

FINANCIAL MANAGEMENT PRACTICES AND RESOURCE MOBILIZATION OF DONOR-FUNDED ORGANIZATIONS IN KENYA

Grace Wanjiru Waititu.

Jomo Kenyatta University of Agriculture and Technology, Kenya.

Dr. Richard Ngali, Ph.D., CFE.

Jomo Kenyatta University of Agriculture and Technology, Kenya.

Dr. Kimani E. Maina, Ph.D.

Jomo Kenyatta University of Agriculture and Technology, Kenya

2022

International Academic Journal of Economics and Finance (IAJEF) | ISSN 2518-2366

Received: 13th January 2022

Published: 18th February 2022

Full Length Research

Available Online at: https://iajournals.org/articles/iajef_v3_i7_47_69.pdf

Citation: Waititu, G. W, Ngali, R., Maina, K, E. (2022). Financial management practices and resource mobilization of donor-funded organizations in Kenya. *International Academic Journal of Economics and Finance*, 3(7), 47-69.

ABSTRACT

Resource Mobilization is a very important exercise in any organization, the process ensures that there is continuation of service provision by an organization to its clients. However, resource mobilization in donor-funded organizations in Kenya has experienced many challenges over the years with many of them receiving budget cuts as compared to previous years. This study intended to establish the influence of financial management practices on resource mobilization of donor-funded organizations in Kenya. The specific objectives of this study were the influence of budgeting, financial control, financial reporting, and cash management on resource mobilization of donor funded organisations in Kenya. The study was anchored on budgeting theory, agency theory, contingency theory, and cash management theory. The descriptive research design was adopted for this study. The target population for this study was all the 161 international NGOs in Nairobi County. The unit analysis for the study was 1449 senior managers from the department of internal audit, finance and research. A sample size of 131 was established using the stratified random sampling. The study used both primary and secondary data. Primary data was collected using questionnaires while secondary data was collected using a data collection sheet. This study utilized the descriptive and inferential statistics. Quantitative data was descriptively analyzed by use of measures of central tendencies and measures of dispersion. The measure of central tendency was the

arithmetic mean while standard deviation was the measure of dispersion for data obtained from interval scales and ratio scales. Multiple regression analysis was used to analyze inferential data. The study information was displayed in tables. The study found that the control of the budget activities is done by the head of departments, the budgets have clear goals and objectives, budget deviations are reported to budget committee/executives, the organization has long term and short term budget plans, and managers always take timely corrective actions when adverse variances are reported. The research was not certain whether or not the internal auditor performs his duties with a greater degree of autonomy and independence from management. The study found that expenditure outside the budget requires directors approval and must be fully justified, the NGO prepares budgets on annual basis that guide spending for the NGO, and there is full and accurate reporting on the financial planning to the stakeholders. The study was not sure whether debtors' collection period is regularly calculated. The study concluded that cash management operations ($\beta=0.804$) had the greatest effect on resource mobilization in donor funded organizations in Kenya, followed by financial reporting ($\beta=0.735$) then budgeting ($\beta=0.684$) while financial control ($\beta=0.586$) had the least effect on resource mobilization in donor funded organizations in Kenya. The study suggests that the donor-funded organizations should consider

implementing sound budgeting practices which should be contemplated in the firms' legislative structure. The study recommends that donor-funded organizations should prepare both short term and long term budgets to avoid the focus on short term events since the projects undertaken are continuous in nature. The study further recommends that

the donor-funded organizations in Kenya should keep on availing finances as well as re-assessing the financial policies.

Keywords: Budgeting, Resource Mobilization, Financial control, Financial reporting, Cash management

INTRODUCTION

Resources are inputs that are used in the activities of an organization to achieve the objectives, mission, and vision of a firm (Batti, 2014). Resource mobilization is the process by which resources are requested by the organization from the government, donors, and development partners. The resources may include physical items, natural resources, human, social and critical finance needed to pay for the programs. Mobilization, on the other hand, means building vital relationships with the resource providers, the skills, the data, and the capacity for use of resources as well as the right use of the existing resources (Achamkulangare & Bartsiotas, 2017).

Resource mobilization is the ability to obtain resources and mobilize human and financial capital towards accomplishing the organization's goals (Zeidan & Shapir, 2017). Resource mobilization is a very necessary process of obtaining the resources needed by NGOs to enable and enhance the provision of services to the most vulnerable in society. Policies, guidelines, and frameworks are established to set out the standards and rules to which we subscribe and adhere in implementing resource mobilization strategies. Resource Mobilization in organizations that depend on donor funding is a common way of raising funds for a firm. Resource Mobilization is also defined as a process by which an organization secures either financial or non-financial resources to help in running the activities of the firm. The process also involves the maximization of the existing resources (Ahsan, Islam, Litan & Huang, 2020).

Resource mobilization for donor funds is a noble way to support the activities of an organization. However, there is a lot of competition when it comes to obtaining donor funds. Organizations send out a proposal to the donors with the hope that they will be selected and the grant awarded to them. Once an organization is fortunate enough to be funded, it should not be comfortable as the future of donor funding is very unpredictable. According to a report by Defamation International (2016), resource mobilization should be an everyday job as it is through this process that an organization can support organizational stability, improve administration offered by the organization and create new businesses to stay in business.

An organization should maximize the use of existing resources as well as keep applying for more resources from donor funded organisations. To be able to achieve organizational sustainability, an organization should employ good financial management practices. An organization should come up with a budget. Financial managers in Donor-funded organizations aim in enhancing proper financial management system is to boost capacity of resources which are available to be used within the organization and at the same time controlling money functioning on investment issues and ensuring that every money spend as per the proposed allocation can be accounted during auditing. In order to achieve a strong financial management, managers should be able to accurately perform interpretation of income statement, cash flow and balance sheet. Linh and Mohanlingam (2018) defined a budget as a formal written statement of management's plan for the future expressed in quantitative terms. An organization is also required to have financial controls in place. The goal of financial controls is to meet corporate governance and due diligence (Hussain, Hassan, Quddus & Rafiq, 2021). Cash management is also part of the decision which should be made where the finance manager have to take into consideration major requirements for cash such as salaries and wages as well as payment of electricity bills. Other expenditures which should be put into consideration are liabilities, creditors, purchase of necessary materials for usage and stock maintenance. The firm should also consider keeping financial records in which managers carry out procurement, planning and fund utilization and ensuring that funds are properly controlled. In performing this, they should undertake analysis of ratios, control of costs and forecasting on the performance of the organization based on the set goals and objectives (Kumara, 2017).

