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**EFFECT OF DONOR RELATION PRACTICES ON
FINANCIAL SUSTAINABILITY OF NON
GOVERNMENTAL ORGANIZATIONS
OPERATING IN GARISSA COUNTY, KENYA**

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EFFECT OF DONOR RELATION PRACTICES ON FINANCIAL SUSTAINABILITY OF NON GOVERNMENTAL ORGANIZATIONS OPERATING IN GARISSA COUNTY, KENYA

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ABSTRACT

Purpose: The purpose of the study was to establish the effect of donor relation practices on financial sustainability of NGOs operating in Garissa County, Kenya.

Methodology: The study adopted a descriptive research design. The total population was 228 top managers of the all the NGOs operating in Garissa. The sample size was 90 top managers of the all the NGOs operating in Garissa who were selected using random sampling. Primary data was collected through the administration of the questionnaires. Responses to the questionnaires was tabulated, coded and processed by use of a computer Statistical Package for Social Science (SPSS) software to analyze the data using descriptive statistics. This generated quantitative reports through tabulations, percentages, and measures of central tendency. Multivariate regression was used to determine whether the specific variables together can predict a given research gap.

Results: The study found that donor communication, segmentation, reporting and recognition have a positive and a significant effect on financial sustainability

Unique contribution to theory, practice and policy: The study recommended that NGOs should have clear communication policy. This will enhance effective financial sustainability. The study recommended that the organizations should train their employees on interpersonal and technological skills. Through these skills the employees will be able to communicate effectively with the donors.

Key words: *Donor relations, Financial sustainability, reporting, recognition, segmentation*

1.0 INTRODUCTION

1.1 Background of the Study

The World Bank defines NGOs (2006) as private organizations that pursue activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services, or undertake community development. In wider usage, the term NGO can be applied to any non-profit organization which is independent from government (United Nations Economic Commission for Europe, 2006). NGOs are understood to be formal, legally constituted, professional development organizations, which are linked into the international aid system (McConnell, 2006).

Donor relations refer to the efforts of a charity or other non-profit organization to foster long term relationships with donors who provide support (Ibrahim, 2012). These efforts are also intended to ensure that gifts and financial support are put to the donor's intended use. Once a donor provides a gift, it is the responsibility of the receiving organization to properly acknowledge the gift. Recognition of the donors is the last critical component in the donor relations process (McConnell, 2006). Morgan and Miller (2002) argue that donor relations are the comprehensive effort of any nonprofit that seeks philanthropic support to ensure that donors experience high quality interactions with the organization that foster long term engagement and investment.

In many developing countries, donors have funded non-governmental organizations (NGOs) that provide family planning and reproductive health (FP/RH) services. In the past, donors typically funded up to 100 percent of the operating costs of these NGOs. However, as donor funding declines for FP/RH services in general, and for NGOs in particular, NGO survival increasingly depends on their capacity to define and pursue new financial strategies. Basic skills in costing and marketing are needed to evaluate cost recovery and assess income generation activities. Yet few NGOs possess the skills and experience required to explore options for improving financial sustainability in a systematic manner (Morgan & Miller 2002). However donor funding can be improved boosting good communication by the NGOs and the donors. This can be done by establishing goals for donations and maintain frequent communication with donors of all sizes. For larger donors, this may mean providing frequent updates on program progress to gather input, while for smaller donors it may mean monthly newsletters or annual reports.

1.2 Problem Statement

Sustainable funding has helped many NGO's implement diverse programmatic interventions which has not only benefited the communities but has also improved the standard of living. But tough economic times buoyed by global recession have in one way or another affected global funding. Many NGO's continue to cease operations by the day often due to lack of sustainable funding (Ibrahim, 2012). NGOs in Garissa are expressing difficulty in finding sufficient, appropriate and continuous funding for their work. They find accessing donors as challenging as dealing with their funding conditions. They perceive there to be certain cartels of individuals and NGOs that control access to donor funds (Ibrahim, 2012). They have limited resource mobilization skills and are often not looking for funds that are available locally, preferring to wait for international donors to approach them.

