used in the study to assess the combined impact of working capital management practices, budgetary practices, financial internal audit, and internal controls. In table 20, the model summary was displayed.

Table 20: Model Summary

| Model | R | R Square | Adjusted Square | RStd. Error of the Estimate | Sig. | F |
|-------|-------|----------|-----------------|-----------------------------|------|---|
| 1 | .867a | .752 | .759 | .3561 | .000 | |

The percentage of the dependent variable's variance that can be explained by the independent variables is known as the R-squared. According to the study's R-squared of 00.752, the sustainability of registered non-governmental organizations in Kwale County, Kenya, can be explained by the four independent variables.75.2%, with other factors accounting for the remaining 24.8%.

Table 21: ANOVA

ANOVAa

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|-----|-------------|---------|-------|
| 1 | Regression | 28.54 | 4 | 6.193 | 100.308 | .000b |
| | Residual | 8.444 | 173 | .1002 | | |
| | Total | 36.498 | 171 | | | |

a. Dependent Variable: sustainability of registered non-governmental organisations in Kwale county, Kenya.

b. Predictors: (Constant), Internal Controls, Budgetary Practices, financial internal audit, Working Capital Management Practices.

To determine whether the model is appropriate for the data, this study employed the analysis of variance once more. The results showed that the p-value was 0.000, which is less than 0.05, indicating that this model does a decent job of forecasting how the four independent variables will behave. Additionally, the model performed well in forecasting the impact of the independent factors on the dependent variable, as indicated by the F-value of 100.308.

Table 22: Regression Coefficients

| Model | Unstandardized | | Standardized | t | Sig. |
|---------------------------------------|----------------|------------|--------------|-------|------|
| | Coefficients | | Coefficients | | |
| | B | Std. Error | Beta | | |
| (Constant) | .071 | .103 | | .280 | .717 |
| Internal Controls | .363 | .165 | .656 | 5.540 | .018 |
| Budgetary Practices | .206 | .121 | .249 | 2.823 | .021 |
| financial internal audit | .379 | .152 | .186 | 2.216 | .076 |
| Working Capital Management Practices. | .298 | .161 | .234 | 3.027 | .019 |

Table 23 shows the overall significant test results for the hypothesized research model. The interpretations of the findings indicated follow the following regression model.

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

Therefore,

$$Y = 0.071 + 0.363X_1 + 0.206X_2 + 0.379X_3 + 0.0298X_4$$

X_4

When all four independent variables are held constant, the sustainability of registered non-governmental organizations in Kwale County, Kenya, is 0.071, as indicated by the intercept (β_0). Furthermore, a unit increase in the influence of internal controls would result in a 0.363 sustainability of registered non-governmental organizations in Kwale County, Kenya, assuming that all other independent variables remain constant. Furthermore, a unit rise in Budgetary Practices would result in a 0.206 sustainability of registered non-governmental organizations in Kwale County, Kenya, assuming all other independent variables remain constant.

Additionally, a unit improvement in financial internal audit would result in a 0.379 rise in the sustainability of registered non-governmental organizations in Kwale County, Kenya, while all other factors are held constant. Finally, a unit increase in working capital management practices would result in a 0.0298% improvement in the sustainability of registered non-governmental organizations in Kwale County, Kenya, while all other factors are held constant.

CHAPTER FIVE:

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The sustainability of non-governmental organizations (NGOs) in Kwale County, Kenya, was investigated in this study in relation to financial management techniques, particularly working capital management and resource reliance. Although they frequently deal with financing volatility and budgetary restrictions, NGOs in this region are essential in tackling social concerns including poverty, healthcare, education, and environmental protection. To guarantee liquidity and business continuity, working capital management techniques including cash management, accounts receivable, accounts payable, inventory management, and resource allocation are crucial. In order to preserve autonomy and mission integrity, NGOs must carefully manage their reliance on outside funding sources, according to Resource Dependency Theory (RDT).

The main findings of the actual study are thoroughly summarized in this chapter, which also explores the ramifications and draws inferences from the data. Finally, it offers some comments and recommendations for areas that require more research. Establishing the impact of financial management methods on the viability of registered non-governmental organizations in Kwale County, Kenya, was the study's primary goal.