In Sri Lanka, where a program of Chaitanya was being implemented, each area where the program was being implemented took up the responsibility of raising money locally. This was done by printing pamphlets on the contributions of Chaitanya grants and distributed to the staff and a few of the leaders and sold in denominations of Rs. 50/, 100/, and 200/. Another local oil company named Chakan Oil Mills agreed to support Chaitanya Grant where its goal was to set up a training center. All these resource mobilization strategies set up by Chaitanya made it achieve its target of setting up a training center. Resource mobilization later became a regular agenda in staff meetings (Samosir, 2018).

The organization of America Organization States (OAS) brings together all independent states of America and has been granted the status of permanent observer to 67 non-member states of America. As a result of the increase of the mandates of the OAS, coupled with a shortfall of the organization's regular budget to meet the objectives, resource mobilization has become a very important agenda in meetings. Support from other permanent observers has been encouraged with each member of OAS required to contribute an annual quota to the regular fund of the organization. In 2012, the main contributors were the secretariat for political affairs (36%), Secretariat of legal affairs (19%), Inter America Commission of Human rights (13%), and the executive secretariat for integral development (11%) (Insulza, 2015)

In Uganda, UNDP has been contributing to the achievement of good governance in the country. This is as a result of recognizing that good governance creates enabling conditions for achieving high-quality human capital leading to attainable sustainable inclusive economic growth. One way that UNDP does this is by eliminating poverty. With this increased mandate coupled with a shortfall in donor funds resulting from the global financial crisis, a need has arisen soliciting for additional funds for UNDP to achieve its objectives in the set timeline. Resource Mobilization strategy has been developed to enable the country to identify and mobilize funds from development partners. The goal of the resource mobilization strategy is to maximize the strengths and opportunities while at the same time learning from the weaknesses (GEBRU, 2016-2020).

In Zimbabwe, the negative effect that the 2008 economic and financial crisis left has had and continues to have a spillover effect on many United Nations programs as a result, donor funding has reduced resulting in significant resource gaps for ongoing projects as well as increased funds competition from other organizations. This has in a positive way contributed to the evolving shift in global development dynamic and In place of direct support, many bilateral donors have opted to fund activities in development sectors through the UN and non-governmental organizations. As a result, aid flows into the country have been increasing over the past few years (United Nations Zimbabwe, 2012-2015).

In Ghana, it was noted that donor funding has gone down due to donor fatigue, over dependency syndrome, and poor proposal writing skills as a result this has left a gap in. As a result, NGOs are forced to think outside the box to mobilize resources in the form of donations in cash and kind, charges to direct users for services provided, tax relief subsidies, charges for the provision of services to other organizations, lotteries, and other fund-raising mechanisms to sustain their projects and programs. Besides the traditional way of writing proposals and sending them to donors, hoping to be awarded, NGOs are becoming creative by adopting strategies like, organizing training to the public and charging a fee, street collections, media appeals among other ways (Awadari, 2020).

A number of donor-funded organizations in Kenya are experiencing shortage of funds. Lack of adequate funding affects the smooth running of organisations, particularly if it has reached a point where staffs can no longer get remunerations for the services they render. The level of performance is obviously going to be affected under such circumstances (Odhiambo, 2020). Good performance leads to organisational growth and, this can only be backed by financial incentives that keep the staffs motivated in discharging their responsibilities. Many NGOs are reducing the size of their staff while others are shutting their doors due to the lack of funds to manage the activities and programs (Kibunja, 2017). A good example of NGOs range from Management Sciences for Health (MSH), Save A Life, African Braille Centre (ABC), Red Cross and others just to mention. Such circumstances do not seem to be encouraging for a vibrant civil society. A vibrant civil society requires a more informed citizenry, especially citizens that are informed about policy related strategies that can be effectively implemented to improve the lives of grassroots people (Ndirangu, 2017).

According to the Non- Governmental Organization Coordination board, International Non-Governmental Organizations can be distinguished from the local/national non-governmental organizations with the following characteristics; has international presence; voluntary-formed freely, willingly, spontaneously by individuals, groups or organizations with an element of voluntary participation; self-governing and self-regulating have their own internal procedures for governance but nonetheless operate within accepted norms of society; not for profit sharing-not profit making organizations but where profits are accrued, they are ploughed back to the community through the organization (NGO directory, 2019).

These organisations are in all development sectors of the economy providing basic services that include education, economic employment, environment and natural resource conservation, agriculture, health, training and credit facilities, technical co-operation, training and awareness. The performance of donor-funded organizations has been challenged by; limited financial and management expertise, limited institutional capacity, low levels of self-sustainability, isolation or lack of inter-organizational communication and coordination, lack of understanding of the broader social or economic context. In addition, there are a number of factors that influence donor-funded organizations' performance such as organization culture which they must reshape for operational efficiency and effective performance. Limited technical capacities and relatively small resource bases may characterize some INGOs. The donor-funded organizations in Kenya has made enormous contributions to the development process (Omer, 2016). In Samburu County, SAIDIA is one NGO which is community based and has been in operation since 1986 at Lesirikan, a village near Baragoi and other parts of the County. In its Strategic Plan 2008-11, the organization claims that its ethos is founded on a firm belief in integrated and sustainable development and that its direction and focus have been dictated consistently by the needs and requests of the communities themselves. Thus SAIDIA's methodology revolves around the adaptation of traditional practices coupled with the careful introduction of appropriate technology.