In addition there is a high dependency of donors and a tendency to shift interventions to match donor priorities. There is also a lack of financial, project and organizational sustainability (Ibrahim, 2012). The problem is therefore poor unequal and one-sided Donor-

NGO relationship. This is because if NGOs in Garissa need funding, they must succumb to donor demands. This has currently affected the financial sustainability of NGOs. The current study will focus on the effect of donor relations practices on financial sustainability of NGOs operating in Garissa County. This study will provide insight to project managers of NGOs to improve on strategies that will boost donor relations and thus improve their financial sustainability.

1.3 General Objective

The general objective of the study was to establish the effect of donor relation practices on financial sustainability of NGOs operating in Garissa County, Kenya.

1.3.1 Specific Objectives of the Study

The specific objectives of the study were:

- i. To establish the effect of donor communication on financial sustainability of NGOs operating in Garissa County, Kenya.
- ii. To determine the effect of donor segmentation on financial sustainability of NGOs operating in Garissa County, Kenya.
- iii. To examine the effect of donor reporting on financial sustainability of NGOs operating in Garissa County, Kenya.
- iv. To establish the effect of donor recognition on financial sustainability of NGOs operating in Garissa County, Kenya.

2.0 LITERATURE REVIEW

2.1 Theoretical Framework

2.1.1 Agency Theory

Agency cost theory focuses on the costs which are created due to conflicts of interest between shareholders, managers and debt holders (Jensen, 1976). Simple trade-off theory assumes that capital structure is influenced by agency costs which stems from conflict of interest. Agency theory was Initiated by Jensen and Meckling (1976), and they noted that Agency relationship has a problem that the interest of managers and shareholders is not always the same and in this case, the manager who is responsible for running the firm tends to achieve his personal goals rather than maximizing returns to the shareholders that is if both parties to the relationship are utility maximizers, there is good reason to believe that the agent will not always act in the best interests of the principal. This means that managers will use the excess free cash flow available to fulfill his personal interests instead of increasing returns to the shareholders (Maina & Ondongo, 2013).

This theory was deemed relevant to this study. This is because it informed both the dependent and the dependent variable. If the NGOs are not able to manage their relationship with the donors then they are likely to incur cost since the donors may not be able to fund them.

2.1.2 Financial Distress Theory

Financial distress can be subdivided into four sub-intervals: deterioration of performance, failure, insolvency, and default. Whereas deterioration and failure affect the profitability of the company, insolvency and default are rooted in its liquidity. Theoretically, the outcome of each interval can be positive, implying that the company breaks the downward trend, or negative indicating the continuing deterioration of the firm value and a movement

downwards from one sub-interval of the spiral to another. In many real cases, when entering financial distress, the company traverses all the stages of decline (Mueller, 1986).

Financial distress is characterized by a sharp decline in the firm's performance and value (Opler & Titman, 1994). This part of the overall process has two important characteristics; moving down the spiral from one phase to another the sharp decline accelerates, whereas the length of each stage becomes shorter and shorter. Obviously, this decline of performance can continue longer than the economic failure of the company. The length of insolvency depends on the maturity structure of the firm's debt, whereas default is dependent on the date of maturity followed by renegotiation and turnaround or liquidation and is, therefore, the shortest stage of financial distress.

The biggest challenge in financial distress is to recognize adverse processes as early as possible in order to gain more time for response. The later financial distress is anticipated, the more time pressure and the more questionable is the success of counter measures (Opler & Titman, 1994).

This study was deemed relevant to this study. This is because it informed the dependent variable. This is because if there is decline in donor funding it can result to financial distress. There is therefore the need to sustain good donor relations so as not to get to financial distress. In addition the theory of financial distress may be useful in explaining the causes of financial challenges facing NGOs.

2.2. Empirical Review

Alymkulova and Seipulnik (2005) argued that the importance of donor communication to the process of financial sustainability cannot be overstated. The principal traits of a sustainable organization revolve around good communication and dialogue: a sustainable organization maintains positive relationships with its stakeholders, carries out effective marketing and community outreach, and responds to the "felt needs" of the community. These elements of the process reinforce each other. Effective marketing and community outreach help an organization better understand the community's needs, which in turn enable the organization to maintain positive relationships with its stakeholders. Good communication and dialogue are also fundamental to effective management of the organization, allowing available resources to be appropriately allocated to meet the organization's obligations and maintain services for the community over the long term. This study focused on donor communication as the only variable that affects financial sustainability. This presents a conceptual gap. The current study focused on other variable that influence financial sustainability such as donor segmentation, donor recognition and donor reporting.