5.2 Summary of Major Findings

Once more, the study aimed to identify a summary of its main findings. The synopsis was organized according to particular goals.

5.2.1 The effect of Financial Management System Internal Control practices on sustainability.

From the general analysis the study findings revealed that Internal Controls had highest impact on sustainability of registered non-governmental organisations in kwale county, Kenya. The research findings revealed that the more internal controls are undertaken, the more NGOS are sustained. The overall results revealed that Financial Management System Internal Control practices on sustainability of registered non-governmental organisations in kwale county, Kenya.

5.2.2 The effects of Financial Management system budgetary practices on sustainability.

The study findings showed that Budgetary Practices Increases sustainability of registered non-governmental organisations in kwale county, Kenya. The research findings showed that the more budgetary practices are practiced, the more the sustainability of registered non-governmental organisations in Kwale county, Kenya

The overall results showed that Financial Management system budgetary practices impacted on sustainability of registered non-governmental organisations in Kwale county, Kenya.

5.2.3 The effect of Financial Management system working capital management practices on sustainability.

Based on the analysis, the findings on financial management system working capital management practices indicated the impact was at a very great level and that it led to sustainability when well utilized. Financial Stability is Improved by Efficient Working Capital Management

Financial stability is higher for NGOs that use excellent working capital management techniques, such as cash flow forecasting, receivables management, and payables prioritizing. These procedures help NGOs fulfill their immediate responsibilities, prevent financial constraints, and guarantee ongoing service provision. It was discovered that sustaining

liquidity and minimizing operational interruptions required careful attention to cash management.

5.2.4 The effect of Financial Management systems internal audit on the sustainability.

The results of the study demonstrated that the sustainability of registered non-governmental organizations in Kwale County, Kenya, was impacted by the internal audit of Financial Management systems. The sustainability of registered non-governmental organizations in Kwale County, Kenya, was improved by the internal audit of Elevated Financial Management systems.

Financial Vulnerability Resulting from Dependency on External Funding, a small number of funding sources, mostly from government grants and donor contributions, are the main source of funding for many NGOs in Kwale County. Because NGO operations may be greatly impacted by changes in donor goals or funding levels, this high degree of reliance frequently leads to financial fragility. According to Resource Dependency Theory, this reliance exposes NGOs to outside influence, which might result in compromised autonomy or mission drift.

5.3 Conclusions

Therefore, based on the results, the study came to the conclusion that there was a moderately positive and statistically significant relationship between the sustainability of registered non-governmental organizations in Kwale County, Kenya, and their Financial Management System Internal Control practices. ($p < 0.05$; $r = 0.531$). This indicates that the sustainability of registered non-governmental organizations in Kwale County, Kenya, was impacted by the internal control procedures of the financial management system. The study found that the budgeting practices of registered non-governmental organizations in Kwale County, Kenya,

and the Financial Management system had a somewhat positive and statistically significant relationship with sustainability. ($p < 0.05$; $r = 0.591$). This indicates that the viability of registered non-governmental organizations in Kwale County, Kenya, was impacted by the budgetary practices of the Financial Management system.

According to the study, the sustainability of registered non-governmental organizations in Kwale County, Kenya, and the working capital management practices of the Financial Management system were somewhat positively and statistically significantly correlated. ($p < 0.05$; $r = -0.589$). This demonstrated that the sustainability of registered non-governmental organizations in Kwale County, Kenya, was enhanced by Financial Management system working capital management methods. The study found a statistically significant and moderately beneficial relationship between the sustainability of registered non-governmental organizations in Kwale County, Kenya, and the internal audit of their financial management systems. ($p < 0.05$; $r = 0.690$). This suggests that the sustainability of registered non-governmental organizations in Kwale County, Kenya, was positively impacted by the internal audit of Financial Management systems.

Relevance of Working Capital Management: The long-term viability of non-governmental organizations in Kwale County depends on efficient working capital management techniques. To make sure that NGOs can fulfil their short-term commitments, preserve liquidity, and prevent operational disruptions, cash flow forecasting, receivables monitoring, payables priority, and inventory management are essential.

