CORPORATE GOVERNANCE PRACTICES AND FINANCIAL SUSTAINABILITY OF NON-GOVERNMENTAL ORGANIZATIONS IN NORTHERN KENYA.

Moureen Wanjiru Muraguri
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DECLARATION

This research project is my original work and has not been presented in any other university for the award of a degree.

Signed: ……………………………………… **Date ……26/11/2023.**

Moureen Wanjiru Muraguri.

MBAC01/6527/2021

We confirm that the candidate carried out the work reported in this research project under our supervision and has been submitted with our approval as university supervisors.

Signed: **Date:**

Dr. Monica Wanjiku Nderitu.

Lecturer, Department of Accounting and Finance

School of Business and Economics

The co-operative University of Kenya

Signed: **Date:**

Dr. James Gitari Muriithi

Lecturer, Department of Entrepreneurship and Economics

School of Business and Economics

The co-operative University of Kenya

DEDICATION

This research project is dedicated to my husband Dr. Dickson Kinyariro, and my children Nylah Wangui and Tamara Wangari for their affection and patience.

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ABSTRACT

Corporate governance practices are critical in the financial sustainability of Non-Governmental Organizations. With decreased donor funding, there’s a need for Non-Governmental Organizations to explore other sources of funding as well as look at organization corporate governance practices. Corporate governance plays a key role in guiding organizations, even those with non-profit objectives, to make well-informed decisions concerning environmental, social, and governance matters. Nevertheless, non-profit entities like Kenyan Non-Governmental Organizations encounter challenges such as diminishing donor funding, restricted resource mobilization capabilities, and inadequate financial sustainability strategies, which the COVID-19 pandemic has further exacerbated. The existing literature lacks coherence in terms of methodologies and findings. Hence, the main aim of this research was to investigate the effects of corporate governance practices on the financial sustainability of Non-Governmental Organizations in Northern Kenya. The study's objectives encompassed exploring how board efficiency, board diversity, board composition, and board independence influence the financial sustainability of Non-Governmental Organizations in the region. The theoretical frameworks guiding the study comprised of stewardship theory, resource dependency theory, agency theory, stakeholder theory, and. Utilizing a descriptive research design, the study targeted a population consisting of 31 managers and 31 board chairpersons of conservancies in Northern Kenya. A multistage sampling method was employed. The sample size of 54 respondents was determined using the Yamane formula. Primary data was collected through self-administered questionnaires. The analysis involved using descriptive statistics to summarize the characteristics of the sample and employing multiple linear regression to explore relationships between variables. The study's findings indicated that the study variables had p-values greater than 5 percent, leading to the conclusion that there is no significant association between corporate governance practices and financial sustainability within Northern Kenyan Non-Governmental Organizations. However, these results provide an opportunity for organizations to explore alternative approaches and governance enhancements. Recommendations stemming from the study emphasize the importance of recruiting financially proficient conservancy managers and offering financial training for board members. The implementation of clear policy guidelines for decision-making, promoting a diverse board composition, and establishing a robust conflict of interest policy are also deemed essential. Additionally, introducing term limits for board directors and encouraging active stakeholder engagement, diversifying funding sources, measuring impact, and fostering collaborations collectively strengthen financial sustainability while enhancing corporate governance practices.

ACRONYMS/ABBREVIATIONS

AFD :	Agence Française de Développement
AMREF:	African Medical and Research Foundation
ANOVA:	Analysis of Variance
CGP:	Corporate Governance Practices
COVID-19:	Corona Virus Disease 2019
EU:	European Union
FS:	Financial Sustainability
MFIs:	Microfinance Institutions
NACOSTI:	National Commission for Science, Technology, and Innovation
NRT:	Northern Rangelands Trust
NGO:	Non-Governmental Organization
NPOs:	Non-Profit Organizations
USAID**:**	United State Agency for International Development
VIF:	Variance Inflation Factor

CHAPTER ONE

INTRODUCTION

1.0 Introduction

An extensive synopsis of the study's research is given in this chapter. It presents the topic's background and context in a clear manner, outlines the research problem, and establishes the study's significance. It seeks to emphasize how crucial it is to comprehend the role corporate governance plays in attaining the financial sustainability of non-governmental organizations. It also expresses the study's precise goals, research questions, research scope, and limitations in clear terms.

1.1 Background to the Study

Corporate governance is commonly acknowledged as a framework for guiding, overseeing, and governing an entity. It facilitates the establishment of hierarchies within an organization, extending from upper management to lower tiers of administration, encompassing both internal and external stakeholders (Dong, Liang, & Wanyin, 2023). Corporate governance rules are dynamically evaluated and modified to reflect the quickly changing business environment. To make informed decisions about environmental, social, and governance (ESG) issues, an organization must adhere to certain procedures, norms, rules, and codes of conduct (Benson, 2022). Good corporate governance is implemented throughout the company, and the board actively pursues a moral and open strategy to provide the highest possible standard of quality and value (Hart, 2019).

NGOs Contribute significantly to the process of social progress in various nations across the world. Their services are essential since they concentrate on issues regarding the disparities present in both the governmental and private spheres. Nevertheless, with the growth of the global population and economy, the gaps appear to widen beyond what voluntary organizations can do, and sustainability becomes an improbable aim (Kabara, Khatib, Bazhair, & Sulimany, 2022).

1.1.1 Global Perspective on Corporate Governance Practices and Financial Sustainability

Numerous non-governmental organizations (NGOs) worldwide have acknowledged the critical significance of adopting sound corporate governance practices. These practices are vital for ensuring financial stability and reducing heavy reliance on donor funding (Ajmal, Khan, & Alhashmi, 2019). If an NGO does not give sustainable funding for its operations and activities a top priority, it runs the risk of not meeting its goals and possibly closing (Song, Yoon, & Kang, 2020). The most crucial aspect of ensuring the long-term financial health of an NGO involves having access to resources that enable these organizations to seize opportunities and address challenges while maintaining their operations over an extended period, a concept known as financial sustainability (Pratt, pecial issue overview: Civil society sustainability, 2018). This worldwide perspective emphasizes how important corporate governance practices are to improving the financial viability of non-governmental organizations in Northern Kenya.

The United States of America's non-governmental organizations are receiving a lot less funding because of the country's stagnant economic growth. NGOs in the state experienced a financial crisis as a result of cuts to both federal and state support which had been granted to their activities as envisaged (Horak, Arya, & Ismail, 2018). Since financial backing are essential for an NGO's expansion and survival, they must be available. To meet their obligations, they must thus continue to have a stable financial situation and provide quality work (Kabara, Khatib, Bazhair, & Sulimany, 2022).

Major non-governmental organizations from around the world appear to have lost their relevance in the United Kingdom because of the financial problems that caused their demise. For instance, a significant British NGO called Childhood Development and Aid was forced to close its doors in 2002 because of weak internal finance management procedures (Nato & Gaiku, 2022). With revenue fluctuations plummeting by more than 50% between 2000 and 2001, the organization was dependent on restricted donations and had negative reserves for five consecutive years. Another non-profit organization, the Academy for Educational Development, also went bankrupt and stopped operating because of the financial crisis that occurred shortly after Due to corporate improper conduct and a lack of internal control measures implemented by the organization, USAID halted its funding option.

Many nongovernmental groups in Central Asia have faced significant challenges regarding their financial viability. Additionally, there is accumulated financial unsustainability, reduced donor facilitation, and minimal resource allocation in the region, new donors focus on new projects resulting in unsustainable organizations that fail to sustain their operations and pay their service providers when they fall due (Aboramadan M. , 2018). The ability to implement strategies, legal, economic, and political framework, transportation capacity, and the prevailing market conditions are just a few of the post-disaster reconstruction challenges that stakeholders typically confront, despite the variety of funding strategies employed in China and Indonesia to recover from major catastrophes. On the other hand, sources driven by donor practices in post-Indian Ocean catastrophe recovery in the republic of Indonesia heavily relied on community-based hosting qualities. factors mostly related to project management and control (Rosselló, Becken, & Santana-Gallego, 2020).

In South America, the lack of robust networks and cooperation among NGOs and various stakeholders has significantly impeded the long-term viability of the non-governmental sector in Peru (Aponte, 2019). It was also noted that the legal framework was obstructing the efforts of NGOs to collaborate with the business sector. Darcy (2019) contends that a primary reason why many international NGOs face difficulties establishing themselves in South America is the absence of effective strategic partnerships. The researcher explains that personnel within international NGOs often harbor detrimental attitudes toward their local partners and perceive themselves as superior due to their control over finances.

1.1.2 Regional Perspective on Corporate Governance and Financial Sustainability

In Africa, the non-profit sector has significantly expanded. For instance, there are already over 90,000 registered non-profit organizations in South Africa, although the yearly growth rate in the country has stayed quite strong and is over 20% (Mathews, 2017). Mohamed and Muturi (2017), noted the majority of NGOs in Africa during the past ten years have been smaller, privately owned, and short-lived organizations. It is still challenging for NGOs to generate long-term funding, consistent results or to enhance their financial sustainability performance given these fundamental flaws.

In Zimbabwe, most local NGOs do not engage in money-generating activities and do not use their assets to leverage profits. This suggests that NGOs' reliance on donors is a significant barrier to their sustainability in Zimbabwe. According to 2016 research in Zimbabwe by Mutale, the poor in rural Zimbabwe continue to lack access to appropriate social services despite the efforts of the NGOs. According to the research findings, communities, NGOs, donor organizations, and the government all worked together to significantly influence how well NGO interventions performed in providing social services in the Luunga ward of Binga.

The African perspective holds the potential to shed light on best corporate governance practices, innovative approaches, and potential challenges associated with financial sustainability strategies in NGOs. As African NGOs navigate the complexities of resource mobilization, understanding the strategies that effectively enhance financial sustainability can offer valuable insights for organizational leaders, policymakers, and stakeholders. The regional context contributes to the broader discourse on corporate governance while providing a background that resonates with the specific challenges and opportunities faced by African NGOs (Telwala, 2023).

1.1.3 Local Perspective on Corporate Governance and Financial Sustainability

In Kenya, NGOs are currently confronting significant financial difficulty in continuing and funding their operations. Therefore, to be long-term viable, NGOs must develop new strategies. This has been made necessary by decreased donor funding, the region continuously receiving fewer grants, the donor's focus shifting to new markets, and generally decreased funding for social programs (Miriti & Karithii, 2020). Not only must NGOs strengthen their internal capacity to anticipate and manage funding risks, but they also need to diversify their sources of income, reorganize their governance frameworks, enhance their financial management practices, invest in human resources, and strive to build strong relationships with their key stakeholders—donors, supporters, volunteers, employees, and the community they serve (Olando, 2020).

Total funding received by NGOs in Kenya experienced fluctuations in the year 2021, with a decrease in government funding and donor contributions (Munguti, 2023). The landscape of donor funding has witnessed shifts, prompting Kenyan NGOs to explore alternative avenues for income generation to reduce their dependency on external sources (Ondieki, 2019). While the regulatory environment for NGOs in Kenya has undergone changes over time, such as the enactment of the Non-Governmental Organizations Co-ordination Act of 1990 (Republic of Kenya, 1990), the imperative to strategically maintain sustainable finance remains a key priority. Additionally, the impact of unforeseen events, such as the global COVID-19 pandemic, has further magnified the need for NGOs in Kenya to adapt their financial strategies. The pandemic led to disruptions in funding flows and compelled NGOs to swiftly reassess their revenue models to navigate the rapidly changing circumstances (Muthoni, 2022) The term "NGO" will be used in this study to refer to an organization that is free from government control but receives funding and donations from domestic and international organizations to support ongoing efforts to conserve wildlife and enhance human livelihoods while coexisting with wildlife on communal lands. The emergence of NGOs is inextricably linked to capitalism, the inability of governments to satisfy the demands of their threatened iconic species and the living conditions of residents of Northern Kenya. NGOs have expanded in terms of both their capability and political influence. NGOs provide welfare services and assistance in all areas of society where it is desired to improve the quality of life for community members. the NGOs.

1.1.4 Corporate Governance

Corporate governance, according to Bauer et al. (2004), entails overseeing and controlling the organization's operations to maximize shareholder wealth while taking other stakeholders' interests into account. Corporate governance is, in a more complex sense, a collection of rules, customs, and procedures that guide and oversee organizations as they work to balance the interests of all stakeholders. According to Habib (2016), corporate governance is a structure that lays out the course the organization should operate on.

The entire organization should change because of good corporate governance to realize unfathomable financial gains. Corporate governance procedures, according to Omware and Jagongo (2020), offer a clear path to appropriate performance. While establishing the organization's best practices, standards, and culture, the implementation of corporate core functions is a process that is objective.

1.1.2 Financial Sustainability

Since NGOs need steady funding to continue operating and carrying out their missions, financial sustainability has become a major challenge in the NGO sector (Miller 2017). The creation of diverse revenue streams is frequently neglected by NGOs in favor of placing an undue emphasis on fundraising activities and donations. This naive dependence on a limited source of income can leave organizations vulnerable to changes in donor support and economic swings. It includes several elements, including good financial management, the ability to adjust to shifting funding environments, and efficient resource allocation, income diversification, and revenue management. Its capacity to increase NGOs' all-around resilience and longevity, allowing them to carry out their crucial work and maximize their impact, is where it finds its value (Salamon, 2019).