Statement of the Problem

The success of resource mobilization is tied to how best an organization can manage its funds. For this to be successful, donor funded organizations must ensure that the appropriate protocols are put in place and that they are instituted to follow up financial management processes in response to audit recommendations (Kibunja, 2017). Resource Mobilization is a very important exercise in any organization, the process ensures that there is the continuation of service provision by an organization to its clients. Resource mobilization is also important for the support of the organizations' sustainability. An organization should have enough revenue to cover its costs and meet its objectives. Resource mobilization in donor-funded organizations in Kenya has experienced many challenges over the years with many of them receiving budget cuts as compared to previous years (Ojoyi et al., 2017). In recent years, donor-funded organizations like Amref Health Africa has been challenged with financial sustainability as the number of projects are declining from year to year. For instance, in 2017 and 2018, Amref Health Africa had about 27+ active projects. However, this number has

automatically declined to 15 by late 2019 and it declined further in 2020 especially due to the COVID-19 pandemic (Odhiambo, 2020). The difficulties in obtaining financing is a major stumbling block that has resulted in numerous organizations to close, others have remained stagnant due to their inability to mobilize, such as the President's Emergency Plan for AIDS Relief (PEPFAR). As a result, there is a need to prepare and stress how to embrace improved techniques that aid in operations, service delivery and performance as the communities that are served by these organizations critically need them. Budget cuts can be caused by a variety of circumstances; however, this study focused on the impact of financial management methods on donor-funded organizations' resource mobilization. Various studies have been done in relation to financial management practices. They include: Nunow (2016), Muinde (2013), Ndirangu (2017). However, there is very little research on the impact of sound financial management practices at donor-funded organizations in Kenya. The study focused on four key practices in financial management.

Research Hypotheses

The study assessed the following hypotheses:

- H₀₁:** There is no statistically significant relationship between budgeting and resource Mobilization in donor-funded organizations in Kenya.
- H₀₂:** There is no statistically significant relationship between Financial Control and Resource Mobilization of donor-funded organizations in Kenya.
- H₀₃:** There is no statistically significant relationship between financial reporting and Resource Mobilization of donor-funded organizations in Kenya.
- H₀₄:** There is no statistically significant relationship between cash management and Resource Mobilization of donor-funded organizations in Kenya.

Theoretical Review

The study considered theories related to financial management practices and resource mobilization. The study was anchored on the budgeting theory, agency theory, contingency theory, and cash management theory.

Budget Theory

The budget theory was proposed by Henry Adams, William Willoughby, in 1978. Budgeting theory is the study of social and political motivation behind the civil society and the government budgeting. According to Kamau, Rotich and Anyango (2017), proper budgeting is a critical success factor despite the fact that it is a painful process that takes much effort and time. The author proposed that there are two significant factors that influence budget process, which are the availability of the external resources and level of revenues collected. External Resources bridge the gap that arises from the revenue shortfall, in the event that, the revenues fall short of the projected level. This affects the implementation of the budget to the extent that, expenditures must be reduced either by cutting short the operational or capital

projections, hence affecting the service delivery (Ajibolade & Oboh, 2017). External resources such as grants and loans are included in the budget in line with the commitment by the Donor-funded organizations (Kenno, Lau & Sainty, 2018).

Budgets are considered to be the core element of an efficient control process and consequently a vital part of the umbrella concept of effective budgetary control. Budgets project future financial performance which enables evaluating the financial viability of a chosen strategy. In most organizations, this process is formalized by preparing annual budgets and monitoring performance against budgets. Budgets are therefore merely a collection of plans and forecasts (Ho, 2018).

Budgets reflect the financial implication of business plans, identifying the amount, quantity, and timing of resources needed (Hijal-Moghrabi, 2017). According to Rhee (2009), public budgeting can be approached through a lens of two theoretical perspectives; that is descriptive and normative. A normative theory (or a welfare function or a hierarchy of values) of budgeting is a comprehensive and specific political theory detailing what the government's action ought to be at a particular time. It specifies a method for maximizing returns for budgetary expenditures. Given that the budget represents the outcome of political struggle, a normative theory of budgeting suggests the elimination of any such conflict over the government's role in society. It attempts to recommend solutions based on values rather than describing observations. Advice is based on a much narrower range of observations than descriptive theory, and its proposed solutions may be based on values rather than observation. This theory is applicable in this study, for it supports the budgeting process. This theory supported and instigated the first study objective that sought to establish the relationship between budgeting and resource mobilization of Donor-funded organizations.

Agency Theory

Agency theory was developed in 1976 by Jensen and Meckling. This theory is an agency relationship as a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent. Agency theory analyses the relationship between two parties: investors and managers. The agent (manager) undertakes to perform certain duties for the principal (investors) and the principal undertakes to reward the agent (Panda & Leepsa, 2017). According to the agency theory, a firm consists of a nexus of contracts between the owners of economic resources (the principals) and managers (the agents) who are charged with using and controlling those resources. The theory posits that agents have more information than principals and that this information asymmetry adversely affects the principal's ability to monitor whether or not their interests are being properly served by agents (Vitolla, Raimo & Rubino, 2020).

As such, the theory describes firms as necessary structures to maintain contracts, and through firms, it is possible to exercise control which minimizes opportunistic behavior of agents

(Mwangi, 2012). According to the theory, to harmonize the interests of the agent and the principal, a comprehensive contract is written to address the interest of both the agent and the principal. The agent-principal relationship is strengthened more by the principal employing an expert and systems (auditors and control systems) to monitor the agent (Dong, Karhade, Rai & Xu, 2021). Further, the theory recognizes that any incomplete information about the relationship, interests, or work performance of the agent described could be adverse and a moral hazard. Moral hazard and adverse selection impact the output of the agent in two ways; not possessing the requisite knowledge about what should be done and not doing exactly what the agent is appointed to do.

The agency theory, therefore, works on the assumption that principals and agents act rationally and use contracting to maximize their wealth (Jensen & Meckling, 1976). This theory applies to this study simply because internal control is one of many mechanisms used in business to address the agency problem by reducing agency costs that affect the overall performance of the relationship as well as the benefits of the principal (Mio, Fasan, Marcon & Panfilo, 2020). Internal control enhances the provision of additional information to the principal (shareholder) about the behavior of the agent (management) reduces information asymmetry and lowers investor risk and low revenue.

This theory applies to this study simply because internal control is one of many mechanisms used in business to address the agency problem by reducing agency costs that affect the overall performance of the relationship as well as the benefits of the principal (Poletti-Hughes & Briano-Turrent, 2019). Managers are expected to utilize the resources in their control to act in a manner that enhances citizens' welfare by ensuring financial reporting quality. In this study, agency theory was useful as it informed the association of specific corporate (SAGAs) characteristics and financial reporting quality. This theory supported and instigated the second study objective that sought to establish the relationship between financial reporting and resource mobilization of Donor-funded organizations.