Problems with Resource Dependency: NGOs are under a lot of strain due to their heavy reliance on outside funding sources, such as government grants and donor assistance, which frequently causes mission drift or a misalignment with their primary goals. Non-profits that depend on a small pool of money run the danger of losing their long-term viability.

Financial Resilience Techniques: NGOs can lessen their susceptibility to funding fluctuations by diversifying their funding sources, forming strategic alliances, and creating internal revenue streams. NGOs may strengthen their financial stability and make sure they stay mission-focused by implementing these tactics.

Use of Resource Dependency Theory: This theory offers a helpful framework for comprehending the power relationships that exist between non-governmental organizations and their supporters. NGOs may reduce the risk of reliance, preserve their independence, and strengthen their organizational stability by carefully managing these connections.

5.4 Recommendations

The researcher suggested that NGOs, intergovernmental organizations, and even governmental organizations adopt working capital management practices, internal controls, budgetary procedures, and financial internal auditing based on the study's findings.

Improve Working Capital Management Training: Non-profits ought to spend money educating their finance employees on efficient working capital management techniques. Effective management of financial resources may be ensured by budgeting strategies, receivables and payables management, and cash flow forecasting.

Diversify financing Sources: Non-profits should look for a variety of financing sources, such as grants, contributions, government contracts, and earned income, to lessen their reliance on a single source. When appropriate, investigating social enterprise ideas can boost financial resilience and offer new sources of income.

Boost Transparency and Financial Reporting: Open and honest financial reporting builds trust and keeps funders coming back. Frequent financial audits and open financial management

can increase stakeholder trust and possibly draw in more varied financing sources.

Create Collaborations and Partnerships: NGOs should look to form alliances with other NGOs, governmental organizations, and businesses. These partnerships may boost lobbying efforts, draw in pooled financing opportunities that promote sustainability, and give access to common resources.

Apply Resource Dependency Insights to Strategic Planning: NGOs should focus strategic planning that matches their purpose with donors who support their primary goals by utilizing insights from Resource Dependency Theory. NGOs may preserve the integrity of their missions by routinely evaluating and modifying their methods in response to shifting funding environments.

Establish and Maintain a Cash Reserve: NGOs can better handle times when they have little money or when donor payments are delayed by setting up a cash reserve fund. When the company has financial difficulties, this reserve acts as a buffer to keep things running smoothly.

The financial stability of NGOs in Kwale County may be considerably increased by diversifying funding sources and enhancing working capital management procedures. By following these procedures, NGOs can lower the danger of reliance, preserve business continuity, and carry on providing effective community service. In an increasingly difficult financing climate, NGOs may strengthen their sustainability and resilience through better financial training, strategic alliances, and open financial practices.

5.5 Suggestion for Further Studies

This study suggests that future studies should be done to establish the following, challenges facing financial internal audit, challenges facing Budgetary Practices, challenges facing Internal Controls and challenges facing Working Capital Management Practices on NGOs



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Mount Kenya University

APPENDICES

Appendix 1: Consent from An NGO



KE 789 REDEEMED G O S P'EL CHURCH CHTGUTU CDC

*

P.O. BOX 53 - 80120 SAMBURU

TEL: 0792754982

Email: ke789chiguturagcdc@gmail.com



REF: Consent Granted

We are in Receipt of your intention to carry out survey at our organization on the Topic Influence of Financial Management Practices on the sustainability of Non Governmental Organizational in Kwale County.

We are an NGO working in Kwale County,samburu Subcounty,working with Children from Vulnerable Families to release them from poverty in Jesus Name.

After listening to you and the Assurance that you have give us on the confidential of our data,weallow you to carry on with your data collection.