Brown (1990) conducted a study on effective communication on corporate organizations. The objectives of the study were: establishing the structural barriers that hinder the efficient flow of communication; listing the factors that affect (both positively and negatively) effective communication; identifying the most preferred medium of communication and access its ability to enhance effective communication ; examining the relevance of modern information and communication technologies (ICTs) used to enhance effective communication and establishing the physical and psychological distractions among employees that affect effective communication within KLB. In order to achieve the set objectives, data was collected through administering questionnaires to sampled employees and analyzing existing literature. The departmental Standard Operational Procedures (SOP) and other library materials carried the core of the qualitative data required. Data collected was analyzed using descriptive statistics such as measures of central tendency (mean, mode and median). Content

analysis was applied on qualitative data to establish the credibility, accuracy, consistency and usefulness of the qualitative data sought.

Srnka, Grohs and Eckler (2003) conducted a study on increasing fundraising efficiency by segmenting donors. The study suggested that certain socio-demographic characteristics, when combined with behavioral aspects, can be traced back to fundamental dimensions that represent efficient criteria for potential donor segmentation. The statistical results the study found three basic conditions under which individuals are particularly prone to donate: when the purpose of the NPO pertains to the individual's sphere; when the individual might benefit from the services of an organization; when the donation does not represent overmuch expense and/or effort. These conditions were proposed as dimensions for selecting and targeting specific donor segments, allowing NPOs to increase their fundraising efficiency through easy-to-get socio-demographic data.

According to Wield (2005) all donors deserve to know what difference their funding makes, but not all donors need individual reports. An annual report or a regular blog sent to all the donors will keep them up to speed on your organization's activities and progress. For those donors with who have specific agreements, or who have given you designated funds, ensure you report back as expected. If one has received substantial support, make sure the report reflects the level of support. Donors like to hear how their funds are helping others, so if you have had a breakthrough or something you think the donor would like to know, keep in touch with short email updates along with your regularly scheduled reports. Keeping donors informed will motivate them to engage further in your organization and help them understand that you are indeed making an impact.

Odhiambo (2015) conducted a study on the effect of social and environmental accounting and reporting on the financial performance of companies listed on the Nairobi securities exchange. It was established in the year 2011, companies practicing social and environmental accounting and reporting were 60%, while in 2012 they were 63% and while in 2013 they were 68%. It was also established that most companies reported their social and environmental activities using a monetary form of presentation even though they did not follow any reporting guideline. Lastly, it was observed that there exists a relationship between social and environmental accounting and reporting and financial performance of companies listed in the NSE. Regression analysis was used to test the relationship between social and environmental accounting and reporting and financial performance while using capital intensity and efficiency as control independent variables. The study found that CSR score, efficiency and capital intensity had a positive relationship with financial performance of companies listed in the NSE. The study found an increase in CSR score would lead to increase in financial performance and also revealed that a unit increase in efficiency would lead to increase in financial performance. The research also determined that a unit increase in capital intensity would lead to increase in financial performance of the companies listed in the NSE.

According to Wolfston (2008) a donor recognition plan establishes a framework for donor recognition for a park or program that everyone can understand and follow. The plan should establish guidelines for appropriate location, forms and categories of recognition for different levels of donors while allowing a measure of flexibility to meet donor interests. The plan helps park staff, fundraising partners and donors understand the means and levels of recognition that the NPS can provide within a park setting and off site. The plan should specifically prescribe the kinds of recognition for different levels of contributions. Donor

recognition plans are developed and approved concurrently at the park and program level and by the appropriate Regional or Associate Director. Regional Directors may establish recognition standards that apply to multiple parks within a region and Associate Directors may establish recognition standards that apply to multiple programs within a directorate. Parks and programs that receive or are likely to receive donations and for all fundraising campaigns are required to have donor recognition plan. While these plans will vary from park to park and program to program, there are several fundamental aspects that apply to all.

3.0 METHODOLOGY

The study adopted a descriptive research design. The total population was 228 top managers of the all the NGOs operating in Garissa. The sample size was 90 top managers of the all the NGOs operating in Garissa who were selected using random sampling. Primary data was collected through the administration of the questionnaires. Responses to the questionnaires was tabulated, coded and processed by use of a computer Statistical Package for Social Science (SPSS) software to analyze the data using descriptive statistics. This generated quantitative reports through tabulations, percentages, and measures of central tendency. Multivariate regression was used to determine whether the specific variables together can predict a given research gap.