According to Watson (2012), financial sustainability illustrates an organization’s capacity to maintain its financial soundness. According to Omware and Jagongo (2016), the organization's ability to go forward and face a variety of obstacles is fueled by its financial sustainability. Sustainable finance is defined by Bakken (2021) as investment choices that take an economic project's ESG (environmental, social, and governance) elements into account. Utilizing renewable resources and taking action to prevent climate crises represent instances of environmental considerations. Human and animal rights, safeguarding consumer interests, and adopting diverse employment strategies fall under the category of social considerations. Governance factors encompass the management, employee relations, and compensation practices within both public and private entities.

According to Okoye et al. (2017), it is crucial for a company to be self-sufficient and have a solid financial base to support its foundation. Financial stability improves cost effectiveness, risk management, staff growth, and employee retention. A strong indicator of financial sustainability is an organization's capacity to overcome obstacles and maintain resilience during periods of downturn and economic collapse. Strong internal systems, risk mitigation strategies, and proper responsiveness are crucial elements, and corporate governance makes these things feasible. Therefore, it is crucial to create long-term financial sustainability strategies that give the business an advantage over competitors while also outlining a detailed future.

The organization can be led to a successful future with the use of effective corporate governance, leadership, and tactical and strategic techniques. It's a futuristic phrase that calls for peak performance throughout the year. According to Qureshi, Muhammad, et al. (2020), poor corporate governance is a recipe for financial instability. Apart from NGOs' ability to maintain their financial viability, the empirical assessment indicated a well-analyzed financial performance. This offers a path for research.

1.1.6 Corporate Governance and Financial Sustainability

Corporate governance has received a lot of attention since it is thought to have an impact on an organization's ability to sustain its financial health. On the other hand, companies with sound corporate governance should outperform those with weak governance. According to this line of reasoning, an organization's governance structure influences its performance by limiting its capacity to react to its external environment (Brown & Caylor, 2004). For this reason, any firm must have good corporate governance. According to Claessen et al. (2003), a strong corporate governance structure helps an organization by making it simple to obtain inexpensive financing, which improves the firm's performance. Additionally, they contend that bad corporate governance frequently contributes to an organization's lack of financial sustainability. According to Donaldson (2003), effective corporate governance raises investors' trust in the company and increases its financial viability. This study has produced a variety of results, according to many studies. According to Masibo (2005), competent board performance has a favorable impact on NGOs' ability to maintain their financial viability. According to Nam et al. (2002), improved management oversight and lower agency expenses result in strong corporate governance, which boosts an organization's performance. They continue by saying that poor corporate governance, causes corruption and produces poor financial outcomes for the Organizations. Some researchers have also published different results, such as Gompers et al. (2003) who found no connection between corporate governance and operating performance. In his empirical investigation on this subject of study, Piesses (2005) likewise produced contradictory findings.

1.1.7 Non-Governmental Organization in Northern Kenya

NGOs are essential in addressing social, environmental, and humanitarian challenges in society. They are independent, private groups that run independently of governmental institutions and concentrate on things like service provision, community development, and advocacy (Anheier & Ben-Ner, 2017). Over time, the number of NGOs has increased; in Kenya, there were roughly 17,000 registered NGOs as of 2022 (Kenya NGO Coordination Board, 2022). The Kenyan economy benefits greatly from the work of NGOs. Beyond the social and developmental influence, they have, they provide more. In the financial year 2021/22, NGOs in Kenya contributed significantly to the country's economy, contributing Ksh 175.9 billion while also employing roughly 71,096 people, according to a report by the KNBS (2022).

As of April 2022, there were 104 NGOs operating in the Northern Kenyan counties of Isiolo, Samburu, and Marsabit (Laodicah & Galyns, 2022). However, in the year 2022, just 26 new NGOs were registered. Human-wildlife coexistence, peace efforts, relief and drought management, youth economic development, health, gender inclusion, anti-female genital mutilation, etc. are among the main areas of concentration for NGOs in Northern Kenya. Most NGOs receive funding from certain international donors, with USAID, World Vision, the EU, the WWF, AWF, DANIDA, San Diego Zoo, and others standing out.

Northern Rangelands Trust (NRT) is one of the NGOs operating in the Northern part of Kenya, located in Isiolo County. It's an umbrella of 41 autonomous community conservancies across northern and coastal Regions. 31 Community conservancies operate in Northern Kenya. NRT's Primary goals are Wildlife conservation, governance, security and peace, healthy rangelands, livelihoods, and business Enterprise. Additionally, the main objectives include helping local governments manage their wild spaces, identifying and directing development projects, creating sustainable economies linked to conservation, leading peace initiatives to end years of conflict, and forming government regulations to support all the activities (Northern Rangelands Trust, 2021). Community conservancies as the focus of this research were informed by the fact that they cover a wider landscape, and they are autonomous community-based NGO conservancies that depend 100% on national and international aid and donations.

1.2 Statement of the Problem

During a period of several years, 95% of all donations to Kenyan nonprofits were contributed by international donors to Kenyan NGOs, as reported by the National Council of NGOs in 2021. In recent years, however, the rate of donations has decreased to approximately 70%. This decline has led to the closure of NGOs and has been further exacerbated by the ongoing COVID-19 pandemic (Kabara, et al., 2022). In Kenya, many local NGOs are unable to raise funds on their own and are significantly dependent on foreign donations. It is now more difficult for NGOs to obtain outside funding due to the difficult economic climate, which has also led to a decrease in donations, stricter funding from donors' requirements, slack financial viability standards, and dubious organizational oversight processes (Milelu, 2018). NGOs that operate in northern Kenya face additional challenges, including insufficient financial reporting, poor money management, a lack of capacity building, and unethical practices that specifically target the recipients. (Milelu, 2018). Due to its negative effects on NGOs' operations, sustainability, the essential services they give to beneficiaries, and the accomplishment of sustainable goals, this social need requires immediate attention.

While Several studies have explored the relationship between corporate governance practices and sustainability of finances (Koji et al., 2020; Olayiwola, 2018; Sayad & Sasaka, 2018; Eton et al., 2021; Okoth and Omoro, 2020; Wabwire, 2022; Lekaldero, 2022), in the context of non-governmental organizations, there is still disagreement about the precise nature of this relationship (NGOs). Prior research was carried out in various organizational structures or geographic regions, which limited the generalizability of the findings (Koji et al, 2020 Moreover, the relationship between corporate governance and sustainability of finances is difficult to understand due to differences in the dependent and independent variables used in earlier research (Okoth & Omoro, 2020). For example, some studies focused on financial performance rather than financial sustainability (Okoth and Omoro, 2020), while others explored the relationship between transparency and financial sustainability (Wabwire, 2022). Additionally, methodological gaps exist, with studies employing different research designs and methodologies (Eton et al., 2021; Lekaldero, 2022). Therefore, there is a need to fill these empirical gaps and gain a comprehensive understanding of the impact of corporate governance practices on the sustainability of finances of NGOs in Northern Kenya. The present research aims to address the identified knowledge gaps by investigating the nexus between corporate governance practices on the financial sustainability of NGOs in Northern Kenya. By adopting a descriptive research design, the study intends to provide insights into specific governance practices that can contribute to the financial sustainability of NGOs operating in this region. The research sought to contribute to the existing body of knowledge on corporate governance and financial sustainability while offering practical recommendations for NGOs and stakeholders involved in funding and supporting these organizations.

1.3 Research Objectives

1.3.1 General Objective

The main objective of this research was to establish the effects of corporate governance practices on the financial sustainability of NGOs in Northern Kenya

1.3.2 Specific Objectives

i). To examine the influence of Board efficiency on the financial sustainability of NGOs in Northern Kenya.

ii). To assess the influence of Board Diversity on the financial sustainability of NGOs in Northern Kenya

iii). To determine the influence of Board composition on the financial sustainability of NGOs in Northern Kenya.

iv). To establish the influence of the Board Independence on the financial sustainability of NGOs in Northern Kenya.

1.4 Research Questions

i). How does Board efficiency affect the financial sustainability of NGOs in Northern Kenya?

ii). What is the effect of Board Diversity on the financial sustainability of NGOs in Northern Kenya?

iii). How does board composition affect the financial sustainability of NGOs in Northern Kenya?

iv). What is the relationship between Board Independence and the financial sustainability of NGOs in Northern Kenya?

1.5 Justification

Various groups will benefit from this study's conclusions.

1.5.1 Non-Governmental Organizations

It contributes to the understanding of financial sustainability in the NGO by examining the impact of corporate governance practices. Boards of management in diverse NGOs would find the findings helpful in underlining the significance of a sound, organized board of corporate governance and its connection to long-term financial viability. The findings may also act as a yardstick by which the efficiency of corporate governance procedures employed by directors of various NGOs may be assessed. The Conservancy managers and Board members could also take inspiration from the findings to ensure that donor regulations are followed to maintain the financial viability of their organizations.

1.5.2 The National Government

This lies in its potential implications for policymaking and support for the NGO sector. As noted by Mihando & Lough (2019), governments play a crucial role in creating an enabling environment for NGOs to thrive and achieve financial sustainability. This study's findings can inform evidence-based policies and initiatives aimed at promoting corporate governance practices among NGOs. By understanding the impact of good governance on NGO financial sustainability, the government can develop targeted interventions to support NGOs in overcoming challenges and maximizing opportunities in corporate governance.

1.5.3 Donors

Donors are major contributors to the funding of NGOs. Understanding the effects of good governance on the financial sustainability of NGOs can contribute donors in making better-informed choices about their finance plans. The research will also help NGOs and funders match their budget plans, corporate governance, and proposal submissions with the standards needed to meet donor requirements. The research incorporates the element of corporate governance to strengthen the connections and benchmarks for successful financial sustainability. This study's findings will also assist in the creation of more targeted funding approaches that enhance the financial sustainability and long-term viability of NGOs. Donors can adapt their approaches to better align with the governance practices needs of NGOs, thereby fostering more resilient and self-sustaining NGOs.

1.5.4 Scholars

This contributes to the existing body of knowledge by examining the relationship between corporate governance practices and financial sustainability in the context of NGOs in Northern Kenya. By exploring this relationship, scholars can gain a deeper understanding of the factors that influence the financial sustainability of NGOs and the strategies that can enhance their resilience. The outcomes of this inquiry will shed light into the importance of corporate governance and the potential benefits it can bring to NGOs in terms of sustainability and resource mobilization. Scholars can build upon these findings to further their research in other similar contexts. Furthermore, this study's examination of the correlation between good governance and financial sustainability within Kenyan NGOs contributes to the existing knowledge base by shedding light on contextual details.

1.6 Scope of the Study

This study focused on the relationship between corporate governance practices and the financial sustainability of NGOs in Northern Kenya. The geographical area of study was northern Kenya. The study was limited to financial sustainability attributes namely, board efficiency, diversity, composition, and independence as the attributes have received little attention from previous studies. The study period was 2023.

1.7 Limitations of the Study

A major challenge was the reliance on self-reported data from NGOs, which could have introduced biased responses or reported inaccuracies and inconsistencies. To minimize this limitation, the researcher collected data using professionally designed and tested closed-ended questionnaires to increase objectivity. Additionally, the physical accessibility of these organizations posed a challenge, particularly for the community conservancies located in the remote areas of Northern Kenya. To overcome this, the researcher added more data collection timeframes to ensure data was collected from all Targeted Conservancies. Lastly, the language barrier presented a challenge; however, the researcher engaged an interpreter to address this issue.

1.8 Definition of Key Terms

Corporate governance: Its set of relationships and structures through which an organization's objectives are set and achieved, its performance is monitored, and its accountability to stakeholders is ensured. Effective corporate governance is essential for maintaining the trust of investors, customers, employees, and the public, as it promotes transparency, accountability, and ethical behaviour within an organization (Tricker, & Tricker, 2015).

Community conservancies – These are non-profit organizations established by locals to help manage community-owned property for the benefit of locals' livelihoods (Mitchell et al., 2019). In this context, is a type of conservation management model that involves local communities in the protection and sustainable management of natural resources in their own territories. This approach aims to balance conservation goals with the needs and aspirations of the people who live in or around the protected areas. Community conservancies are often used for the conservation of wildlife, ecosystems, and biodiversity.

Financial Sustainability: Ability of an organization, or entity to maintain its financial health and meet its financial obligations when they fall due. Achieving financial sustainability typically involves sound financial management practices and strategies that ensure ongoing stability and resilience, even in the face of economic challenges or unexpected financial shocks (Almagtome et al., 2019). In this context, it means the community conservancy's capacity to continue with its operations without heavy reliance on donor funding.

Non-Governmental Organization: They are independent, private organizations that operate separately from government institutions, focusing on areas such as advocacy, service delivery, and community development (Anheier & Ben-Ner, 2017).

Sustainability – The ability of an NGO to effectively manage its financial resources in a manner that ensures its long-term viability and the achievement of its mission and goals (Goss, 2019). In this study, it involves maintaining a balance between revenue generation, cost management, and resource allocation to support ongoing operations, programs, and future growth.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter's main goal was to give readers a thorough overview of the body of information, research, and gaps around this study. It looked at pertinent research, theories, and empirical data for the research. This chapter aimed to identify important elements, difficulties, and prospects related to corporate governance in the context of non-governmental organizations in Northern Kenya by evaluating the existing literature. The conclusions drawn from this assessment of the literature will form the basis for the analysis and discussion of the study's research findings that follow.

2.2 Empirical Literature Review

Financial Sustainability refers to an organization's capability to efficiently manage its operations while ensuring long-term financial viability and feasibility (Aguilar & Hansen, 2018). It encompasses the capacity to maintain relevance, sustain program development, and ensure enduring stability. Assessing an NGO's financial health, financial sustainability is primarily influenced by corporate governance. Corporate governance encompasses factors such as Board efficiency, Board Composition, Board Diversity, and Board independence, which collectively play a significant role in determining financial sustainability.