Regards

Nelson Mwatela



Mount

Appendix II :Informed Consent

Informed Consent Letter

Dear Participant,

You are invited to join a study on the " **INFLUENCE OF FINANCIAL MANAGEMENT PRACTICES ON SUSTAINABILITY OF REGISTERED NON-GOVERNMENTAL ORGANISATIONS IN KWALE COUNTY, KENYA.**" As a current Master of Business Administration student at Mount Kenya University, I am conducting this research to explore the above subject. Your participation is voluntary, and there are no identified risks, with the assurance of complete confidentiality. Your valuable insights, shared through the attached 45-minute questionnaire, will contribute to understanding the influence of abuse and neglect of a child development. Please return the completed questionnaire promptly. For project-related queries, contact me at **0700272711**. If you have concerns about your rights as a participant, reach out to the Ethics Review Committee at the University of Mount Kenya, P.O.BOX 342-01000, Thika.

Thank you for considering this important endeavor.

Consent

I confirm that I have had the opportunity to read, understand, and seek proper clarification on the provided material. I am very much aware that my participation is voluntary, and I retain the liberty to withdraw at any time I feel like and for any reason. I understand well that a printed copy of this agreement here will be provided to me. I willingly and wholehearted consent to participate in this study.

Participant's Signature:Date:

Researcher's Signature:Date:.....

Appendix III: Questionnaire

SECTION A: General Information

Name of the Organization:

Date of NGO Registration in Kwale County:

Existence of the NGO in Kwale County in Years:

Your Position in the Organization:

Number of Years of work in the organization:

Sector/Department:

WASH and Livelihood

Health Sector

Environment Protection & Human Rights

Education

Orphanages and Rehabilitation

SECTION B: Internal Controls Practices

Assign a number on a scale of 1 to 5 representing your level of agreement with the following internal control procedures at your company: 5 for strongly agree, 4 for agree, 3 for neutral, 2 for disagree, and 1 for extremely disagree.

| | Statement | SA | A | N | D | SD |
|---|---|-----------|----------|----------|----------|-----------|
| | Internal/External Audits | | | | | |
| 1 | An internal audit unit within the organization makes sure that all resources are held accountable and transparent. | | | | | |
| 2 | Periodically, external audits are conducted, and results are provided to the relevant authorities. | | | | | |
| 3 | In order to achieve its goals, management has set up structures, reporting lines, board monitoring, and the proper authority and responsibilities. | | | | | |
| 4 | In order to achieve its goals, the company holds people responsible for their internal control obligations. | | | | | |
| | Duty Segregation | | | | | |
| 5 | The responsibilities of financial management are evenly divided among the staff. | | | | | |
| 6 | The methods for approving expenditures are carried out at several specified levels. | | | | | |
| | Monitoring Activities | | | | | |
| 7 | Internal control systems are continuously monitored and evaluated by the company, and any shortcomings are instantly communicated to the appropriate parties for corrective action. | | | | | |

SECTION C: Budgetary Practices

Rate your level of agreement with the following statements on budgeting and the budget process in your company on a scale of 1 to 5, where 5 means you strongly agree, 4 mean you agree, 3 means you are neutral, 2 mean you disagree, and 1 means you severely disagree.

| | | S | A | A | N | D | S |
|---|---|---|---|---|---|---|---|
| | Budgetary Practices | A | A | N | D | D | |
| | Budget Planning | | | | | | |
| 1 | Budgetary guidelines are released prior to budget preparation. | | | | | | |
| 2 | In my company, the budget committee is operational. | | | | | | |
| 3 | In my firm, the fiscal objectives are precise and well-defined. | | | | | | |
| 4 | The organization's budgeting procedure upholds its dedication to accountability and transparency. | | | | | | |
| | Budget Support and Participation | | | | | | |
| 5 | Heads of several departments participate in the budgeting process. | | | | | | |
| 6 | The final organization budget is influenced by the budget holders. | | | | | | |
| 7 | The budgeting process involves the implementing partners. | | | | | | |
| 8 | The recipients take part in creating the budget. | | | | | | |
| | Budget Communication | | | | | | |
| 9 | It is simple to coordinate and communicate with different departments during the budgeting process. | | | | | | |

SECTION D: Financial Management System Internal Audit.