4.0 RESULTS

4.1 Bio data Analysis

The results revealed that majority of the respondents who were 78% were male while only 22% were females. In addition majority of the respondents who were 58% indicated that they were above 40 years, 27% indicated that they were between 31 – 40 years, 14% indicated that they were between 20 – 30 years while only 1% were less than 20 years. The results further revealed that majority of the respondents who were 79% indicated that their highest level of education was university , 12% indicated college, 6% indicated secondary while only 3% indicated primary. This implied that majority of the top managers working with Garissa NGOs were skilled for the position. The results also showed that majority of the respondents who were 65% indicated that they have worked with the NGO between 6 – 10 years, 17% indicated that they had worked for 11 – 15 years, 11% indicated that they had worked for less than 5 years while 7% indicated that they had worked for more than 16 years.

4.2 Descriptive Statistics

4.2.1 Influence of Donor Communication on Financial Sustainability

The first objective of the study was to establish the effect of donor communication on financial sustainability of NGOs operating in Garissa County, Kenya. The respondents were asked to respond to statements on donor communication. The responses were rated on a five likert scale as presented in table 1.

Table 1: Donor Communication

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std. Dev
We rely on good	4.20%	4.20%	4.00%	50.20%	37.50%	4.17	0.95

communication to ensure that the donors have accepted the gift								
Our NGO informs the donor that we have accepted the gift	1.40%	4.20%	4.40%	40.00%	50.00%	4.37	0.81	
Our NGO acknowledges receipt of any gift to the donor	1.40%	2.80%	5.30%	50.60%	40.00%	4.31	0.74	
Our NGO gives progressive reports to the donor	1.40%	2.80%	7.10%	31.80%	56.90%	4.47	0.77	
Our NGO maintains positive relationship with the donor	2.80%	2.80%	5.60%	38.90%	50.00%	4.42	0.87	
Average						4.35	0.83	

The results revealed that majority of the respondents who were 87.70% (50.2%+37.5%) agreed with the statement that we rely on good communication to ensure that the donors have accepted the gift. The results also showed that 90% of the respondents agreed with the statement that their NGO informs the donor that we have accepted the gift. The results also revealed that 90.6% of the respondents agreed with the statement that their NGO acknowledges receipt of any gift to the donor. The results also showed that 88.7% of the respondents agreed with the statement that their NGO gives progressive reports to the donor. The results also showed that 88.9% of the respondents agreed with the statement that their NGO maintains positive relationship with the donor.

On a five point scale, the average mean of the responses was 4.35 which mean that majority of the respondents were agreeing with most of the statements; however the answers were varied as shown by a standard deviation of 0.83.

4.2.2 Effect of Donor Segmentation on Financial Sustainability

The second objective of the study was to determine the effect of donor segmentation on financial sustainability of NGOs operating in Garissa County, Kenya. The respondents were asked to respond to statements on donor segmentation. The responses were rated on a five likert scale as presented in table 2.

Table 2: Donor Segmentation

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std. Dev.
Our NGO categorizes donor into the level of	4.20%	5.60%	0.00%	36.10%	54.20%	4.31	1.03

giving							
Our NGO maintains a list of donor type	1.40%	2.80%	4.40%	51.40%	40.00%	4.35	0.75
Our NGO notes characteristics of every donor	1.40%	2.80%	10.00%	45.80%	40.00%	4.40	0.76
Our NGO keeps records of the level of engagement with the donors	2.80%	1.40%	0.00%	54.20%	41.70%	4.31	0.80
Average						4.34	0.84

The results revealed that majority of the respondents who were 90.3 % (36.1% + 54.40%) agreed with the statement that their NGO categorizes donor into the level of giving. The results also showed that majority of the respondents who were 91.4% agreed with the statement that their NGO maintains a list of donor type. The results also showed that 85.8% of the respondents agreed with the statement that their NGO notes characteristics of every donor. The results also showed that 96.7% of the respondents agreed with the statement that their NGO keeps records of the level of engagement with the donors.

On a five point scale, the average mean of the responses was 4.34 which mean that majority of the respondents were agreeing with most of the statements; however the answers were varied as shown by a standard deviation of 0.84.