The Contingency Theory

Fred Edward Fiedler developed contingency theory in 1966. It proposes that the organization may not have the best way to be lead in an attempt to make the proper decision. The theory proposed that the optimal course of action is dependent upon external and internal situations. Contingency is an approach to the study of organizational behavior which tries to explain or give the condition factors such as culture, external environment and technology that influences organization functions and their design. The assumption which underlies contingency Theory is that there is no any form of organization structure that is uniformly applicable to all organizations. The effectiveness of the organization is dependent on the fit or the match between the kind of volatility in the environment, technology, organization size, the organization structure features, and its information systems (Munyon, Jenkins, Crook, Edwards & Harvey, 2019). Contingency Theory is usually used to describe the relationship that exists between the structure and context of the internal control systems, organizational growth, and financial tracking.

According to Ruybal and Siegel (2019), internal auditors are specialists in the internal audit that have the ability to achieve the internal control effectiveness through the analysis, which will benefit the organization's effectiveness through internal control mechanisms efficiency. DelGreco, Denes, Davis, and Webber (2021) identified some factors which may impact the management control systems, which are the technology, the size of the organization, the structure and the external effects, strategy, and Culture ;suggested that the Demons that are imposed by the technical task in any organization helps in the development of policy that will coordinate and control the internal entities of information technology and the environment as an essential and significant influence on the structure of the organization. During the implementation, uncertain conditions or atmosphere in routine transactions or technology and information are frequently internal. They argued that the dimensions of control and structure of authority increase the activities, structures, rules, and procedures that determine the description of individuals. In a contingency model, decentralized authority in the county government should be appropriate where an uncertain environment or no routine activities exists. Centralized authority is more encouraged when the situation is certain.

The idea behind contingency theory is the selection and use of control systems in the management in a way that the internal and external factors are being controlled (Seele & Eberl, 2020). This establishes it clearly that factors such as structure, the size of the organization, environment strategy and the culture impacts the management control system. The theory suggested that the demands imposed by the technical capacity in an organization encouraged the development of specific strategies that helped in coordination and control of internal activities. This theory supported and instigated the objective that sought to establish the relationship between financial control and resource mobilization of Donor-funded organizations.

Cash Management Theory

William Baumol (1952) proposed this theory by providing a formal cash management model. Brigham (1999) developed this theory by stating that cash management purpose is determining and achieving levels and structures which are appropriate for marketable securities and cash which are consistent with the business objectives and nature. This model applied economic order quantity (EOQ) to cash. Order costs are formed by clerical work and brokerage fees while holding cash costs form cash out costs and foregone interests (Erkki, 2004). However, Baumol's model is the most sensible, simplest and provides direct information for determining optimal cash position. On the other hand, Lockyer (1973) modified Baumol's model for inclusion of overdraft facilities. According to the modified approach, the annual total cash cost can be attributed to the overdraft facilities usage and is usually given by the sum of total annual overdraft cost, total annual holding cost and total annual cash transfer cost. However, Lockyer's model was criticized by Erkki (2004) for assumptions of overdraft facilities as they are not automatic on firms with poor credit rating. It also assumes that over the planning period, disbursements are usually even.

Archer (1966) recognized the cyclical nature of cash reasoning that apart from providing cash balance for transactional purposes, for precautionary purposes cash balance should also be provided especially for unpredictable seasonal activities. According to this approach for overdraft facilities related costs and precautionary balances capital costs balances are compared for optimum determination. This approach by Archer is useful as it recognizes a lot of firm's cyclical nature of net cash flows. To determine optimal cash balance, a combination of financial decisions and investments must be involved (Gibbs, 2014). According to Gibbs approach, in scenarios where money demand is in cyclical nature, short and long term borrowing should be adopted for coverage of peaks that may arise from idle cash balances during low cash demand periods. Determination of the amount of money to hold is seen as an investment decision. Holding costs, short term and long term costs of borrowing and investments costs on marketable securities are emphasized in this approach (Gibbs, 2014).

This theory is applicable in this study in that it helps in understanding how Donor-funded organizations manage cash has an impact on its liquidity. Most operations by Donor-funded organizations involve cash advancements and it's a requirement to maintain a minimum level of cash. For this to be done Donor-funded organizations need to take variety of activities because of integrative nature of cash to their operation. The theory is therefore of essence in this study on the bases of the policy the Donor-funded organizations may have in place with regard to cash management so as to avoid illiquidity. This theory supported and instigated the fourth study objective that sought to establish the relationship between cash management and resource mobilization of Donor-funded organizations.

RESEARCH METHODOLOGY

Research Design

The study used a descriptive research design for open-ended questions with a questionnaire used as a method of collecting primary data and a data collection sheet for collecting secondary data. Wang (2015) argued that descriptive survey designs are appropriate where the overall objective is to establish whether significant associations among variables existed at some point in time. The design was ideal since it sought to describe the characteristics of certain groups, estimate the proportion with certain characteristics and make predictions. The study aimed at collecting information on the influence financial management practices on resource mobilization of donor-funded organizations. The descriptive design was appropriate for this study as it helped in collecting data from a wide range of respondents and enable the researcher to compare the outcome with the best practice in other parts of the world.

Target Population

A population is defined as the total collection of elements which inferences are made (Gorard, 2013). The target population of a study refers to the aggregate of all items that

conforms to a given specification to which results can be generalized (Blumberg, Cooper & Schindler, 2014). The target population for this study was all the 161 international NGOs in Nairobi County. The unit analysis for the study was 1449 senior managers from the department of internal audit, finance and research. This is indicated in Table 1.