Please indicate your level of agreement with the following regarding the integrated financial management information system Internal Audit at your organization on a scale of 1 to 5,

where 5 represents strong agreement, 4 represents agreement, 3 represents neutrality, 2 represents disagreement, and 1 represents severely disagreement.

| | | S | A | N | D | S |
|---|---|---|---|---|---|---|
| | Financial Management System Practices | A | A | N | D | D |
| | Managerial Support | | | | | |
| 1 | The organization's management has benefited from the FMS Internal Audit. | | | | | |
| 2 | The accounting software is designed to automatically account for several financed initiatives. | | | | | |
| 3 | Every month, management reports are arranged and made available. | | | | | |
| 4 | The likelihood of financial misappropriation has decreased thanks to FMS's accurate recording, information processing, and reporting. | | | | | |
| 5 | The monitoring and assessment of the project have benefited from the use of FMS Internal Audits Done. | | | | | |
| | Accounting and Financial Reporting | | | | | |
| 6 | Utilizing FMS has decreased the cost of producing reports and processing data. | | | | | |
| 7 | An audit trail provided by the FMS is helpful in making decisions. | | | | | |
| 8 | Users can access the system remotely. | | | | | |

SECTION E: Working Capital Management Practices

Please indicate your level of agreement with the following regarding the working capital management practices at your organization on a scale of 1 to 5, where 5 represents strong

agreement, 4 represents agreement, 3 represents neutrality, 2 represents disagreement, and 1 represents severely disagreement.

| | Working Capital Management Practices | SA | A | N | D | SD |
|---|--|-----------|----------|----------|----------|-----------|
| | Cash Receipt and Management | | | | | |
| 1 | The firm has efficient processes that ensure proper handling of cash and Bank accounts | | | | | |
| 2 | The Cash predictions are created in adequate time to guide in the usage of available cash during the project execution | | | | | |
| 3 | Sufficient protocols have been established to regulate the use of currency. | | | | | |
| | Grants Receipts Scheduling | | | | | |
| 4 | Grants that have been approved arrive in time to be used in the project. | | | | | |
| 5 | Throughout the implementation, there are no delays in the tranche remittances. | | | | | |
| 6 | There is a persistent delay in reporting expenses, which causes the delivery of later tranches to be delayed. | | | | | |
| 7 | The organization's liquidity is impacted by the delays in the subsequent receiving of funding. | | | | | |
| | Accounts Payable Management | | | | | |
| 8 | The creditors receive payment within the agreed-upon time frame. | | | | | |

Appendix IV:Krejci Robert v.Morgan Daryle w.table

| N | S | N | S | N | S | N | S | N | S |
|----|----|-----|-----|-----|-----|------|-----|--------|-----|
| 10 | 10 | 100 | 80 | 280 | 162 | 800 | 260 | 2800 | 338 |
| 15 | 14 | 110 | 86 | 290 | 165 | 850 | 265 | 3000 | 341 |
| 20 | 19 | 120 | 92 | 300 | 169 | 900 | 269 | 3500 | 246 |
| 25 | 24 | 130 | 97 | 320 | 175 | 950 | 274 | 4000 | 351 |
| 30 | 28 | 140 | 103 | 340 | 181 | 1000 | 278 | 4500 | 351 |
| 35 | 32 | 150 | 108 | 360 | 186 | 1100 | 285 | 5000 | 357 |
| 40 | 36 | 160 | 113 | 380 | 181 | 1200 | 291 | 6000 | 361 |
| 45 | 40 | 180 | 118 | 400 | 196 | 1300 | 297 | 7000 | 364 |
| 50 | 44 | 190 | 123 | 420 | 201 | 1400 | 302 | 8000 | 367 |
| 55 | 48 | 200 | 127 | 440 | 203 | 1500 | 306 | 9000 | 368 |
| 60 | 52 | 210 | 132 | 460 | 210 | 1600 | 310 | 10000 | 373 |
| 65 | 56 | 220 | 136 | 480 | 214 | 1700 | 313 | 15000 | 375 |
| 70 | 59 | 230 | 140 | 500 | 217 | 1800 | 317 | 20000 | 377 |
| 75 | 63 | 240 | 144 | 550 | 225 | 1900 | 320 | 30000 | 379 |
| 80 | 66 | 250 | 148 | 600 | 234 | 2000 | 322 | 40000 | 380 |
| 85 | 70 | 260 | 152 | 650 | 242 | 2200 | 327 | 50000 | 381 |
| 90 | 73 | 270 | 155 | 700 | 248 | 2400 | 331 | 75000 | 382 |
| 95 | 76 | 270 | 159 | 750 | 256 | 2600 | 335 | 100000 | 384 |
| | | | | | | | | | |