Corporate governance serves as a pivotal factor in ensuring financial sustainability by guaranteeing effective and efficient control, monitoring, and resource oversight. It also serves as a safeguard for shareholders' wealth (Antez, 2017). Moreover, corporate governance is essential for building an organization's capacity to operate continuously without deficits and financial turmoil. It prevents the misappropriation of the organization's financial assets and provides guidance for comprehensive decision-making, quality oversight, and productivity. Corporate governance should aim to eliminate wastage, inefficiency, and risks.

Corporate governance acts as a benchmark for optimizing resource allocation and serves as a driving force for achieving financial sustainability. As indicated by Habib (2016), corporate governance provides a logical and coherent framework for achieving objectives, incorporating quality structures, processes, and protocols that enhance shareholder wealth. Additionally, corporate governance plays a vital role in strategic planning, fostering innovation, and ensuring the organization's longevity. Swanson (2009) advocated for efficient and effective resource utilization within a firm, which, in turn, contributes to socio-economic stability and ultimately leads to long-term financial stability. The ability to enhance financial viability and network effectively within NGOs relies on a well-designed and operational corporate governance framework. This is determined through various factors and practices within corporate governance.

2.2.1 Board Composition and Financial Sustainability

A study Edeti (2020), investigated how the composition of boards in commercial banks in Ethiopia affects their financial performance. This research utilized an explanatory research approach, with its foundation grounded in agency theory. The study aimed at the entire population of 18 commercial banks in Ethiopia. Primary data collection involved the distribution of questionnaires to managers and secretaries from 12 commercial banks, chosen through purposive sampling. Furthermore, the research gathered secondary information from the yearly reports of these commercial banks. Subsequently, the data underwent analysis employing descriptive statistics and multiple linear regression techniques. The study's findings indicated that there was a minimal connection between the composition of the boards and the company's financial performance as measured by return on equity (ROE). Nevertheless, a positive and statistically significant correlation was found between the board's makeup and ROA and Net Interest Margin or return on assets. It’s important to note that the study did not provide a clear justification for the selection of a sample size comprising 12 commercial banks. Additionally, it did not present specific recommendations based on its discoveries.

In a study carried out in India by Pallavi, Kudal, and Sunny (2020), the investigation delved into how the composition of boards impacts the financial sustainability of 24 chosen companies listed on the National Stock Exchange. The primary goal of this study was to examine the impact of corporate governance on a company's profitability using Tobin's Q by examining three variables associated with board composition: board size, the presence of independent directors, and the inclusion of female directors. The study employs a One-way ANOVA test to determine the relationship between each of these three board composition criteria and a firm's earnings. The study lasted five years (from 2013 to 2018) and focused on certain industries such as FMCG, Media, Auto, Financial Services, IT, Pharma Metal, and Realty. The study's findings revealed a significant association between the number of independent directors on company boards and corporate earnings. This implies that companies with larger boards or more independent directors often earn more money. The study, however, revealed no conclusive link between a company's overall success and the proportion of female members on its board of directors.

In Nigeria, a study by Joseph and Ironkwe (2022) explores the board composition relationship on the success of the nation's publicly traded commercial banks. The investigation’s main goal is to empirically investigate how the makeup of boards influences the performance of commercial banks that are listed in Nigeria. The annual financial reports of all 14 of Nigeria's commercial banks that are publicly traded were used to gather information for the period from 2011 to 2021 about various aspects of board membership and company market value. This data was analyzed using a wide range of statistical tests and techniques, such as the Hausman specification, ordinary least square regression analysis, and other analytical and statistical tools. The study's empirical findings demonstrate a robust relationship between board composition and business performance, which explains over 85.1% of the variation in firm market value. The study concludes that board composition has a significant impact on how well a corporation performs. The study's conclusion is that in order to ensure that a significant portion of board members are independent of the company in both a direct and indirect capacity, a robust and required corporate governance structure should be established.

In Kenya, Abdi et al. (2021) conducted research exploring the influence of board composition on the financial sustainability of microlending organizations in Nairobi County. The primary aim of the investigation was to understand how internal characteristics of corporate governance affect the financial sustainability of microlending institutions within Nairobi County. The study sought to assess how board composition impacts the financial sustainability of these institutions. The research focused on a group of 351 individuals, which included board members, CEOs, and auditors associated with 25 microfinance institutions in the County. Using the Yamane formula, the study selected 187 respondents for the collection of primary data. While secondary data came from financial newsletters and the publicly available financial records of the 25 microfinance institutions in Nairobi County, primary data came via distributing and collecting questionnaires from respondents. Descriptive statistics including frequency, percentage, standard deviation, and mean were used in the analysis of the collected data. Correlation analysis and straightforward linear regression were also used to examine the relationship between independent and dependent variables. Tables with narrative explanations were used to present the results. The study's findings show a strong and favorable correlation between board composition and financial sustainability, with a beta coefficient (β) of 0.552, a t-value of 3.080, and an associated p-value of 0.003. As a result, the study concluded that the financial viability of microfinance institutions in Nairobi County was positively and significantly impacted by the makeup of the board. The study's suggestions included keeping a suitable number of financially responsible board members to facilitate the best possible decision-making. In addition, it recommended a gender-balanced, executive-and non-executive-member-rich director mix that included a mix of experts and experienced persons in order to improve the financial viability of Nairobi County's microfinance banks.

2.2.2 Board Independence and Financial Sustainability

As emphasized in Agency theory, it is essential for an organization's governing board to maintain independence from its management. This is a critical requirement because the board plays a crucial role in supervising and regulating the actions of the organization's leadership. O'Regan and Oster (2005) highlight that the board can exercise more impartial judgment when it operates independently of the organization's management, a factor that is vital for upholding the efficiency of their functions. Consequently, this underscores the necessity for an appropriate number of board members to ensure the effective oversight and administration of the organization. The Agency theory further argues that a significant expansion of the board's size could have noteworthy consequences for the organization. This could lead to increased costs and a slower decision-making process that disrupts the regular business operations (O'Regan & Oster, 2005).

As suggested by Nor Hashimah, Norman, Jaffar, and Mohamat (2007), the typical board committees should predominantly consist of autonomous non-executive directors. It is advisable to have a designated chairman and separate the responsibilities of the Chief Executive Officer to prevent potential conflicts of interest. Additionally, in line with the principles of the Agency theory, it is recommended to separate the duties and functions of the Chief executive officer and the chair of the board members. This separation facilitates the supervision and coordination of the CEO's actions and interests, ensuring that the CEO does not prioritize their personal interests over those of the shareholders. This arrangement is essential for safeguarding the well-beingg of the shareholders.

Kennedy and Ombaba et al. (2018) conducted research to investigate board independence's impact on the Financial Sustainability of Corporate Firms in Kenya. The major objective of this investigation was to explore whether the presence of independent directors is significant during periods of financial distress. The research employed an exploratory approach and utilized panel regression analysis, using a dataset that included 39 publicly traded companies in Kenya over a span of 10 years, the study unveiled a noteworthy and statistically significant inverse association between board independence and financial sustainability (β=-0.044; $p < 0.05$). This study adds to existing theory by empirically investigating the impact of independent directors on financial distress, particularly in the context of an emerging economy, filling a significant gap in academic literature when compared to similar studies conducted in China and the Middle East. Furthermore, considering the increasing number of firm failures in emerging economies, this article provides useful information for policymakers. In conclusion, the study emphasizes the need to increase the number of independent directors on boards as an effective tool to lower the chance of financial distress. Furthermore, the study found a significant positive correlation between long board tenure and the occurrence of financial distress, lending credence to the hypothesis that boards with long service periods may develop close relationships with management, potentially jeopardizing their essential oversight function.

Mititean (2022) In a separate study evaluated size and independence of the board on the financial viability of enterprises in the Romanian energy industry. Data was taken from the Thomson Reuters database for a sample of 345 firms between the years of 2018 and 2021. This sample included 1,380 years of data, and the financial data was available until the end of 2021. The statistical tool SPSS was used to run regression models on the chosen sample for the investigation. According to the conclusions of this study, board size has a positive impact on financial sustainability. It was also revealed that board independence has a positive and considerable impact on a company's capacity to stay in business. The existing research on this relationship in the energy sector is aligned with and supported by our study.

2.2.3 Board Efficiency and Financial Sustainability

Amandi (2015), investigated the impact of board efficiency and board planning on viable finance of national non-profit organizations in Nairobi, Kenya. The research's primary objective was to assess whether the competence and performance of the board affected their financial sustainability and explore the influence of the board's role in business planning on the financial sustainability of these NGOs in Nairobi. To conduct this research, correlational study techniques were employed, which are commonly used to establish relationships between variables. Random sampling was also utilized as it allows for valid statistical inferences and enhances external validity. Data collection was facilitated through a structured questionnaire employing the Likert Scale, a five-point rating system that aligns with the study's specific objectives and follows a unidimensional summative design approach to scaling. The study's findings showed that most of the respondents disagreed with the presence of functional boards of directors within their non-profit organizations, with a disagreement rate of 51%. Similarly, the findings indicated that a significant number of respondents disagreed with the existence of functional committees within these boards, also at a rate of 51%. Moreover, the study found that sustainability remained relatively constant at a value of 8.181, and there exists a positive correlation between board functionality and financial sustainability, with a contribution coefficient of b=.096. Additionally, most respondents disagreed with the presence of performance management systems within the board. A sizable minority, 64%, disliked or strongly disagreed with the way the board reviews were conducted. In addition, there was a b=.356 positive association between board efficiency and sustainability. In conclusion, the study's findings indicate that all the variables under research contributed positively to the sustainability of the NGOs, independent of their area of influence.

Karanja and Karuti (2014) conducted research to identify the factors that influence the financial sustainability of non-profit organizations (NPOs) in Isiolo County, Kenya. The study was carried out specifically within Isiolo County and encompassed all NPOs operating within the county. The study employed a descriptive research design to conduct the investigation, and the researchers opted for a census method, which means they collected data from all NGOs in the area. Descriptive statistics, frequency distributions, and percentages with the assistance of (SPSS) version 20 were used to analyze the primary data collected. The results were presented using graphs, charts, and tables. The study's findings indicated that financial challenges are prevalent among NGOs, and government policies often pose obstacles to their smooth operations. Consequently, the study recommended that the national government should promptly establish policies that promote the financial sustainability of NGOs and ensure the active involvement of NGO management in formulating policies that may affect their financial sustainability when implementing their programs. However, it's important to note that the study did not provide specific recommendations regarding factors that can offer sustainable financial support to the NGOs under examination. Therefore, the variables investigated in this study may serve as indicators of financial sustainability but do not offer definitive solutions for achieving it.

In a research study, Ahmad (2019) investigated how the efficiency of boards affects the degree of financial stability in Non-Profit Organizations (NPOs) in Malaysia. NPOs' level of financial stability must be assessed to predict their long-term viability. For this study, 202 NPOs that were registered with the Companies Commission of Malaysia (CCM) were selected, with an emphasis on their financial information from 2011. The equity ratio, administrative cost ratio, revenue concentration, and operating margin ratio are only a few of the financial stability indicators included in the study. Additionally, the efficiency of board planning and the composition of the board were taken into consideration when evaluating board performance. Only Board Characteristics showed a substantial and favorable.

2.2.4 Board Diversity and Financial Sustainability

The board has gained widespread recognition as a means of ensuring representation for racial minorities, ethnic groups, and women in decision-making processes (Mohamed, 2020). This global recognition of minority groups extends to factors like age distribution, physical abilities, and gender. In accordance with Kenya's constitution of 2010, corporate governance mandates gender balance. Present-day companies advocate for full representation to promote equality in decision-making and enhance the organizational culture. Numerous scholars have highlighted the positive link between gender balance and the efficacy of corporate governance. When there is a diverse and inclusive representation that encompasses a wide range of perspectives, corporate governance can foster innovative ideas. This, in turn, can facilitate comprehensive development and improve efficiency. Gender-related discussions have been central in the Kenyan context.

The 2010 constitution established minimum standards to ensure the legal functioning of boards, providing a simplified guideline that underscores the urgent necessity of gender diversity Strategic management practices encompass the examination, appraisal, evaluation, and ongoing supervision of plans (GoK, 2010). They play a vital role in assessing the current situation and crafting effective strategies. In the context of Non-Governmental Organizations (NGOs), effectiveness and the successful implementation of strategies are of paramount importance (Kamukunji, 2017). These strategies provide NGOs with a tangible roadmap to enhance their organizational longevity. Sustainability is a primary focus, contributing to bolstered credibility, the production of high-quality financial reports, and alignment with long-term objectives (Habib, 2016).

Nichol et al (2018) explored the impact of board diversity on the financial viability of nonprofit organizations in Malaysia. The difficult economic conditions have made it difficult for charities in Malaysia to raise money (Wong, 2016). This study investigates the effect of board diversity on the financial sustainability of charitable organizations, whereas other research has focused on the function of diversity on the board in the financial sustainability of non-profit organizations. In 2016, 211 charity organizations that were still in operation (companies limited by guarantee) were included in the research sample. XLSTAT was used to gather and analyze data using binary logistic regression. The study's findings demonstrated that, although age, color, and ethnic diversity were not demonstrated to be relevant determinants, director tenure diversity significantly affects the financial viability of charitable organizations. The implications of these findings underscore the need for charitable organizations to routinely appoint new directors to bring in fresh perspectives and knowledge at the operational and strategic levels.