Table 1: Target Population

Department	Population	Percentage
Research Department	322	22.2
Finance department	644	44.5
Internal audit department	483	33.3
Total	1449	100.0

Sample and Sampling Frame

The sampling frame describes the list of all population units from which the sample was selected (Wang, 2015). The study sampling frame comprised senior managers from the department of internal audit, finance and research in INGOS in Kenya. A sample is a representative portion of the population of interest which is randomly chosen (Wang, 2015). The sample size was determined at 95% confidence level and an error of 0.05 using the Nassiuma (2000) formula using a target population of 1449 as shown

$$n = \frac{N (cv^2)}{Cv^2 + (N-1) e^2} \dots \dots \dots \text{Equation 1}$$

Where *n*= sample size

N = population (1449)

Cv= Coefficient of variation (take 0.6)

e= tolerance of desired level of confidence (take 0.05) at 95% confidence level)

$$n = \frac{1449 (0.6^2)}{0.6^2 + (1449 -1) 0.05^2} = 131$$

Stratified random sampling was used in the study. The study target population comprised senior managers from the department of internal audit, finance and research in INGOS in Kenya. The study grouped the population into strata based on their departments. From each stratum, the study used simple random sampling to select respondents. The sample size is as shown in Table 2.

Table 2: Sample Size

Department	Population	Ratio	Percentage
Research Department	322	0.09	29
Finance department	644	0.09	58
Internal audit department	483	0.09	44
Total	1449		131

Data Collection Instruments

Questionnaires were used to collect primary information. The questionnaire was appropriate for this study because the respondent was reached by just sending the questionnaire; in addition, their convenient time was sought to avoid interfering with their schedule of work. A questionnaire is a pre-formulated written set of questions to which respondents record the

answers usually within closely delineated alternatives (Creswell & Creswell, 2017). The researcher used questionnaires because they are free from biasness. The questions were both open-ended, semi closed-ended, closed-ended, checklist to collect accurate and adequate data which helped achieve the objective of this research survey. The researcher also used a data collection sheet to collect secondary data for 10 years

Data Collection Procedure

Data collection exercise is an important step in research as it allows the researcher to disseminate accurate information and develop a meaningful program (Yin, 2017). The researcher used questionnaires to collect primary data and a data collection sheet to collect secondary data. The research assistants helped the respondents in answering questions in the questionnaire in the order in which they are listed and recorded the replies in the spaces meant for the same. To avoid interviewer bias when administering and translating the questions to the respondents, the research assistants were first inducted on the data collection instrument and the questions, ensuring common understanding. The research assistants made appointments with the respondents on the time they were available to answer the questions. The purpose of the survey was explained to each of the respondents and their consent obtained before data collection. The questionnaire was administered through Google forms as a way of observing the ministry of health guidelines and protocols for COVID-19 pandemic.

Pilot Testing

Pilot study is the measurement of a dependent variable among subjects. Its purpose is to ensure that items in the instrument are stated clearly and have the same meaning to all respondents. Pilot testing of the research instruments was conducted where 13 questionnaires were administered to the pilot survey respondents who were chosen at random representing 10% of the sample size. The pilot tests were checked to see if the length of questionnaire was acceptable and uncover any difficulties arising from the procedure and feedback was used make necessary adjustments.

Validity is how well an assessment tool produces an accurate result. The study adopted both content validity and construct Validity. Construct validity measures were conducted to check whether operational variables reflect the theoretical meaning of the concept. Content validity measures how well the items are developed to operationalize.

Reliability is how well an assessment tool produces consistent results (Gorard, 2013). Test of reliability was carried out to check the consistency of the data measurement instrument. Thus, in order to ensure the reliability of finding in this research, the Cronbach Alpha was used. The alpha value ranges between 0 and 1 with reliability increasing with the increase in value. Coefficient of 0.7 is a commonly accepted rule of thumb that indicates acceptable reliability (Bell, 2010).

Data Processing and Analysis

This study utilized the descriptive and inferential statistics. Quantitative data was descriptively analyzed by use of measures of central tendencies and measures of dispersion. The measure of central tendency was the arithmetic mean while standard deviation was the measure of dispersion for data obtained from interval scales and ratio scales. The standard deviation determines how strong or weak data is from the measure of central tendency which was arithmetic mean. Multiple regression analysis was used to analyze inferential data. The relationships between independent and dependent variables were calculated by multiple regression models. The regression multiple models were selected because the nearly equivalent importance of independent variables is significant to the dependent variable (Wang, 2015). The study information was displayed in tables. This study the multiple regression model generally assumed the following equation;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon \dots \dots \dots \text{Equation 2}$$

Where: Y Represents Resource Mobilization

β_0 Represents constant;

X_1 Represents Budgeting;

X_2 Represents Financial Control;

X_3 Represents Financial Reporting;

X_4 Represents Cash Management;

$\beta_1, \beta_2, \beta_3$ and β_4 Represent Regression Coefficient of variables X_1, X_2, X_3 and X_4

ϵ Represents Error term

RESEARCH FINDINGS AND DISCUSSIONS

Reliability Analysis

Reliability analysis was subsequently done using Cronbach's Alpha which measures the internal consistency by establishing if certain items within a scale measure the same construct. Bell (2010) established the Alpha value threshold at 0.7, thus forming the study's benchmark.

Table 3: Reliability Analysis

	Cronbach's Alpha	Decision
Budgeting	.877	Reliable
Financial control	.898	Reliable
Financial reporting	.742	Reliable
Cash management	.721	Reliable
Resource Mobilization	.769	Reliable

Cronbach Alpha was established for every objective which formed a scale. The reliability analysis findings illustrates that all the five variables were reliable as their reliability values exceeded the prescribed threshold of 0.7 Bell (2010). This, therefore, depicts that the research instrument was reliable and therefore required no amendments.

Basic Tests for Statistical Assumptions

Under this section diagnostic tests for testing the regression assumptions are presented. These tests include normality, heteroscedasticity, autocorrelation, multicollinearity and sampling adequacy. Before a complete regression analysis can be performed, the assumptions concerning the original data must be made.

Normality Test

The testing for normality in this study was conducted using Kolmogorov Smirnov test and Shapiro Wilk test. Testing for normality findings are illustrated in Table 4.