4.2.3 Effect of Donor Reporting on Financial Sustainability

The third objective of the study was to examine the effect of donor reporting on financial sustainability of NGOs operating in Garissa County, Kenya. The respondents were asked to respond to statements on donor reporting. The responses were rated on a five likert scale as presented in Table 3.

Table 3: Donor Reporting

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std. Dev.
Our NGO prepares required reports for the donors	4.20%	1.40%	6.00%	50.90%	37.50%	4.22	0.88
Our NGO sends	2.80%	2.80%	4.60%	44.60%	45.20%	4.32	0.85

required reports to the donors frequently							
Our NGO uses a variety of methods to ensure delivery of reports to the donors	1.40%	5.60%	5.00%	46.40%	41.70%	4.26	0.84
Our NGO complies with donor reporting standards	4.20%	0.00%	7.20%	40.00%	48.60%	4.36	0.86
Average						4.29	0.86

The results revealed that majority of the respondents who were 88.4% (50.9% + 37.5%) agreed with the statement that their NGO prepares required reports for the donors. The results also revealed that majority of the respondents who were 89.8% agreed with the statement that their NGO sends required reports to the donors frequently. The results also showed that majority of the respondents who were 88.1% agreed with the statement that their NGO uses a variety of methods to ensure delivery of reports to the donors. The results also showed that majority of the respondents who were 88.6% agreed with the statement that their NGO complies with donor reporting standards.

On a five point scale, the average mean of the responses was 4.29 which mean that majority of the respondents were agreeing with most of the statements; however the answers were varied as shown by a standard deviation of 0.86.

4.2.4 Effects of Donor Recognition on Financial Sustainability

The fourth objective of the study was to establish the effect of donor recognition on financial sustainability of NGOs operating in Garissa County, Kenya. The respondents were asked to respond to statements on donor recognition. The responses were rated on a five likert scale as presented in Table 4.

Table 4: Donor Recognition

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std. Dev.
Our NGO conducts campaigns for all donors	2.80%	2.80%	2.00%	46.60%	45.80%	4.32	0.85
Our NGO keeps the frequency of donor recognition	2.80%	2.70%	5.30%	43.20%	46.00%	4.36	0.86

campaigns conducted							
Our NGO ensures accurate documentation of the gift provided by the donors	5.60%	1.40%	3.10%	40.00%	50.00%	4.31	0.99
Our NGO sends acknowledgement letters to the donors	1.40%	4.20%	1.80%	48.60%	44.00%	4.33	0.81
Average						4.33	0.88

The results revealed that majority of the respondents who were 92.4% (46.6% + 45.8%) agreed with the statement that their NGO conducts campaigns for all donors. The results also showed that majority of the respondents who were 89.2% agreed with the statement that their NGO keeps the frequency of donor recognition campaigns conducted. The results also revealed that majority of the respondents who were 90% agreed with the statement that their NGO ensures accurate documentation of the gift provided by the donors. The results also showed that majority of the respondents who were 92.6% agreed with the statement that their NGO sends acknowledgement letters to the donors.

On a five point scale, the average mean of the responses was 4.33 which mean that majority of the respondents were agreeing with most of the statements; however the answers were varied as shown by a standard deviation of 0.88.

4.2.5 Financial Sustainability

Financial sustainability of NGOs operating in Garissa County was the dependent variable of the study. The respondents were asked to respond to statements on financial sustainability. The responses were rated on a five likert scale as presented in Table 5.

Table 5: Financial Sustainability

Statement	Definitely false	False	Neither	True	Definitely true	Mean	Std. Dev.
The current financial base would be sustained for the foreseeable future	5.60%	5.60%	5.60%	48.60%	34.70%	4.01	1.07
There would be strategic donors for organization	1.40%	5.60%	0.00%	37.50%	55.60%	4.40	0.87

The area of project operations base will have increased	2.80%	2.80%	0.00%	50.00%	44.40%	4.31	0.85
The number of projects implemented will have increased	1.40%	2.80%	1.40%	43.10%	51.40%	4.40	0.78
The number of projects staffs employed will have increased	2.80%	1.40%	1.40%	44.40%	50.00%	4.37	0.83
The number of projects beneficiaries will have increased	1.40%	1.40%	2.80%	51.40%	43.10%	4.33	0.73
Average						4.30	0.85