Webi and Ouma (2017), studied the effects of board diversity on the sustainability of non-governmental organizations (NGOs) in Nairobi County. This study focused on various aspects of board diversity, including gender, age, professional diversity, and industry network diversities. The study encompassed international and local non-profit organizations in the county. We have a total of 702 NGOs registered, according to the Directory of Development Organizations. The research utilized a descriptive research design and collected primary data through questionnaires distributed to 84 respondents. Data analysis employed descriptive, correlation, and regression statistics using the SPSS 20.0. The study's independent variables were found to contribute positively to the improved organizational sustainability of the studied NGOs. Out of 84 questionnaires distributed, 63 were returned back fully completed, representing a 75% feedback rate. Most respondents fell within the age range of 31 to 42 years, with strong agreement that their organizations' boards consisted of members with varied networks and connections. However, respondents reported that age diversity among board members was limited. Correlation results revealed that occupational diversity had the strongest positive correlation with organizational performance, followed by professional network diversity and age diversity. Regression analysis confirmed a positive relationship between these three independent variables and organizational sustainability. In conclusion, both regression and correlation analyses demonstrated a relationship between independent and dependent variables. The study recommends that non-governmental organizations incorporate individuals with diverse professional backgrounds on their boards and ensure age diversity within their management structures. Additionally, having board members with varied networks and connections can facilitate organizational growth and success.

Mwenja and Lewis (2009), an effective board of directors ensures that its members are informed regarding their organization, aware of the board's performance, and aware of the tasks and responsibilities of the board. It is therefore anticipated that board members with formal training will be better equipped to support NGOs in comprehending and evaluating the intricate operational environment in which these organizations function (Arshad et al., 2013). Professionally qualified board members are probably better at implementing strategic plans that are perceived as having several stakeholders to answer to. In addition to their experience and skills, board members with professional backgrounds are required to take great care in preserving and improving their reputations.

Callen et al. (2010) examined the connection among the 'type' of directors and various attributes of firms. These categories of directors encompassed employees, major donors, well-known individuals who enhance the organization's image (such as celebrities), and individuals possessing valuable professional skills (like investment advisors). According to their analysis, the proportion of direct contributions to total revenues was positively impacted by the presence of more board members with industrial expertise. Building upon prior research that demonstrated positive relationships between occupational diversity and sustainability, they investigated the impact of occupational board diversity on the non-governmental organizations (NGOs) in Nairobi survival.

Additionally, a corporate governance empirical study emphasizes the importance of adding financial experts to the supervisory board to maintain the required level of corporate governance (Dienes & Velte, 2016). Siciliano (1996) finds that increased program quality and organizational effectiveness were linked to a sizable representation of business executives on the board. While they did not appear to be associated with successful organizational outcomes, members with backgrounds outside of business did show improved tendencies toward board attendance. Dienes & Velte (2016) reaffirm this idea, highlighting the fact that board members who lack enough financial knowledge are unable to offer advice to their fellow board members. According to Siciliano (1996), the ideal board composition often incorporates diversity in terms of board member connections and occupations, while the precise composition mix may vary based on the characteristics of organizations and their contexts.

2.3 Theoretical Literature Review

The relevant theories for this study included stakeholder theory, resource dependency theory, agency theory, and stewardship theory.

2.3.1 Stakeholder Theory

The original theory, initially developed by Freeman in 1984, was intended as a tool for management. Freeman's perspective emphasized that a company's primary aim should extend beyond simply maximizing the wealth of its shareholders; rather, it should focus on enhancing the well-being of all stakeholders involved. This stakeholder theory serves as a conceptual framework for ethics and organizational management, particularly in non-profit and other types of organizations. It places a significant emphasis on finding a balance among the interests of stakeholders as the fundamental driver of organizational policies. Additionally, it contributes substantially to risk management, complementing implicit contracts theory and other contractual arrangements, including financing (Fontaine, 2006). Clarkson (1994) further argues that it's the firm's duty to empower all stakeholders who contribute resources by converting their stake in the firm into value. Keasey (1997) supports this theory by suggesting that ethical treatment of all stakeholders benefits the organization through the development of stronger trust relationships among them. Blair (1995) agrees, proposing that firms give ownership-like incentives to external passive shareholders (other stakeholders) who also contribute to the success of the company to match their goals of maximizing shareholder interests with theirs. Freeman et al. (2004) echoes this idea, asserting that the company's goal should be to thrive in collaboration with all its principal stakeholders.

However, criticism of this theory stems from its assumption of a single-valued objective, where gains primarily accrue to the stakeholders of a firm. Jensen (2016) argues that there are alternative measures to gauge an organization's sustainability beyond the benefits received by stakeholders. The information flow between senior management and lower-level employees, the operational surroundings, and interpersonal connections inside the corporation are all included in these measures. The present study aims to address this limitation by developing additional metrics for assessing a firm's financial sustainability.

Stakeholder theory still applies to this study to guarantee that the various needs of all stakeholders are appropriately met. The NGO's stakeholders, such as funders, service providers, employees, regulators, and the communities they serve, are cultivated through the process of network building to achieve this aim. Maintaining alignment with this is the primary goal of a non-profit organization. Meeting the needs of all stakeholders is a critical task for the board and managers in this study. They need to make sure that stakeholders are effectively informed of pertinent information while upholding accountability and transparency to accomplish this goal. Theory's connection to the concept of financial sustainability unites all the study's objectives.

2.3.2 Resource Dependence Theory

Adequacy and accessibility of resources are essential factors that significantly impact the efficient and effective functioning of any non-profit organization. The initial contributions to this concept can be attributed to Penrose (1959), with Chandler (1962) also making noteworthy additions. These scholars argued that organizational resources play a pivotal role and have a substantial influence on an organization's performance is enhanced by gaining a competitive edge over rival companies. This idea is based on the idea that an organization's external directors provide important expertise, either for free or at a lesser cost than it would otherwise pay, according to Jonson et al. (1996) for instance, a lawyer who serves as an outside director can provide free legal counsel to the organization. By utilizing their contacts in the outside world, directors play a crucial role in gaining access to resources that are essential for the company, according to Hilman et al. (2000). They contend that a company should choose its directors based on the advantages they can offer the business. The competitiveness and long-term success of an organization, according to Peace et al. (2012), are largely dependent on its capabilities. They contend that this competitive advantage is what sets apart the performance of different organizations within the same industry.

However, this theory faces criticism and has also been refined by Pfefer and Salancik (1978) due to its assumption that an organization's sustainability efforts are solely reliant on the resources it possesses. The present study addresses this limitation by recognizing that an organization can expand its physical, human, and organizational resources over time, leading to variations in the organization's productive potential. Additionally, the theory posits that the services derived from these resources are limited by the capabilities of the staff utilizing them, whereas the development of staff capabilities is, in part, influenced by the resources they work with.

A key method for overseeing non-governmental organizations (NGOs) involves their board of trustees. From their standpoint, significant donors who serve on the boards of non-profits oversee the organization in a way similar to major shareholders on the boards of for-profit companies (Callen et al., 2010). Pfeffer and Salancik (1978) defined resource dependency as an organization's capacity to obtain and retain essential resources necessary for its continued existence. The assessment of NGO sustainability is increasingly utilizing resource dependency theory.

2.3.3 Agency Cost Theory

Agency theory, originally developed by Berle and Means in 1932, gained widespread acceptance when Jensen and Meckling (1976) articulated the concept of agency problems within corporate governance. This theory posits that agents, at times, prioritize their self-interest over the interests of the organization's principal. In the context of this study, the agents represent the conservancy board and management, while the donors assume the role of the principal. Jensen and Reeback (2003) contend that agents may occasionally divert organization resources for their self-interest rather than maximizing shareholder wealth. (Himmelberg,1999) identifies agency problems as arising from insufficient oversight of managerial activities by the organization's owners (Shareholders). They propose that a potential solution to agency problems involves granting managers a shareholding in the company to realign their interests with those of the organization's shareholders.

According to Grawal and Knoeber (1996), using debt financing in addition to giving managers equal participation can help to reduce agency issues. Leveraging debt, in their view, entails sharing the supervisory function with lenders who keep an eye on managers' actions to make sure that their investment choices result in enough earnings to pay back the loan plus interest. According to Jansen (1983), agency expenses like performing audits of managers' activities can dramatically lower conflicts. It is imperative to comprehend the organization's nature, operations, and operational environment to implement different agency concern management strategies that may be effective in some but not others (McColgan, 2001).

This theory assumes paramount importance in addressing agency problems within the scope of this study. It serves as a guiding framework for corporate governance and the maximization of shareholders' wealth by promoting prudence, effectiveness, and efficiency, thereby propelling the prosperity of the NGO. It sheds light on the challenges and predicaments that often form the crux of issues in agent-principal relationships. Agency theory provides a roadmap for enhancing the comprehensive and forward-looking operation of organizations.

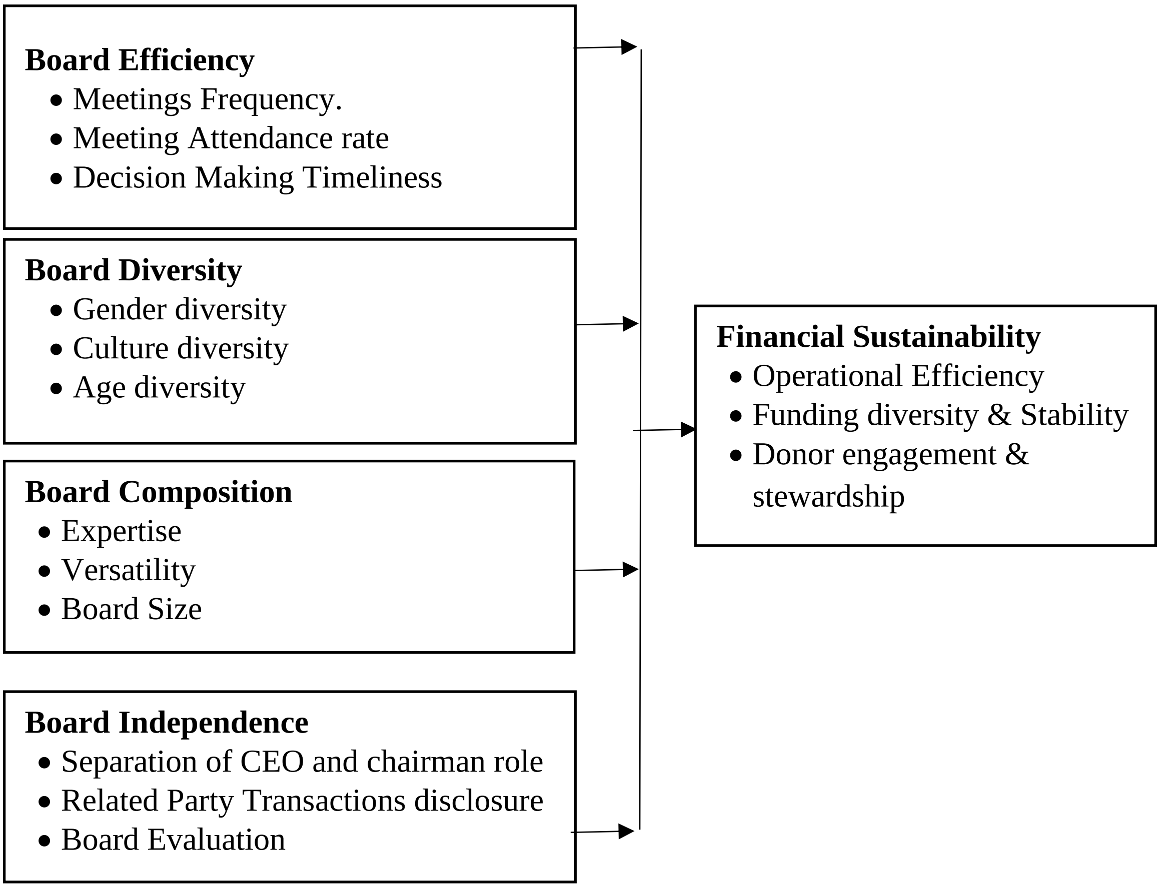
2.3.4 The Stewardship Theory

Stewardship theory, credited to the research of Donaldson and Davis in 1991, proposes that individuals entrusted with responsibilities will act responsibly and intrinsically motivated to fulfill them without constant supervision. Stewards are characterized as reliable, supportive of the organization's goals, and inclined towards collective efforts. They are driven to achieve both organizational and societal objectives, finding greater satisfaction in such endeavors. When faced with a choice between self-serving behavior and actions benefiting the organization, stewards typically prioritize cooperation over self-interest. Their interests naturally align with those of the organization or the principal they serve. Stewards occupy a position that aligns with Maslow's hierarchy of needs, specifically at the self-actualization level, and their diverse expertise makes them valuable assets to enterprises. Their behavior leans towards cooperation rather than individualism, as this approach maximizes their overall satisfaction and utility (Chrisman, 2019). By focusing on safeguarding the financial well-being of the enterprise, stewards not only improve services but also consider sharing any surplus with the owner. Murtaza et al. (2021) emphasizes how this theory fosters a harmonious owner-steward relationship, leading to a unified direction and effective governance. This structured approach motivates executives to perform optimally within their clearly defined roles. When applied to autonomous entities like community-led conservancies, this theory proves relevant in enhancing their financial sustainability.

However, the theory's practical application in real-world organizations is subject to debate, particularly concerning individual characteristics and motivational factors. The alignment of enterprise and societal interests is crucial to reconcile organizational goals with steward values (Schillemans & Bjurstrøm, 2019). Furthermore, the theory's rigidity becomes apparent when stewards adopt an agent-like stance due to interactions, potentially leading to disloyalty. There is a risk that the theory may inflate stewards' egos, resulting in unrealistic and overly elevated expectations for their roles (Keay, 2017). For example, conservancies might appoint board members lacking governance expertise, necessitating additional training that could strain financial resources intended for sustainability efforts. Unfortunately, these board members might devote more time to acquiring knowledge than effectively applying their expertise to bolster the enterprise's financial stability.