Table 4: Checking for Normality

	Kolmogorov-Smirnov			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Budgeting	0.183	96	0.021	0.907	96	0.610
Financial control	0.171	96	0.016	0.902	96	0.530
Financial reporting	0.172	96	0.009	0.812	96	0.080
Cash management	0.138	96	0.011	0.917	96	0.262
Resource mobilization in donor-funded organizations in Kenya	0.139	96	0.017	0.872	96	0.439

Table 4 indicates that using both tests of normality, which is Kolmogorov Smirnov test and Shapiro-Wilk tests, the p-value for both tests, is greater than 0.05, thus the study rejected H_0 and a conclusion was made that data on both the dependent and the independent factors were normally distributed and as a result it helps to predict dependent variables. This is as prescribed by Park (2015) that if the Significance value of the Shapiro-Wilk Test is greater than 0.05, the data is normal. If it is below 0.05, the data significantly deviate from a normal distribution.

Heteroscedasticity

This test checks whether the variance of the dependent variable varies across the data (test the assumption of equal variance). To test for heteroscedasticity, the Levene test was used where if $P\text{-value} < 0.05$ is an indication of presence of non-uniform variance. The test results are as shown in Table 5.

Table 5: Levene Test Results

	Levene Statistic	Df1	Df2	Sig.
Budgeting	0.183	1	96	0.021
Financial control	2.171	1	96	0.014
Financial reporting	3.172	1	96	0.031
Cash management	4.238	1	96	0.003
Resource mobilization in donor-funded organizations	2.331	1	96	0.034

From the findings presented in Table 5, the p-value for all the variables (Budgeting, financial control, financial reporting, cash management and resource mobilization in donor-funded organizations) were less than 0.05 hence the null hypotheses for equal variances was rejected. This further shows that the data set had no heteroscedasticity and is therefore suitable for modeling of regression equation

Autocorrelation Test

If the errors are correlated with one another, it would be stated that they are ‘serially correlated’. A test of this assumption was therefore conducted. The first test was Durbin-Watson which is shown in the regression output of the model. The Autocorrelation Test results are presented in Table 6.

Table 6: Autocorrelation Test

Model	Durbin-Watson
1	2.013 ^a

According to Bhattacharjee (2017), the Durbin Watson statistic is a number that tests for autocorrelation in the residuals from a statistical regression analysis that is always between 0 and 4. A value of 2 means that there is no autocorrelation in the sample. Values approaching 0 indicate positive autocorrelation and values toward 4 indicate negative autocorrelation. The value of Durbin-Watson for the model as per the findings in Table 6 was 2.013. Thus, the null hypotheses were rejected for the model so there is no problem of autocorrelation.

Test for Multicollinearity

To establish whether multicollinearity levels would pose a challenge to the data analysis, collinearity diagnostics was conducted to generate the Variance Inflation Factor (VIF) value and tolerance levels. Multi-collinearity occurs when the independent variables are not independent from each other. Collinearity (also called multi-Collinearity) refers to the assumption that the independent variables are uncorrelated (Keith, 2018). Multi-collinearity occurs when several independent variables correlate at high levels with one another, or when one independent variable is a near linear combination of other independent variables. The study utilized Collinearity Statistics to find out whether the independent variables are adequately correlated to show a substantial causal correlation. The results for multicollinearity test are presented in Table 7.

Table 7: Collinearity Statistics

	Collinearity Statistics	
	Tolerance	VIF
Budgeting	0.927	1.079
Financial control	0.466	2.146
Financial reporting	0.603	1.658
Cash management	0.638	1.567

Results in Table 7 show that, based on the coefficients output, Budgeting had a VIF value of 1.079, financial control had a VIF value of 2.146, financial reporting had a VIF value of 1.658, financial reporting had a VIF value of 1.567. The VIF values for all the variables were less than 10 and a tolerance greater than 0.1 implying that there was no Multicollinearity symptoms as indicated by Bryman (2017).

Sampling Adequacy

This test was conducted to check for acceptable degree of sampling adequacy. The test was done using Bartlett's test of sphericity and Kaiser-Meyer-Olkin (KMO) test where the Test

outcome of 0.5 or higher establishes the suitability of the data for regression analysis. Sampling adequacy was assessed using the Bartlett's Test of sphericity which analyses if the samples are from populations with equal variances. The test results are as shown in Table 8.

Table 8: Kaiser-Meyer-Olkin (KMO) and Bartlett's Test

Factors	KMO Test	Bartlett's Test of Sphericity			Determinant
		Approx. Chi-Square	df	Sig.	
Budgeting	0.802	510.767	96	0.001	0.034
Financial control	0.759	382.052	96	0.000	0.186
Financial reporting	0.825	622.734	96	0.002	0.006
Cash management	0.853	848.875	96	0.010	0.242
Resource mobilization in donor-funded organizations in Kenya	0.781	656.712	96	0.006	0.236

Table 8 show that Bartlett's test significances were less than 0.05 ($p < 0.1$) further indicates an acceptable degree of sampling adequacy (sample is factorable). Also the KMO statistics for all the variables were greater than 0.5 (Budgeting (0.802), financial control (0.759), financial reporting (0.825), cash management (0.853), and resource mobilization in donor-funded organizations (0.781)). This implies that the data was suitable for regression analysis.

Regression Analysis

Multiple regression analysis was used to test the relationship between the variables where it shows how the dependent variable is influenced by the independent variables. The study used a regression model to test the hypothesis between budgeting, financial control, financial reporting, and cash management and resource mobilization in donor funded organizations in Kenya. The results were as presented in the subsequent tables.

Table 9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.841	0.708	0.695	0.733

The model summary tests whether the model is fit for data. From the model summary table, the independent variables were statistically significant predicting the dependent variable since adjusted R square was 0.695 implying that budgeting, financial control, financial reporting and cash management operations explains 69.5% variation in resource mobilization in donor funded organizations in Kenya.

Table 10: ANOVA Test Results

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	123.641	4	30.910	55.745	8.69E-24
	Residual	51.013	92	0.554		
	Total	174.654	96			

The probability value of 8.69E-24 indicates that the regression relationship was significant in determining how budgeting, financial control, financial reporting and cash management operations influence resource mobilization in donor funded organizations in Kenya. The F calculated at 5 percent level of significance was 55.745. Since F calculated is greater than the F critical (value = 2.4706), this shows that the overall model was significant.