KEY

S=Sample size

N=Population

Source: Krejcie, Robert V, Morgan Daryle w (1970)



Appendix V : List of NGO's In Kwale County

| | | | | |
|--|-------------------------------------|---|---|-------------------------------|
| YOUNG MOTHERS KENYA | P.O Box 1717- 80400 Ukunda | Galu - Kinondo - Kwale | +254 - 0723 - 623140/0712 - 178900 | lizcatalano003@yahoo.com |
| LITTLE SPORTS ORGANIZATION | P.O Box 593_80400 Ukunda | Ukunda South Coast | 0208098342 | info@littlesports.org |
| CHILDREN OF AFRICA ORGANISATION | P.O. Box 707-80400 UKUNDA | MAMA LORENZA'S VOCATION CENTER | | childtochildkenya@hotmail.com |
| MORE WATER 4 KENYA | P.O BOX 374 80400 ukunda | cr c108, mwapala, kwale county | | justindida@rocketmail.com |
| TENDA PAMOJA FOUNDATION | P.O BOX 1781-80400 Ukunda | | 0722907164 | info@tendapamoj.n.l |
| UMOJA CHILDRENS VILLAGE- UKUNDA | P.O BOX 1267-80400 UKUNDA | KWALE/UKUNDA SS/II | | cathy@umojahome.com |
| CONSERVATION ALIVE KENYA | P.O.BOX 566-80400 | KWALE | 0723661989 | kenrninfo@gmail.com |

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|---|----------------------------|---|----------------------|--------------------------|
| | UKUNDA | | | |
| COAST - RURAL DEVELOPMENT ORGANIZATION | P.O Box 1354 Ukunda | C/O 1354 Ukunda, Shelly Beach road - Children Resort club | +254 - 0721 - 420290 | c-rdo@yahoo.com |
| COAST CHILDREN WATER PROJECT | P.O Box 307 - 80400 Ukunda | Ukunda Opp. Nuru Mosque, Off Msa - L/Lunga Road | +254 - 0723 - 555952 | |
| HUMAN DEVELOPMENT AGENDA | P.O BOX 438- UKUNDA | DIANI | 0797 785 782 | omaribogah@yahoo.com |
| THOMAS MAKORI YOUTH FOUNDATION | P.O Box 875 Ukunda | Ukunda Showground (Kwale county) | 254 - 0724 - 608500 | Tmakori@yahoo.com |
| SIMILANI DEVELOPMENT ORGANIZATION | P.O Box 345 - 80400 Ukunda | Ukunda - South of Nuru Mosque | +254 - 0720 - 927828 | similanidevorg@yahoo.com |
| ENZI NJEMA ORGANIZATION | P.O Box 572 Ukunda | | +254 - 0724 - 514383 | pgikaw07@yahoo.com |
| COASTAL ORGANIZATION FOR PREVENTION AND CARE OF | P.O Box 1121 Ukunda | Paparazi Office Ukunda Show Groud - Diani Location | +254 - 0722 - 581771 | copcatkenya@yahoo.com |

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|---|---------------------------------|---|-------------------------|----------------------------|
| TUBERCULOSIS IN KENYA | | | | |
| HEKIMA CENTER FOR EDUCATION AND DEVELOPMENTS | P.O BOX 254-80400 UKUNDA | | 0724907613 | info@gmaxcommunications.co |
| BETTER EDUCATION FOR CHILDREN IN KENYA (BECKEN) | PO BOX 5110 UKUNDA | DIANA SANDS COTTAGE BEACH ROAD, DIANI | | becken@hotmail.co.uk |
| DENTAL PROJECT KENYA | P.O.BOX 274 -80401 UKUNDA | darad ukunda | 0710 317 664 | geest194@zonnet.nl |
| REDEEMED GOSPEL CHURCH CHIGUTU CHILD DEVELOPMENT CENTRE(CDC) | P.O Box 53-80120 SAMBURU | SAMBURU,KWALE | 0792754982 | Ke789chiguturgcdc@gmail.co |
| FUTURE FOR CHILDREN e. V | P.O.BOX 1362 UKUNDA | | +254 - 0733 - 325890 | info@futurefor-children.de |