2.4 Conceptual Framework

Corporate Governance Practices Financial Sustainability



Independent Variables Dependent Variable

Figure 2.1 Conceptual Framework

2.5 Summary of Literature Review and Research Gap

The literature review provides a comprehensive overview of corporate governance practices in NGOs. There are various undertaken by different researchers and are compared to make an informed decision on the subject matter of this study (Islam, 2016; Despard et al., 2017; Aboramadan, 2018; Alkhouri & Arouri, 2019). After a thorough analysis of other published studies and provided gaps, the knowledge gap was found. Different researchers have carried out studies locally on the subject area of financial sustainability practices but there exist several gaps. Conceptually, although there are previous studies carried out, to the best knowledge of the researcher, they have not operationalized financial sustainability practices in terms of Board Efficiency, Board Composition, Board Diversity, and Board Independence.

Further, most of the available studies have not related financial sustainability practices with financial sustainability. Their findings can therefore not be used to generalize the effect of financial sustainability practices on the financial Sustainability of NGOs in Northern Kenya. Methodologically speaking, many earlier studies conducted in the Kenyan setting were cross-sectional, examining multiple organizations (Muriungi et al., 2017; Mohamed & Muturi, 2017), but the current study would examine organizations in-depth within a single region. Contextually, there also exist studies that had closely related objectives but were conducted in developed economies such as Europe, the USA, and some parts of Asia and therefore the findings cannot be generalized in Kenya which is a developing country. Although there are also related studies locally, most of them focused on other organizations such as government agencies, MFIs, banks, and insurance firms whose operations are different from NGOs.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter comprehensively outlines the research design, data collection methods, instrumentation, and analytical techniques, providing readers with a clear roadmap of the processes employed to explore the research questions. By delving into the intricacies of the chosen methodology, this chapter outlines the rigor of the study and offers insight into the validity and reliability of the findings. Through a thoughtful exposition of the methodological choices made, this chapter establishes a solid foundation upon which the subsequent analysis and interpretation are built, ensuring the integrity and scholarly value of the research endeavor.

3.1 Research Design

A research design is regarded as the framework or strategy for the suggested research project (Vogt & Johnson, 2011). In order to ascertain how corporate governance practices affect the financial sustainability of non-governmental organizations in Northern Kenya, the study used a descriptive and correlation research design. Descriptive research involves the systematic collection, organization, and presentation of data to provide an accurate portrayal of the phenomena under investigation (Mugenda & Mugenda, 2019). The correlation design supplements the descriptive framework by providing statistical evidence of relationships between variables. It helps in quantifying the strength and direction of associations, thereby enhancing the depth of understanding beyond mere descriptions. This approach ensures a more comprehensive analysis, allowing for informed decision-making and potential recommendations to improve corporate governance practices for better financial sustainability among non-governmental organizations in Northern Kenya (Vogt & Johnson, 2011). Descriptive design was used to describe variables of the study namely Board efficiency, Board diversity, board composition, board independence as well as financial sustainability. Furthermore, the correlation research design was used to determine the degree and direction of relationships between two or more variables.

The descriptive research design offers distinct advantages, primarily by facilitating a deeper understanding of population traits within a specific context. Moreover, it provides a structured pathway for additional investigation and research, contributing to streamlined decision-making processes (Sekaran & Bougie, 2016). Furthermore, this approach paints a comprehensive picture of a given situation by addressing fundamental questions of who, what, when, where, and how (Zikmund, Babin, Carr, & Griffin, 2013). For the purpose of carrying out this study, a descriptive research design was especially appropriate because it provides a way to understand the impact of corporate governance practices on the financial sustainability of non-governmental organizations in Northern Kenya. By addressing the "what," "how," "where," and "when" aspects of the study, this approach will provide a comprehensive understanding. The study will involve the collection of primary data, enhancing the authenticity and depth of the findings.

3.2 Target Population

A target population is any group, collection of people, or component that you are interested in drawing conclusions or findings about how to apply the research findings (Politt & Hungler, 2013). The study was conducted within the autonomous community conservancies operating in Northern Kenya under the umbrella of the Northern Rangelands Trust. The selection of these conservancies is driven by the notion that the Northern Rangelands Trust (NRT) is a pioneering community-owned and led NGO that supports 43 community conservancies across Kenya and Uganda. Notably, the northern part of Kenya, encompassing Isiolo, Marsabit, and Samburu, boasts the highest number of conservancies, totaling 31, under the purview of the NRT (Kenya NGO Coordinating Board, 2022). The study encompassed 31 managers and 31 chairpersons of the board from these conservancies, resulting in a total target population of 62 respondents.

3.3 Sampling Methods and Sample size

The sampling method involves a procedure for selecting individuals or items from a target population, with the aim of capturing traits that are representative of the entire population (Oradho, 2003). Sampling helps to acquire a representative subset of a larger population when faced with constraints such as time, resources, and feasibility (Danscombe, 2017). A multi-stage sampling approach was undertaken. Initially, the population was stratified based on the two positions targeted within the conservancies: managers and chairpersons of the boards. Subsequently, a basic random sampling method was employed to choose study participants from each category, ensuring that every individual in the population had an equal opportunity to be selected as a sample, thus preventing any form of bias (Sekaran & Bougie, 2016).

The calculation of the sample size was determined using the Yamane (1967) formula, employing a confidence level of 95 percent and a margin of error of 0.05.

$$n=\frac{N}{1+N(e)^2}$$

Where:

n is the sample size,

N is the population size,

e is the level of precision.

The Yamane (1967) formula was employed due to the availability of a known population. This approach streamlined data collection and analysis, subsequently allowing for the extrapolation of findings to the entire population.

$$n=\frac{62}{1+62\ (0.05)^2} = 54$$

Hence, the sample size for this study encompasses 27 managers and 27 chairpersons of the board, leading to a combined total of 54 respondents. The respondents were purposefully selected, due to their position in the conservancy and had a good understanding of the research topic under examination.

3.4 Data Collection Instruments

Data collection is systematic collection and evaluation of data on pertinent variables so that one may test hypotheses, address research questions, and evaluate outcomes (Islamia, 2016). A structured questionnaire with closed-ended questions was used by the study to gather primary data from the board members and conservancy managers of each community conservancy. The structured questionnaires allowed for efficient and effective contact with the individuals, enabling the researcher to collect data rapidly and accurately. The questionnaire was divided into two segments. The first segment consisted of demographic information, while the second segment focused on board efficiency, composition, diversity, and independence.

3.5 Data Collection Procedure

Well-structured questionnaires were distributed to the respondents within a reasonable timeframe of one month or less. Questionnaires provide a structured and standardized approach to data collection, enabling a systematic gathering of information from many respondents in a consistent manner (Babbie, 2016). This process enhances the accurate and efficient application of these instruments to address potential challenges that might adversely impact the data collection process (Sekaran & Bougie, 2016). An elaborate questionnaire was created in order to collect data regarding the effects of corporate governance standards on the financial sustainability of non-governmental organizations in Northern Kenya. Each element within this structured questionnaire was meticulously crafted to correspond with a specific research objective. The inquiries presented to the respondents were structured using a five-point Likert scale, which has been widely utilized in numerous research studies (Zikmund et al., 2013). Permission was sought from the participating community conservancies and a data collection permit from NACOSTI to ensure the legitimacy of the study. The researcher's contact information was also provided to facilitate communication and feedback.

3.6 Pilot Study

Pilot study is when questionnaires are distributed to a small group of people as part of pilot research to test the questions beforehand., according to Babbie (2004). A pilot study to pre-test the questionnaires was conducted on 6 selected Community conservancies based in Isiolo County involving respondents to test the feasibility of the study and the questions for relevance, timeliness, comprehension, meaning, and clarity. As a result, any unclear statements, questions, or indicators were modified to adequately represent the variable being measured. These conservancies did not participate in the final study.

3.6.1 Reliability Test

According to Drost (2011) reliability is measuring tools to consistently gauge a construct under different conditions to come up with similar results, specifically the extent to which it contains measurement errors. In this study, test-retest was used to assess the instrument’s reliability. The test-retest approach involves administering the same measurement instruments to the same group of respondents on two different occasions with a time gap in between. It’s justified by its ability to measure the consistency and stability of an instrument over time (Mugenda and Mugenda, 2019).

3.6.2 Validity test

Validity is defined as the degree to which a measuring device measures what it is designed to measure (Drost 2011). Validity is achieved when the required information is learned through multiple descriptions, allowing one to understand the significance and substance of the experience (Castillo, 2009). This study focused on content validity. Content validity involves assessing whether the items in the instrument adequately represent the content being measured, it was ensured by matching the research questions with items in the data collection instruments (Saunders, Lewis, & Thornhill, 2009). The study questionnaire was thoroughly examined by research supervisors and financial experts, whose insightful comments were incorporated into the questionnaire before the main data collection phase began.

3.7 Data Analysis and Interpretation

Data analysis is the process of modeling and analyzing data while employing various statistical and logical methodologies to draw conclusions (Marsh & Elliot,2009). Taking into consideration the objectives of the study, quantitative data collected was analyzed and interpreted using descriptive statistics and multi-linear regression. Descriptive statistics involves frequencies, mode, median, mean, standard deviation and percentages. Frequency tables and percentages were used to display the analyzed data. The multiple linear regression was used to determine the relationship between independent variables (Board efficiency, Board diversity, Board Composition, and Board Independence) and dependent variables (Financial sustainability). The multiple linear regression was expressed as follows.

$$FS=\beta_0 +\beta_1 BE+\beta_2 BC+\beta_3 BD+\beta_4 BI + \varepsilon$$

Where: $\beta 0$=Beta factor (Constant)

β_1, β_2, β_3, β_4=beta coefficient of Board efficiency, Board Composition, Board diversity and Board Independence.

BE=Board Efficiency

BC=Board Composition

BD=Board Diversity

BI=Board Independence

In the context of statistical analysis, the interpretation of results from a model involved considering various statistical measures, including adjusted R-squared and p-values. The adjusted R-squared is a metric that evaluates the regression model's goodness-of-fit. It depicts the percentage of the dependent variable's variation that the model's independent variables can account for while also taking the sample size and the number of predictors into account (Gómez & Mouselli, 2018). The modified R-squared took the model's complexity into account by penalizing the use of extraneous variables. The model has a better fit and explains a greater proportion of the variation in the dependent variable when the adjusted R-squared value is higher; normally, it is closer to 1.

The p-value is a statistical measurement that aids in identifying the statistical significance of a specific variable or coefficient in the model. If the null hypothesis is correct, it shows the likelihood of observing the observed results or more severe results (Gómez & Mouselli, 2018). A p-value of less than 0.05 often denotes statistical significance, which means that there is sufficient evidence to reject the null hypothesis and draw the conclusion that the variable has a substantial influence on the result. The variable may not be statistically significant and may not have a substantial impact on the outcome, on the other hand, if the p-value is higher.

3.8 Diagnostic Test

Tests on the model specification was conducted to determine whether the data are appropriate for analysis. This makes sure that the constructs are not connected, and that the data used in the data analysis are comprehensive and error-free. As a result, the tests taken into consideration included the auto-correlation test, the multicollinearity test, and the normalcy test.

3.8.1 Normality test

The assessment of normality involves examining whether data adheres to a normal distribution. To evaluate normality, researchers such as Meme (2013) and Oscar (2007) employed the Shapiro-Wilk test. A p-value exceeding 0.05, or 5%, indicates normal distribution. Kimathi (2015), on the other hand, utilized the Kolmogorov-Smirnov test, whereby p-values below 5% at a 95% confidence level suggest non-normal distribution, contrasting with p-values above 5% that imply normal distribution. This determination aids in either accepting or refuting the null or alternative hypotheses.

In the quest to assess normality, Gweyi (2018), Tabachnik and Fidell (2001), and Sporta (2018) employed the Jarque-Bera test. As stipulated by these researchers, a p-value exceeding 0.05 indicates normal distribution, warranting the rejection of the null hypothesis, while a value below 0.05 signifies non-normal distribution. Gikonyo (2018) employed z-values for skewness and kurtosis to ascertain normality, with values ranging from -1.96 to 1.96 indicative of normal distribution. This approach was supplemented by the utilization of histograms, normal Q-Q plots, and box plots to depict data distribution. In this study, the assessment of normality was facilitated through the utilization of Q-Q plots.

3.8.2 Multicollinearity test

A correlation between predictors results in multicollinearity. Strong correlations between predictors influence the regression's reliability since they raise the coefficient's standard error. Because of this, some or all the predictors gain significance when they shouldn't. As a result, the researcher can decide to accept the alternative theory instead of the null hypothesis. The variance inflation factor and tolerance will be utilized to evaluate collinearity (Gikonyo, 2013; Daoud, 2017). According to Kimathi (2018), Meme (2017), Gweyi (2018), Irungu (2019), values of the variance inflation factor between one and five show a low correlation between the predictors, values between five and ten show a moderate correlation, and values above ten show a high correlation and the need for correction. The tolerance test indicates that there may or may not be a correlation between the predictors based on values that are near to the critical value of one. Because of the strong correlation between the predictors, a tolerance value of less than 0.1 indicates that correction is necessary. The tolerance test and the variance inflation factor will be used to determine whether the independent variables are correlated.