Table 11: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.661	0.182		9.126	0.000
Budgeting	0.684	0.196	0.661	3.490	0.001
Financial control	0.586	0.289	0.539	2.028	0.045
Financial reporting	0.735	0.248	0.701	2.964	0.004
Cash management	0.804	0.312	0.772	2.577	0.012

The resultant model for the study was:

$$Y = 1.661 + 0.684X_1 + 0.586X_2 + 0.735X_3 + 0.804X_4 \dots\dots\dots \text{Equation 3.}$$

Where:- Y represents resource mobilization in donor funded organizations

- β₀ represents constant
- X₁ represents budgeting
- X₂ represents financial control
- X₃ represents financial reporting
- X₄ represents cash management operations

The regression equation above has established that taking (budgeting, financial control, financial reporting and cash management operations), resource mobilization in donor funded organizations in Kenya will be 1.661. The findings presented also show that taking all other independent variables at zero, a unit increase in the budgeting would lead to a 0.684 increase in the score of resource mobilization in donor funded organizations in Kenya. This variable was significant since 0.001<0.05.

Further it was found that a unit increase in the scores of financial control would lead to a 0.586 increase in the scores of resource mobilization in donor funded organizations in Kenya. This variable was significant since 0.045<0.05. Further, the findings show that a unit increases in the scores of financial reporting would lead to a 0.735 increase in the scores of resource mobilization in donor funded organizations in Kenya. This variable was significant since 0.004<0.05. The findings show that a unit increases in the scores of cash management operations would lead to a 0.804 increase in the scores of resource mobilization in donor funded organizations in Kenya. This variable was significant since 0.012<0.05.

Overall, cash management operations had the greatest effect on resource mobilization in donor funded organizations in Kenya followed by financial reporting then budgeting while financial control had the least effect on resource mobilization in donor funded organizations in Kenya. All the variables were thus significant with their p- values less than 0.05.

Conclusions

The study concluded that budgeting has a significant influence on resource mobilization of donor-funded organizations in Kenya. The research deduced that preparation of budgets coupled with budget expertise provides a spending plan for finances making it possible for

availability of funds to enhance future growth and overall project performance. This however requires the participation of employees in the budget process in order to realize improved performance.

The study concluded that financial control has a significant influence on resource mobilization of donor-funded organizations in Kenya. The study concluded that internal audit is one field with expertise in evaluating the effective use of financial resources and helping improve transparency and efficiency. Donor-funded organizations therefore have to invest entirely in robust internal control structures which will help reduce fraud.

The study concluded that financial reporting has a significant influence on resource mobilization of donor-funded organizations in Kenya. The study concluded that through financial reporting, donor-funded organizations are able to determine if they have the capacity to develop sustainable projects. For instance, by analyzing and evaluating the growth of their accounts periodically, donor-funded organizations ensure that their expectations of the organization performance, based on knowledge of the business, are confirmed by the formally presented results. Financial information used in financial reporting and analysis is useful mainly in evaluating the success of past decisions and in determining present position.

The study also concluded that cash management has a significant influence on resource mobilization of donor-funded organizations in Kenya. Managing cash begins with proposal development, fund sourcing, fund utilization, and accounting for the utilization of the acquired funds. The study concludes that prudent financial management practices, diversification of sources of funding, and effective cash flow management are vital to sustainable performance among donor-funded organizations. The study further concluded that donor-funded organizations struggle with weak mechanisms of prudent financial management and they operate within the limited scope of fund mobilization.

Recommendations

The study suggests that the donor-funded organizations should consider implementing sound budgeting practices which should be contemplated in the firms' legislative structure. This will allow the management to build a holistic understanding that can be leveraged to influence stakeholders and make informed decisions about donor-funded organizations' results. Donor-funded organizations should regularly meet stakeholders in advance and inform them about the burning needs of project beneficiaries to avoid the adverse effects of donor influence within the budgeting process. Donor-funded organizations should also strengthen the expenditure tracking controls by integrating information technology budgetary control system with a technical staff to monitor the project expenditure in order to reduce the wastage within the budgeting process to achieve the set organisation targets.

The study recommends that donor-funded organizations should prepare both short term and long term budgets to avoid the focus on short term events since the projects undertaken are

continuous in nature. The study further recommends that the donor-funded organizations in Kenya should keep on availing finances as well as re-assessing the financial policies. This will help to identify whether the adopted financial forecasting practices are making any acceptable difference. The study also recommends that it is very crucial that the donor-funded organizations in Kenya put in place financing decisions practices; this will help the institutions to gather useful information that will provide valuable insights in the strategy and the necessary input to find effective responses to optimize the performance of donor-funded organizations in Kenya.

The study recommends that donor-funded organizations need to diversify their basket of resource mobilization. There is need to pursue entrepreneurial strategies that will propel generation of own source revenue. Secondly, the study recommends that donor-funded organizations need to automate their financial and cash flow management systems to minimize staff interaction with cash.

Additionally, donor-funded organizations need to realign International financial reporting standards (IFRS) as well as International Accounting Standards (IAS) to enhance financial integrity throughout their systems and operations. The financial statements should be available for the public scrutiny, so that the concept of transparency can be improved in the management of NGOs.

REFERENCES

- Achamkulangare, G. & Tarasov, G. (2017). *Review of Donor Reporting Requirements*. Geneva: United Nations Joint Inspection Unit. Retrieved from https://www.unjui.org/sites/www.unjui.org/files/jiu_rep_2017_7_english.pdf
- African Union Commission. (2019). *Domestic Resource Mobilization: Fighting against Corruption and Illicit Financial Flows*. AUC Publishing, Addis Ababa. African Union Commission PO Box, 3243, 3.
- Ahsan, K. M., Islam, M. S., Litan, M. M., & Huang, X. (2020). Cash conversion cycle connection with industrial productivity and volume. *Globus-An International Journal of Management and IT*, 12(1), 66-70.
- Ajibolade, S. O., & Oboh, C. S. (2017). A critical examination of government budgeting and public funds management in Nigeria. *International Journal of Leadership* 1(2), 98-107.
- Awadari, A. C. (2020). Donor fatigue phenomenon: Trend and circumvention in Northern Ghana. *International Journal of Financial, Accounting, and Management*, 1(4), 191-198.
- Batti, R. C. (2014). Challenges facing local NGOs in resource mobilization. *Humanities and Social Sciences*, 2(3), 57-64.