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|-------------|----------------------------------|--|--|-------------------|
| SKIZA KENYA | P.O BOX 53 UKUNDA 80400 | | | razack9@gmail.com |
|-------------|----------------------------------|--|--|-------------------|



Appendix VI: Research Approval Letter



REF: MKU/ISERC/4397
TO: MARK ONDELE TOKA

Date: 16 September 2024

REG: MBA/2023/41365

Dear Sir/Madam,

RE: INFLUENCE OF FINANCIAL MANAGEMENT PRACTICES ON SUSTAINABILITY OF 22 REGISTERED NON- GOVERMENTAL ORGANISATIONS IN KWALE COUNTY KENYA

This is to inform you that **Mount Kenya University** has reviewed and approved your above research proposal. Your application approval number is **3117**. The approval period is **16/09/2024 - 15/09/2025**.

This approval is subject to compliance with the following requirements;

- i. Only approved documents including informed consents, study instruments, MTA will be used
- ii. All changes including amendments, deviations and violations are submitted for review and approval by **Mount Kenya University**
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to **Mount Kenya University** within 72 hours of notification
- iv. Any changes, anticipated or otherwise that may increase the risks or affect the safety or welfare of study participants and others or affect the integrity of the research must be reported to **Mount Kenya University** within 72 hours
- v. Clearance for export of biological specimens must be obtained from relevant institutions
- vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal
- vii. Submission of an executive summary report within 90 days upon completion of the study to **Mount Kenya University**

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke> and also obtain other clearances needed.

Yours sincerely,

Dr. Alfred Owino, PhD
Chairman, Mount Kenya University ISERC



Appendix VII: Research Authorisation Letter



DIRECTORATE OF GRADUATE STUDIES

MBA/2023/41365

25th September, 2024

*National Commission for Science Technology & Innovation (NACOSTI)
Off Waiyaki Way, Upper Kabete,
P.O Box 30623- 00100
NAIROBI, KENYA*

Dear Sir/Madam,


RE: MARK ONDELE TOKA- REGISTRATION NO. MBA/2023/41365

The purpose of this letter is to introduce the above named student who is pursuing **Master of Business Administration** in the department of **Accounting and Finance** in the school of **Business and Economics**.

The title of the research is **"Influence of Financial Management Practices on Sustainability of 22 Registered Non-Governmental Organizations in Kwale County Kenya."** It has been cleared by the University's Ethics Review Committee (Certificate attached) and now has to proceed to the field to collect data between **October, 2024 and December, 2024**.

Any assistance accorded to the student will be highly appreciated.

Thank you.


Dr. Samuel M. Karuga, PhD
Director, Graduate Studies
Enc.

Main Campus, General Kago Road, P.O. Box 342-01000 Thika.
Cell: +254 709 153 000 / +254 709 153 200
Email: info@mku.ac.ke, Web: www.mku.ac.ke
Chartered and ISO 9001 : 2015 Certified Institution.
Unlocking Infinite Possibilities

Appendix VIII: NACOSTI Permit

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|---|--|
|  REPUBLIC OF KENYA |  NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION |
| Ref No: 749269 | Date of Issue: 08/October/2024 |
| RESEARCH LICENSE | |
|  | |
| This is to Certify that Mr.. Mark Ondele Toka of Mount Kenya University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Kwale on the topic: INFLUENCE OF FINANCIAL MANAGEMENT PRACTICES ON SUSTAINABILITY OF 22 REGISTERED NON-GOVERNMENTAL ORGANIZATIONS IN KWALE COUNTY KENYA for the period ending : 08/October/2025. | |
| License No: NACOSTI/P/24/40632 | |
| 749269 Applicant Identification Number |  Director General NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION |
| | Verification QR Code  |
| NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application. | |
| See overleaf for conditions | |

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Mount Kenya