3.8.3 Auto-correlation Test

The relationship between two errors is studied utilizing auto-correlation tests to see if the error in one prediction relates to the error in another, including earlier predictors. (Saunders, Lewis, & Thornhill, 2009). For detecting the correlation between predictors, the study employed the Durbin-Watson test. As elucidated by Gezu (2014) and Meme (2017), a value proximate to the critical value of 2.0 signifies a negative correlation or the lack of autocorrelation. This implies that the error term in one predictor does not correlate with another predictor within the study. Conversely, a value close to zero in the Durbin-Watson test implies the presence of positive autocorrelation.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

The research goal was to assess how corporate governance policies affected the long-term financial viability of NGOs in Northern Kenya. More specifically, it evaluated the impact that board independence, diversity, composition, and efficiency have on the long-term financial viability of non-governmental organizations (NGOs). This chapter presents the results of reliability evaluations, response rates, respondent demographic profiles, descriptive statistics, and the four hypothesis tests that were conducted in accordance with the study's goals.

4.2 Reliability Test

Reliability is the measure of the consistency or dependability in assessing or measuring a particular concept or phenomenon (Zikmund, Barry, Jon, & Mitch, 2013). The researcher formulated research questions using a 5-point Likert scale which were distributed to intended respondents. To ensure the consistency and reliability of these questions related to the study variables, the researcher utilized Cronbach's alpha coefficient. The findings from this evaluation are detailed in Table 4.1.

Table 4.1 Reliability Test Results

Study Variables	Item	Cronbach Alpha	Verdict
Board Efficiency	3	0.759	Reliable
Board Diversity	3	0.701	Reliable
Board Composition	3	0.729	Reliable
Board Independence	3	0.772	Reliable
Financial Sustainability	3	0.801	Reliable

Data presented in Table 4.1; the study's variables exhibited Cronbach's alpha coefficient values that exceeded 0.7 following the reliability assessment. The range of

Cronbach's alpha coefficients varied from 0.701 to 0.801. It is a widely accepted standard in research that a reliability value above 0.7 is considered satisfactory (Ursachi, Zait, & Horodnic, 2015). As a result, the study's questionnaire exhibited appropriate internal consistency, indicating that the responses from respondents were reliable and consistent. Further analysis in the current study was then conducted using the responses to the 5-point Likert scale questions pertaining to both the independent factors and the dependent variable.

4.3 Response Rate

The questionnaire for the study was carefully established to enable data collection about how corporate governance guidelines affect the long-term financial viability of non-governmental organizations in Northern Kenya. The researcher administered this questionnaire to collect information from a sample of 54 respondents affiliated with NGOs in Northern Kenya. Notably, all 54 sampled individuals responded to the questionnaire, resulting to a 100 percent response rate. It's worth noting that a response rate exceeding 60 percent are generally considered satisfactory, while those falling within the range of 70 percent to 85 percent are regarded as highly favorable. Response rates exceeding 85 percent are deemed to be excellent (Masden & Wright, 2010). In this study, the 100 percent response rate ensures that the responses from the participants can be effectively utilized for subsequent data analysis.

4.4 Respondent Characteristics

To properly understand the study respondents, the researcher gathered information about their work experience and roles within the NGOs in Northern Kenya. The findings indicated that a substantial 46.3 percent of respondents had a work tenure in the conservancy ranging from 5 to 10 years, while 40.7 percent had less than 5 years of experience in the organization. An additional 13 percent had accumulated a decade or more of experience in this organization. In terms of their roles, the data showed an equal distribution, with 50 percent of the respondents working as board members and the remaining 50 percent serving as conservancy managers. The findings are presented in Table 4.2.

Table 4.2 Respondents Characteristics

Work Tenure in the Conservancy	Frequency	Percent
10years and above	7	13.0 %
5-10 Years	25	46.3 %
Below 5years	22	40.7 %
Current Role	**Frequency**	**Percent**
Board Member	27	50.0 %
Conservancy Manager	27	50.0 %

4.5 Descriptive Statistics

To obtain a thorough grasp of the dataset, descriptive statistics were conducted as an initial stage in the data analysis process. The researcher formulated questions in line with the response variable measures, where respondents were asked to express to what extent they agreed on various measures provided to them. A rating scale, spanning from 1 to 5, was employed for this purpose. The scale's interpretation was as follows: a rating of 5 signified "strongly agree," 4 corresponded to "agree," 3 indicated "neutral" or "not sure," 2 denoted "disagree," and 1 represented "strongly disagree." The study variables are used to display the results.

4.5.1 Board Efficiency Descriptive Statistics

The initial study objective aimed to assess how board efficiency affects financial sustainability. Respondents were requested to respond to questions related to specific measures of board efficiency, which encompassed aspects such as the frequency of meetings, the rate of meeting attendance, and the timeliness of decision-making.

The response with the highest rating was the frequency of board meetings in the conservancy, which received a mean score of 4.33 and a standard deviation of 0.752. The low standard deviation of 0.752 indicates that there was minimal variability in the responses, indicating strong consensus among the respondents. Specifically, 44.4 percent of the respondents strongly agreed, 50 percent agreed and 5.6 percent were in disagreement that board meetings were held regularly. This high level of agreement suggests that the majority of respondents shared a similar view regarding the frequency of board meetings. This alignment is an important positive signal for the conservancy, as it indicates that most participants see the value in frequent board meetings for effective governance and decision-making. Frequency increases encourage debate, performance transparency, and idea sharing to tackle agency issues (Amandi, 2015).

Similarly, the rating for the attendance of all board members at these meetings received a mean score of 4.00, but it had a slightly higher standard deviation of 1.01. This higher standard deviation suggests that there were more variations in the responses. Specifically, 35.2 percent of responses strongly concurred, 44.4 percent concurred 5.6 percent were neutral, and 14.8 percent disputed regarding the attendance of all board members. This variation in responses highlights that while a substantial portion agreed or strongly agreed, there was also a sizable percentage of participants who disagreed or held neutral views. This variation of opinions indicates disparity regarding the attendance of all board members at meetings. . This variation of opinions indicates differing perspectives among the participants regarding the attendance of all board members at meetings. It's essential to stress that board members need to attend all meetings, as board members who attend board meetings can lead to financial sustainability (Karanja and Karuti, 2014).

Conversely, when it comes to the time interval between the raising of issues and the decision-making process, allowing for sufficient time to make well-informed decisions, the mean score was 3.56, and the standard deviation was notably higher at 1.22. This higher standard deviation points to more pronounced variations of responses among respondents. Specifically, 27.8 percent of respondents strongly concurred with the statement, while 33.3 percent concurred. In contrast, 5.6 percent expressed a neutral stance, and another 33.3 percent disagreed with the notion. The presence of such varying levels of agreement, neutrality, and disagreement contributes to the broader range of opinions regarding this aspect of the study, as reflected by the higher standard deviation. This indicates that there is a significant diversity of responses among participants regarding the time allocated for decision-making (Amandi, 2015). These results are presented in Table 4.3.

Table 4.3 Board Efficiency Descriptive Statistics

Question	SA %	A %	N %	D %	SD %	Mean Statistic	Standard Deviation
The conservancy holds board meetings frequently	44.4	50.0	0.0	5.6	0.0	4.33	0.752
All Board Member attends the meetings	35.2	44.4	5.6	14.8	0.0	4.00	1.01
The time between when the issues are raised and when the decision is made is enough to make an informed decision.	27.8	33.3	5.6	33.3	0.0	3.56	1.22

4.5.2 Board Diversity Descriptive Statistics

The researcher's second research objective was to evaluate how board diversity affects financial sustainability. In this regard, respondents were requested to provide their responses to questions that related to various aspects of board diversity, including gender diversity, cultural diversity, and age diversity.

The most highly rated response was related to the diversity of board members in terms of their age groups, scoring a mean of 4.46 and featuring a notably low standard deviation which resulted to 0.503. The low standard deviation is an indicator of a strong consensus among respondents, with 44.3 percent strongly agreeing and 53.7 percent agreeing that the board indeed comprises members from various age groups. The high level of agreement implies that the majority of respondents held a shared perspective regarding the age diversity within the board. This is often seen as a positive attribute in promoting fresh perspectives and well-rounded decision-making process (Nichol et al., 2018).

Likewise, rating representation of all genders on the board received a statistical mean score amounting to 3.94, with a standard deviation of 0.998. This standard deviation suggests more variability in the responses. Specifically, 31.5 percent of respondents who participated strongly agreed, while 46.3 percent agreed, 7.4 percent didn’t have any knowledge of the topic under review hence they were neutral, and 14.8 percent disagreed concerning the representation of all genders on the board. This variation in responses indicates that while a significant portion agreed or strongly agreed, there was also a notable percentage of respondents who disagreed or held neutral views, highlighting disparity regarding gender diversity on the board. Mohamed (2020) indicates that the impact of gender diversity on boards can vary depending on cultural and industry factors. What works in one context may not work in another, leading to differing opinions about its effectiveness.

However, when it comes to the representation of all ethnic groups within the area of operations, the mean score was 3.91, and the standard deviation was notably higher at 1.03. This higher standard deviation points to a more pronounced variation in responses among respondents. Specifically, 29.6 percent of respondents strongly agreed with the statement, while 50.0 percent agreed. In contrast, 1.9 percent expressed a neutral stance, and another 18.5 percent disagreed with the notion. This presence of varying levels of agreement, neutrality, and disagreement contributes to a broader range of opinions on this aspect of the study, as reflected by the higher standard deviation. In light of these results, it’s important for organizations to align their operations with the diverse communities it serves. This alignment can lead to better relationships, trust, and collaboration with community members, ultimately benefiting the organization's sustainability and reputation (Webi & Ouma (2017). These results are presented in Table 4.4.

Table 4.4 Board Diversity Descriptive Statistics

Question	SA %	A %	N %	D %	SD %	Mean Statistic	Standard Deviation
All genders are represented well on the Board	31.5	46.3	7.4	14.8	0.0	3.94	0.998
All ethnic groups within your area of operations are well represented.	29.6	50.0	1.9	18.5	0.0	3.91	1.03
The board consists of Members of different age gaps.	46.3	53.7	0.0	0.0	0.0	4.46	0.503

4.5.3 Board Composition Descriptive Statistics

The third research objective of the study sought to analyze how board composition affects financial sustainability. In pursuit of this goal, respondents were tasked with providing their feedback by responding to questions related to various dimensions of board composition, with a particular emphasis on expertise, versatility, and board size.

The response that received the highest rating pertaining to the perception that "The board of directors has the optimal number of members that allows for efficient decision-making and effective governance." It achieved a mean score of 4.33 and exhibited a low standard deviation of 0.644. This minimal standard deviation indicates a significant consensus among respondents, with 40.7 percent strongly agreeing, 53.7

percent agreeing, 3.7 percent expressing neutrality, and 1.9 percent in disagreement regarding the board's size for efficient decision-making and effective governance. The high level of agreement indicates that the majority of respondents held a shared perspective on the board's optimal size and its role in facilitating efficient decision-making and effective governance. This consensus aligns with the research of Edeti (2020), who highlighted the importance of a well-structured and appropriately sized board in enhancing organizational performance and stakeholder satisfaction. A board that is neither too large nor too small can enhance its capacity to make well-informed, timely decisions, and to provide strong oversight.

Similarly, the rating for the board's ability to adapt, respond, and effectively address a wide range of challenges, opportunities, and changes faced by the organization it governs received a mean score of 3.93, with a standard deviation of 0.821. This standard deviation suggests more variability in the responses. Particularly, 18.5 percent of respondents strongly agreed, 64.8 percent agreed, 9.3 percent were neutral, 5.6 percent disagreed, and 1.9 percent strongly disagreed concerning the board's adaptability and responsiveness to organizational challenges. This diversity in responses indicates that while a significant portion agreed or strongly agreed, there was also a notable percentage of respondents who disagreed or held neutral views, highlighting differing perspectives among the participants regarding the board's ability to respond effectively to organizational challenges. The idea that a board should have the right number of members for agility and informed decision-making, as suggested by Joseph and Ironkwe (2022), aligns with the views of the surveyed respondents.

Nevertheless, when considering the diversity of skills, experiences, backgrounds, and perspectives possessed by board members, the mean score was 3.89, and the standard deviation was notably higher at 0.793. This standard deviation points to significant variation in responses among respondents. Precisely, 16.7 percent of respondents strongly agreed with the statement, while 63.8 percent agreed. In contrast, 14.8 percent expressed a neutral standpoint, 3.7 percent disagreed, and another 1.9 percent strongly disagreed with the notion. This presence of varying levels of agreement, neutrality, and disagreement contributes to a broader range of opinions on this particular aspect of the study, as reflected by the higher standard deviation. However, Webi and Ouma (2017), argue that diversity, in terms of skills and backgrounds, can lead to better decision-making, more innovation, and a deeper understanding of the diverse stakeholders an organization serves. These results are presented in Table 4.5.

Table 4.5 Board Composition Descriptive Statistics

Question	**SA %**	**A %**	**N %**	**D %**	**SD %**	**Mean statistic**	**Standard deviation**
Board members possess a wide range and diversity of skills, experiences, backgrounds, perspectives, etc.	16.7	63.0	14.8	3.7	1.9	3.89	0.793
Board Members can adapt, respond, and effectively address a wide range of challenges, opportunities, and changes faced by the organization it governs	18.5	64.8	9.3	5.6	1.9	3.93	0.821
The board of directors has optimal number of members that allows for	40.7	53.7	3.7	1.9	0.0	4.33	0.644

efficient decision-making and effective governance.