- Blumberg, B., Cooper, D., & Schindler, P. (2014). *EBOOK: Business Research Methods*. McGraw Hill.
- Chelangat, V. (2018). Accountability and financial sustainability of public governance non-government organization in Nairobi County, Kenya, *Journal of Applied Accounting and Taxation*, 3(1), 50-57.
- Creswell, J. W., & Creswell, J. D. (2017). *Research design: Qualitative, quantitative, and mixed methods approaches*. Sage publications.
- DelGreco, M., Denes, A., Davis, S., & Webber, K. T. (2021). Revisiting Attribution Theory: Toward a Critical Feminist Approach for Understanding Attributions of Blame. *Communication Theory*, 31(2), 250-276.
- Dong, J. Q., Karhade, P. P., Rai, A., & Xu, S. X. (2021). How firms make information technology investment decisions: Toward a behavioral agency theory. *Journal of Management Information Systems*, 38(1), 29-58.
- Gebru (2016-2020). *UNDP Uganda Partnership and Resources Mobilization Strategy/ Action Plan*.
- Gebru, A. (2020). *Factors Determining Financial Sustainability Of International Non-Governmental Organizations In Ethiopia: A Case In AMREF Health Africa-Ethiopia* (Doctoral dissertation, St. Mary's University).
- Gorard, S. (2013). *Research design: Creating robust approaches for the social sciences*. Sage.
- Hijal-Moghrabi, I. (2017). The current practice of performance-based budgeting in the largest US cities: An innovation theory perspective. *Public Performance & Management Review*, 40(4), 652-675.
- Ho, A. T. K. (2018). From performance budgeting to performance budget management: theory and practice. *Public Administration Review*, 78(5), 748-758.
- Hussain, S., Hassan, A. A. G., Quddus, A., & Rafiq, M. (2021). Cash conversion cycle sensitivity by moderating role of exchange rates volatility on firm's financial performance. *Business: Theory and Practice*, 22(2), 277-289.
- Insulza, J. M. (2015). Gobernabilidad democrática. Organización de los Estados Americanos, *Financial Analysis*, 62, 80-90.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of financial economics*, 3(4), 305-360.
- Kamau, J. K., Rotich, G., & Anyango, W. (2017). Effect of budgeting process on budget performance of state corporations in Kenya: A case of Kenyatta National Hospital. *International Academic Journal of Human Resource and Business Administration*, 2(3), 255-281.

- Kenno, S. A., Lau, M. C., & Sainty, B. J. (2018). In search of a theory of budgeting: a literature review. *Accounting perspectives*, 17(4), 507-553.
- Kibunja, M. C. (2017). Compliance Review Audits and Financial Performance of Donor Funded Organisations in Nyeri County, Kenya, *Corporate Governance*, 10(1), 74-95.
- Kumara, K. U. (2017). Corporate governance and cash conversion cycle: Evidence from Listed Companies in Sri Lanka. *Asian Economic and Financial Review*, 7(12), 1303-1316.
- Linh, N. T. P., & Mohanlingam, S. (2018). The effects of cash conversion cycle on profitability: An insight into the agriculture and food industries in Thailand. *Asian Journal of Business and Accounting*, 11(1), 97-119.
- Mio, C., Fasan, M., Marcon, C., & Panfilo, S. (2020). The predictive ability of legitimacy and agency theory after the implementation of the EU directive on non-financial information. *Corporate Social Responsibility and Environmental Management*, 27(6), 2465-2476.
- Muinde, C. (2013). *Relationship between financial reporting and analysis practices and financial performance of Small and Medium Enterprises in Kenya* (Doctoral dissertation, University of Nairobi).
- Munyon, T. P., Jenkins, M. T., Crook, T. R., Edwards, J., & Harvey, N. P. (2019). Consequential cognition: Exploring how attribution theory sheds new light on the firm-level consequences of product recalls. *Journal of Organizational Behavior*, 40(5), 587-602.
- Ndirangu, L. W. (2017). *Effects Of Cash Management On The Financial Performance Of The Companies Listed At The Nairobi Securities Exchange* (Doctoral dissertation, University of Nairobi).
- Nunow, A. H. (2016). *The Effect of Working Capital Management on Profitability of Small and Medium-Sized Enterprises In Nairobi, Kenya* (Doctoral dissertation, United States International University-Africa).
- Odhiambo, L. (2020). *Challenges facing non-governmental organizations in financial resource mobilization in Kisumu central sub-county, Kenya* (Doctoral dissertation, UoN).
- Panda, B., & Leepsa, N. M. (2017). Agency theory: Review of theory and evidence on problems and perspectives. *Indian Journal of Corporate Governance*, 10(1), 74-95.
- Poletti-Hughes, J., & Briano-Turrent, G. C. (2019). Gender diversity on the board of directors and corporate risk: A behavioural agency theory perspective. *International Review of Financial Analysis*, 62, 80-90.
- Ruybal, A. L., & Siegel, J. T. (2019). Attribution theory and reducing stigma toward women with postpartum depression: Examining the role of perceptions of stability. *Stigma and Health*, 4(3), 320.

- Samosir, F. C. (2018). Effect of cash conversion cycle, firm size, and firm age to profitability. *Journal of Applied Accounting and Taxation*, 3(1), 50-57.
- Seele, H., & Eberl, P. (2020). Newcomers' reactions to unfulfilled leadership expectations: An attribution theory approach. *European Management Journal*, 38(5), 763-776.
- United Nations Zimbabwe (2012-2015). *Joint Partnerships and Resource Mobilization Strategy*.
- Vitolla, F., Raimo, N., & Rubino, M. (2020). Board characteristics and integrated reporting quality: an agency theory perspective. *Corporate Social Responsibility and Environmental Management*, 27(2), 1152-1163.
- Wang, K. T. (2015). *Research design in counseling*. Scarborough: Nelson Education.
- Yin, R. K. (2017). *Case study research and applications: Design and methods*. Thousand Oaks: Sage publications.
- Zeidan, R., & Shapir, O. M. (2017). Cash conversion cycle and value-enhancing operations: Theory and evidence for a free lunch. *Journal of Corporate Finance*, 45, 203-219.
- .