The results also revealed that majority of the respondents who were 83.3% (48.6%+ 34.7%) indicated that it's true that the current financial base would be sustained for the foreseeable future. The results also revealed that majority of the respondents who were 93.1% indicated that it's true that there would be strategic donors for organization. The results also showed that majority of the respondents who were 94.4% indicated that it's true that the area of project operations base will have increased. The results also showed majority of the respondents who were 94.5% indicated that it's true that the number of projects implemented will have increased. The results also showed that majority of the respondents who were 94.4% indicated that it's true that the number of projects staffs employed will have increased. The results also showed that majority of the respondents who were 95% indicated that it's true that the number of projects beneficiaries will have increased.

On a five point scale, the average mean of the responses was 4.30 which mean that majority of the respondents indicated that most statements were true; however the answers were varied as shown by a standard deviation of 0.85.

The respondents were further asked to indicate what other comments they have in relation to sustainability of funding for the organization. Majority of the respondents indicated that with improvement in donor relationship its can improve their financial sustainability.

The respondents were further asked to indicate how budgeting affects sustainability. Majority of the respondents indicated that budgeting positively affects sustainability.

The respondents were further asked to indicate how liquidity affects sustainability. Majority of the respondents indicated that liquidity positively affects sustainability.

4.3 Inferential Statistics

Inferential analysis was conducted to generate correlation results, model of fitness, and analysis of the variance and regression coefficients.

4.3.1 Correlation Analysis

Table 6 below presents the results of the correlation analysis. The results revealed that donor communication and financial sustainability are positively and significant related ($r=0.912$, $p=0.000$).

Table 6: Correlational Analysis

Statement		Financial Sustainability	Donor communication	Donor segmentation	Donor Reporting	Donor Recognition
Financial Sustainability	Pearson Correlation	1.000				
	Sig. (2-tailed)					
Donor communication	Pearson Correlation	.912**	1.000			
	Sig. (2-tailed)	0.000				
Donor segmentation	Pearson Correlation	.870**	0.944**	1.000		
	Sig. (2-tailed)	0.000	0.000			
Donor Reporting	Pearson Correlation	.910**	.846**	0.861	1.000	
	Sig. (2-tailed)	0.000	0.000	0.000		
Donor Recognition	Pearson Correlation	.944**	.905**	0.878	.879**	1.000
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	

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

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

The results were also consistent with that of Gitonga (2011) whose results indicated that communication is a very important factor to the process of achieving sustainability. The table further indicated that donor segmentation and financial sustainability are positively and significantly related ($r=0.870$, $p=0.000$). These results were consistent with that of Kort (2013) whose results indicated that segmentation has a positive relationship with sustainability. It was further established that donor reporting and financial sustainability were positively and significantly related ($r=0.910$, $p=0.000$). These results were consistent with that of Odhiambo (2015) whose results indicated that reporting has a positive relationship with performance. Similarly, results showed that donor recognition and financial sustainability were positively and significantly related ($r=0.944$, $p=0.000$). The results agreed with that of Abdirashid (2011) whose results indicated that recognition is very important in financial sustainability. This implied that an increase in any unit of the variables resulted to an improvement in financial sustainability.

4.3.2 Regression Analysis

The results in table 7 presented the fitness of model of regression model used in explaining the study phenomena.

Table 7: Model Fitness

Indicator	Coefficient
R	0.966
R Square	0.933
Adjusted R Square	0.929
Std. Error of the Estimate	0.08986

Donor communication, Donor segmentation, donor reporting and donor recognition were found to be satisfactory variables in financial sustainability. This was supported by coefficient of determination also known as the R square of 93.3%. This meant that Donor communication, Donor segmentation, donor reporting and donor recognition explain 93.3% of the variations in the dependent variable which was financial sustainability. The results further meant that the model applied to link the relationship of the variables was satisfactory.

In statistics significance testing the p-value indicates the level of relation of the independent variable to the dependent variable. If the significance number found is less than the critical value also known as the probability value (p) which is statistically set at 0.05, then the conclusion would be that the model is significant in explaining the relationship; else the model would be regarded as non-significant. Table 8 provided the results on the analysis of the variance (ANOVA).