4.5.4 Board Independence Descriptive Statistics

The fourth study objective focused on evaluating how board independence influences financial sustainability. To explore this research objective, respondents were issued with questionnaires to provide their responses to questions concerning various aspects of board independence, encompassing the separation of responsibilities between CEO and chairman roles, disclosure of related party transactions, and board evaluation.

The response that was rated the highest was related to the presence of a separation of duties between the conservancy's manager and its chairman. This response received a mean score of 3.65 and a standard deviation of 1.26. The standard deviation suggests some variation in responses. Explicitly, 29.6 percent of respondents strongly agreed, 38.9 percent agreed, 1.9 percent were neutral, 25.9 percent disagreed, and 3.7 percent strongly disagreed concerning the existence of this separation of duties. The variation in disagreement indicates that there are differing opinions among the respondents on whether such separation exists. Norman, Jaffar, and Mohamat (2007) have contended that when the roles of the CEO and the board chair are separate, it enhances the oversight and coordination of the CEO's actions. This separation serves as a safeguard, preventing the CEO from giving precedence to personal interests at the expense of shareholder interests.

Similarly, the assessment of whether evaluations of the board's performance and effectiveness are conducted regularly to help identify potential conflicts of interest and enhance independence received a mean score of 3.5, with a standard deviation of 1.06. This standard deviation suggests greater variability in the responses. More specifically, 16.7 percent of respondents strongly agreed, 42.6 percent agreed, 14.8 percent were neutral, and 25.9 percent disagreed regarding the regularity of board performance evaluations aimed at identifying potential conflicts of interest and enhancing independence. This variation in responses indicates that there is a range of viewpoints among the respondents. While a substantial portion agreed, there was also a notable percentage of respondents who held neutral or disagreeing views, highlighting differing perspectives on the regularity of these evaluations and their impact on board independence.

However, when examining the disclosure of related party transactions between the organization and its directors, officers, or major shareholders to prevent conflicts of interest, the mean score was 3.20, and the standard deviation was 1.39. This standard deviation points to significant variation in responses among respondents. Specifically, 25.9 percent of respondents strongly agreed with the statement, while 22.2 percent agreed. In contrast, 5.6 percent expressed a neutral standpoint, 38.9 percent disagreed, and another 7.4 percent strongly disagreed with the notion. This indicates a substantial divergence of opinions among the respondents. While a portion strongly agreed or agreed, there was also a notable percentage who held neutral, disagreed, or strongly disagreed views, emphasizing differing views regarding the disclosure of related party transactions and its role in preventing conflicts of interest. In line with this, O'Regan and Oster (2005) stresses the importance of regular evaluations for bolstering board independence and mitigating conflicts of interest. The varied opinions in this survey emphasize the complexity of implementing these assessments, which can vary based on organizational culture, industry, and governance practices. These results are presented in Table 4.6

Table 4.6 Board Independence Descriptive Statistics

Question	SA	A	N	D	SD	Mean statistic	Standard Deviation
There’s a separation of duties between the manager and the Chairman of the conservancy	29.6	38.9	1.9	25.9	3.7	3.65	1.26

They're disclosures of related party transactions between the organization and its directors, officers, or major shareholders to prevent conflict of interest.	25.9	22.2	5.6	38.9	7.4	3.20	1.39
Evaluations of the board's performance and effectiveness is done regularly to help identify potential conflicts of interest and enhance independence.	16.7	42.6	14.8	25.9	0.0	3.5	1.06

4.5.5 Financial Sustainability Descriptive Statistics

The study's dependent variable was financial sustainability, which was defined as the capacity of a firm in maintaining financial health and meet financial obligations over the long term. Achieving financial sustainability typically involves sound financial management practices and strategies that ensure ongoing stability and resilience, even on economic challenges or unanticipated financial shocks (Almagtome et al., 2019). This variable was assessed through three key measures: operational efficiency, funding diversity and stability, and donor engagement and stewardship.

The response with the highest rating was related to maintaining good donor relationships, with actions such as frequent donor visits, regular communications, providing updates on projects' impact, and demonstrating transparency and accountability. This response received a mean score of 4.43 and had a standard deviation of 0.792. The standard deviation of 0.792 indicates that there was minimal variability in the responses, signifying a strong consensus among the respondents.

Specifically, 55.6 percent of the respondents strongly agreed, 37 percent agreed, 1.9 percent were neutral, and 5.6 percent were in disagreement. This indicates a high level of agreement, with the majority of respondents sharing a similar perspective on maintaining good donor relationships. This implies that the surveyed group largely recognizes the significance of donor engagement, transparency, and accountability in the context of the conservancy's operations. By establishing strong connections with donors, the NGO can foster a sense of shared purpose and responsibility, which is essential for the sustained success and impact of its initiatives (Jensen, 2016).

Similarly, the rating for having multiple sources of funding and multi-year grants received a mean score of 3.96, with a standard deviation of 1.16. This standard deviation suggests that there was more variation in the responses. Particularly, 42.6 percent of respondents strongly agreed, 31.5 percent agreed, 7.4 percent were neutral, 16.7 percent disagreed, and 1.9 percent strongly disagreed. This indicates that there is a wider range of opinions among the participants regarding the availability of multiple funding sources and multi-year grants. This suggests that there is a range of perspectives within the surveyed group regarding the importance of diversifying funding sources and seeking multi-year grants. However, Miriti and Karithii (2020) opined that diversifying funding sources and securing multi-year grants can provide NGOs with stability, flexibility, and the ability to plan for the long term, thereby enhancing their resilience and ability to continue and fund their operations in a sustainable manner.

Conversely, when it comes to the adoption of improved operational efficiency mechanisms in the conservancy, such as streamlined organization structures, the use of current technology, effective resource management, partnerships, and collaborations, the mean score was 3.94, and the standard deviation was 1.07. This standard deviation indicates that there was more variation in responses. To be precise, 38.9 percent of respondents strongly agreed with the statement, while 31.5 percent agreed, 14.8 percent expressed a neutral stance, and another 14.8 percent disagreed with the notion. This highlights that there is a diversity of opinions among the participants regarding the adoption of operational efficiency mechanisms in the conservancy. This suggests that the conservancy faces a challenge in achieving consensus on the adoption of these operational efficiency mechanisms. These results are presented in Table 4.7.

Table 4.7 Financial Sustainability Descriptive Statistics

Question	SA %	A %	N %	D %	SD %	Mean statistics	Standard Deviation
Improved Operational efficiency mechanisms have been adopted in your conservancy. E.g., streamlined organization structures, Adoption of current technology, effective resource management, partnerships, and collaborations, etc.	38.9	31.5	14.8	14.8	0.0	3.94	1.07
Your organization has Multiple sources of funding and multi-year grants.	42.6	31.5	7.4	16.7	1.9	3.96	1.16
There are frequent donor visits, regular communications, provide updates on projects' impact, and demonstrate transparency and accountability to maintain good donor relationships.	55.6	37.0	1.9	5.6	0.0	4.43	0.792

4.6 Inferential Statistics

Subsequently, inferential statistics were carried out. It is a set of statistical methods and techniques used to analyze and interpret data to test hypotheses, make predictions, and generalize the findings (Christensen, 2019). This research performed multiple linear regression to establish the nexus among controllable variables (Board efficiency, Board diversity, Board Composition, and Board Independence) and dependent variables (Financial sustainability). To ensure the credibility of this methodology, the study initially conducted diagnostic tests.

4.7 Diagnostic Tests

Multiple linear regression relies on several fundamental assumptions, including the absence of autocorrelation, normality of residuals, and lack of multicollinearity.

4.7.1 Autocorrelation

To test autocorrelation Durbin-Watson test was considered. The test statistics always fall within the 0 to 4 range. A value of 2 suggests the absence of autocorrelation, a value exceeding 2 reveals positive serial correlation, and a value less than 2 suggests negative serial correlation. However, if the Durbin-Watson value is below 1.5 or above 2.5, this may indicate a significant autocorrelation issue. On the other hand, if the Durbin-Watson value falls between 1.5 and 2.5, it suggests that autocorrelation is likely not a concern (Griffith, 2013). In the context of this study, the Durbin-Watson value was calculated to be 1.72. This suggests that the study aligns with the assumption of the regression model, indicating absence of autocorrelation. The results are shown below.

Table 4.8 Durbin–Watson Test for Autocorrelation

Autocorrelation	DW Statistic	P
0.108	1.72	0.256

4.7.2 Normality Test

The study employed Shapiro-Wilk test to assess the normality associated with the study variables. Normality test assumes that the variables employed follow a normal distribution. The normality hypothesis is typically rejected in the test when the significance level is less than or equal to 5 percent, often represented as a significance level of 0.05. If the p-value is less than 0.05, it indicates that the variables employed deviate from the normal curve, leading to the rejection of the normality hypothesis. In such cases, it suggests that the residuals may not follow a normal distribution. The study revealed a P-value of 0.098 as presented in the Table below.

Table 4.9 Normality Test

W Statistic	P
0.952	0.098

Table 4.9 presents the outcomes of the Shapiro-Wilk normality test, which examines whether the unstandardized residuals adhere to a normal distribution. Upon examination, the Shapiro-Wilk statistic yielded a nexus value of 0.098, higher than 0.05 percent. This result suggests that the unstandardized residuals do not deviate from a normal distribution, indicating adherence to a normal distribution.

In addition, the Q-Q plot was used to assess whether the data follows a normal distribution. The normal quantile-quantile (Q-Q) plot is a graphical representation that provides visual insight into the distribution of data points in relation to an idealized normal distribution. When the values closely align with the diagonal line in the Q-Q plot, it suggests that the data points are approximately normally distributed (Jobson, 2012). The fact that all the values are closely aligned with the diagonal line in Figure 4.1 further confirms that the data appears to be normally distributed. This is consistent with the results of the Shapiro-Wilk test, which also indicated that the data did not significantly deviate from a normal distribution.

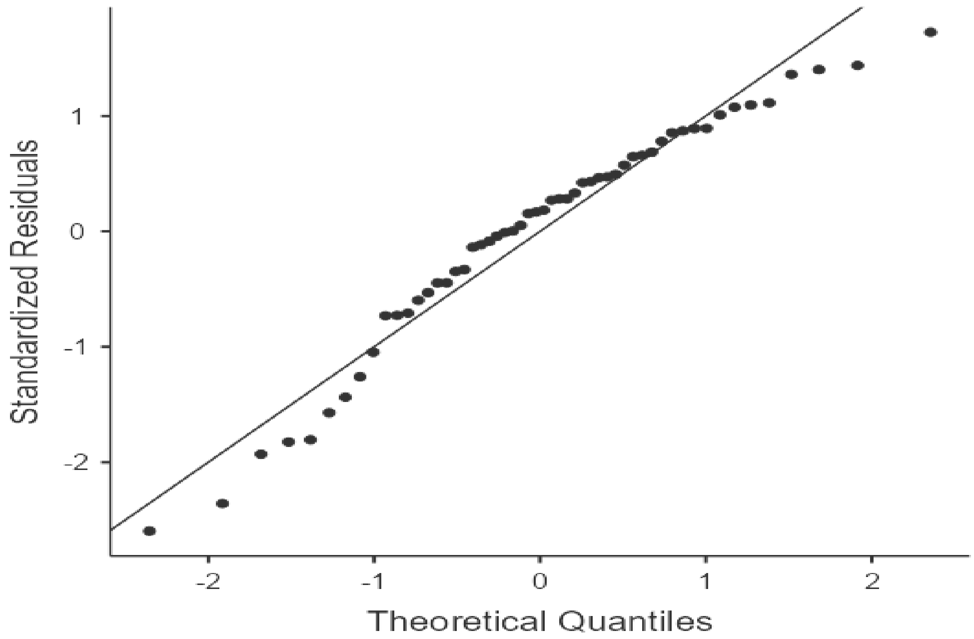


Figure 4.1 Q-Q Plot

4.7.3 Multicollinearity

The study conducted tests to see if there was any multicollinearity, between predictor variables. If multicollinearity is discovered, one or more predictor variables may have to be removed. The study used many approaches to analyze multicollinearity, including the tolerance, and variance inflation factor (VIF). The findings of these tests are as shown below.

Table 4.10 Collinearity Statistics

	VIF	Tolerance
Board Efficiency	1.62	0.618
Board Diversity	1.66	0.603
Board Composition	1.67	0.598
Board Independence	1.83	0.547

Table 4.10 presents the collinearity statistics, demonstrating that the tolerance values less than 1 and VIF values below 5 (Fox, 2019) affirms the absence of multicollinearity in the data.

4.8 Regression Analysis

To investigate the nexus between corporate governance procedures and the financial sustainability of NGOs operating in Northern Kenya, the study used multiple linear regression analysis as its statistical method. This approach was selected because it allows for a comprehensive examination of how various independent variables influence the dependent variable (Zikmund, Barry, Jon, & Mitch, 2013). The study involved thorough evaluations of the controllable variables, and the regression model was employed to test the relationship between board efficiency, board diversity, board composition, board independence, and the financial sustainability of NGOs specifically in the context of Northern Kenya. This approach facilitated a deeper revelation on nexus between these key variables and their collective effect on financial sustainability.

The analysis included a test to assess the variations in the response variable that can be expounded by the controllable variables. The results of this test are summarized in table 4.11, where it can be observed that the coefficient of correlation (r) stands at 0.4777. Furthermore, the coefficient of determination (R square) is calculated to be 0.2282, and the adjusted R square is 0.1651.