Table 8: Analysis of Variance

	Sum of Squares	df	Mean Square	F	Sig.
Regression	7.503	4	1.876	232.32	0.000
Residual	0.541	67	0.008		
Total	8.044	71			

The results indicated that the overall model was statistically significant. Further, the results implied that the independent variables are good predictors of financial sustainability. This was supported by an F statistic of 232.32 and the reported p value (0.000) which was less than the conventional probability of 0.05 significance level.

Table 9: Regression of Coefficients

	B	Std. Error	t	Sig.
(Constant)	0.828	0.119	6.976	0.000
Donor Communication	0.336	0.093	3.599	0.001
Donor Segmentation	0.182	0.087	2.089	0.040
Donor Reporting	0.263	0.055	4.782	0.000
Donor Recognition	0.383	0.07	5.455	0.000

Regression of coefficients results in table 4.10 revealed that donor communication and financial sustainability are positively and significant related ($r=0.336$, $p=0.001$). The results were also consistent with that of Gitonga (2011) whose results indicated that communication is a very important factor to the process of achieving sustainability. The table further indicates that donor segmentation and financial sustainability are positively and significant related ($r=0.182$, $p=0.040$). These results were consistent with that of Kort (2013) whose

results indicated that segmentation has a positive relationship with sustainability. It was further established that donor reporting and financial sustainability were positively and significantly related ($r=0.263$, $p=0.000$). These results were consistent with that of Odhiambo (2015) whose results indicated that reporting has a positive relationship with performance. Lastly the study established that donor recognition and financial sustainability were also positively and significantly related ($r=0.383$, $p=0.000$). The results agreed with that of Abdirashid (2011) whose results indicated that recognition is very important in financial sustainability

Thus, the optimal model for the study is;

$$\text{Financial Sustainability} = 0.828 + 0.336 \text{ Donor Communication} + 0.182 \text{ Donor Segmentation} + 0.263 \text{ Donor Reporting} + 0.383 \text{ Donor Recognition}$$

5.0 CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

Based on the findings above the study concluded that donor communication, segmentation, reporting and recognition have a positive and a significant effect on financial sustainability.

The study also concluded that effective communication with donors boost financial sustainability of NGOs. In addition good communication and dialogue are fundamental to effective management of the organization, allowing available resources to be appropriately allocated to meet the organization's obligations and maintain services for the community over the long term. The study also concluded that donor segmentation involves pursuing different strategies and level of engagement for donors depending on grant size and other funder characteristics. Additionally, the study suggested that certain socio-demographic characteristics, when combined with behavioral aspects, can be traced back to fundamental dimensions that represent efficient criteria for potential donor segmentation.

The study also concluded that donor reporting involves standards, systems and methods of delivery for demonstrating fiscal accountability prudent investment and spending in accordance with donors' expectations to donors, to convey ongoing appreciation, and to report on the impact of philanthropic support.

5.2 Recommendations

Based on the research findings, the study recommended that NGOs should have clear communication policy. This will enhance effective financial sustainability.

The study also recommended that the organizations should train their employees on interpersonal and technological skills. Through these skills the employees will be able to communicate effectively with the donors.

Based on the research findings, the study recommended that organizations should undertake more donor segmentation. However, the organizations should consider various parameters for selecting and targeting specific donor segments. This will allow NGOs to increase their fundraising efficiency.

The study also recommended the following conditions as dimensions for selecting and targeting specific donor segments: when the purpose of the NPO pertains to the individual's sphere; when the individual might benefit from the services of an organization; when the donation does not represent overmuch expense and/or effort. This will allow NPOs to increase their fundraising efficiency through easy-to-get socio-demographic data.

Based on the study findings, it is recommended that organizations should give their donors accurate and timely reports. Keeping donors informed will motivate them to engage further in your organization and help them understand that you are indeed making an impact.

The study also recommended that organizations should adopt mechanisms to facilitate effective donor reporting. Donors are keen on the quality of reports they receive from the organization.

The study also recommended that all donors deserve to know what difference their funding makes. Therefore, it is important for the NGOs to update their donors on the progress made. This will enhance financial sustainability of the NGOs.

Based on the research findings, the study recommended that organizations should ensure that they recognize the generosity of their donors. As such, the organizations should provide prompt, accurate documentation of the gift. This shows donors that their work is being recognized and appreciated. This will lead to increased financial sustainability of NGOs.

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