Table 4.11 Regression Statistics

Regression Statistics	
Multiple R	0.4777
R Square	0.2282
Adjusted R Square	0.1651

Table 4.11 presents key statistical values for the analysis, including the correlation coefficient (r) of 0.4777, the coefficient of determination (R square) at 0.2282, and

the adjusted R square of 0.1651. The correlation coefficient (r) measures the strength and direction of the relationship between independent and dependent variables and ranges from -1 to +1. A higher value signifies a stronger relationship, with a range of +0.3 to +0.7 generally indicating a moderate positive correlation (Olive, 2017). In the context of this study, the calculated correlation coefficient of 0.4777 indicates a moderate positive relationship between corporate governance practices and the financial sustainability of NGOs in Northern Kenya. This suggests that as corporate governance practices increase, there is a moderate positive effect on the financial sustainability of these organizations.

The R-squared value of 0.2282 indicates that approximately 22.82 percent of the variations in the dependent variable can be attributed to the independent variables considered. Meanwhile, the adjusted R-squared value of 0.1651 tells us that roughly 16.51 percent of the variations in the dependent variable can be specifically attributed to these independent variables. It's crucial to note that the remaining 83.49 percent of variations are influenced by unaccounted factors not addressed in this study. The adjusted R-squared, which is endorsed for describing the nexus between predictor and dependent variables, is particularly useful (Olive, 2017). Therefore, the adjusted R-squared value of 16.51 percent effectively characterizes the connection between corporate governance practices and the financial sustainability of NGOs in Northern Kenya, signifying that 16.51 percent of the variations in financial sustainability can be explained by the variables analyzed in this study.

In addition, an analysis of variance (ANOVA) test was used to determine the model's overall significance. Table 4.12 presents the results, which show a calculated F-value of 3.62 with a significance value of 0.01.

Table 4.12 Analysis of Variance

	Df	SS	MS	F	Significance
Regression	4	81.22	20.31	3.62	0.01
Residual	49	274.78	5.61		
Total	53	356			

According to the information provided in Table 4.12, the significance value is 0.01, which falls below the typical significance level of 0.05. This suggests that the regression model holds statistical significance in its ability to predict the effect of corporate governance practices on financial sustainability. Furthermore, the calculated F-value stands at 3.62, surpassing the critical F-value of 2.00 at a 5% significance level. As a result, the overall model demonstrates statistical significance.

In Table 4.13, you can find the coefficients (β) and their corresponding p-values for the independent variables and the constant in the regression model. The constant has a coefficient of 2.52, board efficiency is 0.32, board diversity is 0.24, board composition is 0.51, and board independence is -0.28. The p-values for the constant, board efficiency, board diversity, board composition, and board independence are 0.39, 0.08, 0.25, 0.08, and 0.09, respectively. These coefficients and p-values provide insights into the strength and significance of the relationship between the independent variables and the dependent variable, which is crucial for understanding the effect of corporate governance practices on financial sustainability in Northern Kenya.

Table 4.13 Regression Coefficients

	Coefficients	Standard Error	t Stat	P-value
Intercept	2.52	2.90	0.87	0.39
Board efficiency	0.32	0.18	1.77	0.08
Board diversity	0.24	0.20	1.16	0.25
Board composition	0.51	0.28	1.80	0.08
Board independence	-0.28	0.16	-1.73	0.09

The coefficient for the constant stands at 2.52, implying that when all independent variables are at zero, the predicted value of the dependent variable is 2.52. For board efficiency, the coefficient of 0.32 suggests that a one-unit increase in board efficiency is associated with a 0.32-unit increase in the dependent variable, assuming all other variables remain constant. Similarly, a one-unit increase in board diversity corresponds to a 0.24-unit increase in the dependent variable, holding all other variables constant. The coefficient for board composition is 0.51, indicating that a one-unit increase in board composition leads to a 0.51-unit increase in the dependent variable while keeping other variables constant. In contrast, the coefficient for board independence is -0.24, signifying that a one-unit increase in board independence results in a decrease of 0.24 units in the dependent variable, with other variables remaining constant. This establishes a prediction equation as outlined below:

Financial sustainability = 2.52 + 0.32 Board Efficiency + 0.24 Board Diversity + 0.51Board Composition – 0.28 Board Independence + ε

4.9 Hypothesis Testing

The study employed multiple linear regression analysis to explore the connection between each independent variable and the dependent variable, taking into account the significance of P-values. If the P-value falls below the 5% significance level, the null hypothesis is rejected; if it exceeds this level, the null hypothesis is not rejected.

The initial null hypothesis was testing the board efficiency has no statistically significant relationship with financial sustainability. The results presented in Table 4.13 show that board efficiency has a P-value of 0.08 and a coefficient (β) of 0.32. This suggests that a one-unit increase in board efficiency corresponds to a 0.32-unit increase in financial sustainability. Furthermore, as the P-value for board efficiency is greater than the 5 percent threshold, it is considered statistically non-significant in explaining the positive relationship between board efficiency and financial sustainability. The results agree with the study conducted by Amandi (2015) who found that there is a positive correlation between board efficiency and financial sustainability of NGOs in Nairobi County, though the significance of the variable was not assessed.

The subsequent null hypothesis was testing the board diversity has no statistically significant relationship with financial sustainability. The results presented in Table 4.13 show that board diversity has a P-value of 0.25 and a coefficient (β) of 0.24. This suggests that a one-unit increase in board diversity corresponds to a 0.24-unit increase in financial sustainability. Furthermore, as the P-value for board diversity is greater than the 5 percent threshold, it is considered statistically non-significant in explaining the positive relationship between board diversity and financial sustainability. The results agree with the study conducted by Webi and Ouma (2017) who found that there is a positive correlation between board diversity and financial sustainability of NGOs in Nairobi County, though the significance of the variable was not assessed.

The other null hypothesis was testing the board composition has no statistically significant relationship with financial sustainability. The results presented in Table 4.13 show that the board composition has a P-value of 0.08 and a coefficient (β) of 0.51. This suggests that a one-unit increase in board composition corresponds to a 0.24-unit increase in financial sustainability. Furthermore, as the P-value for board composition is greater than the 5 percent threshold, it is considered statistically non-significant in explaining the positive relationship between board composition and financial sustainability. The results disagree with various studies conducted in different contexts. For instance, a study carried out by Edeti (2020) in commercial banks in Ethiopia found that board composition has a weak relationship with financial sustainability. Similarly, Abdi et al (2021) found that there is a positive and significant relationship between board composition and financial sustainability in micro-finance institutions within Nairobi County.

The final null hypothesis was testing the board independence has no statistically significant relationship with financial sustainability. The results presented in Table 4.13 show that the board independence has a P-value of 0.09 and a coefficient (β) of -0.28. This suggests that a one-unit increase in board independence corresponds to a 0.28-unit decline in financial sustainability. Furthermore, as the P-value for board independence is greater than the 5 percent threshold, it is considered statistically non-significant in explaining the negative relationship between board independence and financial sustainability. The results disagree with the study carried out by Pallavi et al (2020) who found that there is a significant relationship between board independence and financial sustainability. Additionally, Mititeam (2022) found that board independence has a positive and significant relationship between the variables.

CHAPTER FIVE

DISCUSSION OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

Based on the study variables, this part presents a discussion, conclusions, and recommendations.

5.2 Discussion of the Findings

5.2.1 Board Efficiency on financial sustainability

Evaluating the effect of board efficiency on financial sustainability was the first study objective. This assessment involved various measures of board efficiency, including the frequency of board meetings, attendance at these meetings, and the time allocated for informed decision-making. With a mean score of 4.33 and a low standard deviation of 0.752, the response with the highest rating—the frequency of board meetings—indicated significant consensus. Similarly, all board members' attendance at meetings scored a mean of 4.00, with a somewhat greater standard deviation of 1.01, indicating some heterogeneity in the responses. On the other hand, there was greater diversity of opinion in the mean score of 3.56 and a significantly higher standard deviation of 1.22 for the time interval between bringing up issues and making decisions. A strong positive correlation (0.32) and a high p-value (0.08) were found to corroborate the statistical analysis's non-significant positive association between board efficiency and financial sustainability.

5.2.2 Board Diversity on financial sustainability

The second Objective of the study aimed at assessing the effect of board diversity on financial sustainability. It included evaluating aspects of age diversity, gender diversity, and cultural diversity within the board. Age diversity received the highest rating, showing strong consensus with a mean score of 4.46. This indicates that a majority of respondents are in agreement that the board comprises members from various age groups. On the other hand, gender diversity on the board had more varied responses with a mean score of 3.94, suggesting differing perspectives among participants. Representation of all ethnic groups in the area of operations had a mean score of 3.91, reflecting a broader range of opinions. A high p-value (0.25) and a positive coefficient (0.24) suggest that there is a non-significant positive association between board diversity and financial sustainability, according to the statistical study.

5.2.3 Board Composition on financial sustainability

The study's third goal was to evaluate how board composition affects financial sustainability, paying particular attention to aspects like diversity, adaptability, and size of the board. The response with the highest rating was related to the optimal number of board members for efficient decision-making and governance, receiving a mean score of 4.33 and a low standard deviation of 0.644. This indicated strong consensus among respondents that the board's size contributes to effective decision-making and governance. Similarly, the board's ability to adapt and address challenges received a mean score of 3.93, with more variability in responses. Finally, the diversity of skills and backgrounds among board members had a mean score of 3.89, with a higher standard deviation, indicating significant variation in responses. The statistical analysis found that board composition may influence financial sustainability but did not establish a significant relationship due to a P-value of 0.08 and a coefficient of 0.51.

5.2.4 Board Independence on financial sustainability

To evaluate the impact of board independence on financial sustainability, the fourth study objective looked at a number of factors, including the separation of the CEO and chairman responsibilities, frequent board performance reviews, and disclosure of related party transactions. The comment that received the highest rating, with a mean score of 3.65 and a standard deviation of 1.26, was on the division of responsibilities between the chairman and manager of the conservancy. This indicated that respondents' opinions on the existence of this divide varied, leading to some heterogeneity in their responses. Similarly, there was more variation in the replies to the assessment of regular board performance reviews, which had a mean score of 3.5 with a standard deviation of 1.06. A mean score of 3.20 and a standard deviation of 1.39 were assigned to the disclosure of related party transactions, indicating a substantial diversity in the responses. The statistical research revealed a non-significant negative link with a P-value of 0.09 and a coefficient of -0.28 between board independence and financial sustainability.

5.3 Conclusion

5.3.1 Board Efficiency on financial sustainability

The statistical analysis's findings contradict the assumption that board effectiveness and financial sustainability are significantly correlated. Regarding board efficiency, the study revealed no statistically significant findings, even though respondents had a high degree of agreement about the frequency of board meetings as well as complete board member participation. The results show that there is no significant positive correlation between board efficiency and financial sustainability, with an enhanced p-value of 0.08 and a positive coefficient of 0.32.

5.3.2 Board Diversity on financial sustainability

There is no proof, according to statistical research, that there is a meaningful correlation between board diversity and financial sustainability. The findings indicate that there is no statistically significant positive correlation between financial sustainability and diversity on the board. The high p-value of 0.25 and the positive coefficient of 0.24, which show that board diversity has no statistically significant effect on financial sustainability, confirm this result.

5.3.3 Board Composition on financial sustainability

There is no statistically significant correlation between board composition and financial sustainability, according to the analysis's findings. More specifically, there was no apparent relationship between board members' composition and financial sustainability according to the analysis. The comparatively high p-value of 0.08 and a coefficient of 0.51 imply that, although there may be an influence, it is not statistically significant, supporting this conclusion of the study.

5.3.4 Board Independence on financial sustainability

Regarding board independence, the statistical analysis was unable to demonstrate a significant relationship with financial sustainability. The lack of a significant relationship is evident from the high p-value of 0.08 and a coefficient of -0.51, which indicates that board independence may not exert a significant influence on financial sustainability in the context of this study.

5.4 Recommendations

In the context of NGOs in Northern Kenya, it is clear from the study's findings that there is no meaningful correlation between different aspects of corporate governance procedures and financial sustainability. Nonetheless, these results provide an opportunity for organizations to explore alternative approaches and improvements in their corporate governance practices. The following recommendations are based on the study's findings, to offer a more comprehensive and refined set of guidelines:

To enhance financial sustainability, organizations should focus on recruiting conservancy managers who possess professional skills and a deep understanding of the dynamics of financial sustainability. These individuals can play a crucial part in ensuring the organization's financial health. Additionally, providing financial management training for the board of directors is essential. Equipping board members with financial knowledge will enable them to make more informed decisions and exercise effective financial oversight. Organize capacity-building programs and training sessions for both board members and conservancy managers. These programs can enhance their understanding of financial management and governance best practices.

Establishing clear policy guidelines for decision-making processes is vital. Having well-defined procedures for raising organizational concerns and making decisions or providing feedback can streamline operations. Clarity in these processes reduces the risk of delays and uncertainties, promoting more effective and timely actions within the organization.

Promoting diversity within the board of directors is crucial for organizations seeking financial sustainability. This can be achieved by including board members of various ages, backgrounds, and experiences. Diverse perspectives can lead to innovative ideas and creative problem-solving. Encouraging ethnic and cultural diversity among board directors fosters inclusivity and broadens the range of insights and strategies available to the organization.

To prevent potential bias and conflicts of interest, organizations should establish a clear separation of roles between board members and conservancy managers. This separation ensures that decisions are made objectively and in the best interests of the organization. Furthermore, introducing a comprehensive conflict of interest policy is essential. This policy should mandate the disclosure of related-party transactions and ensure transparency in handling such transactions.

Consideration should be given to introducing term limits for board directors. Implementing term limits ensures a regular influx of fresh perspectives and new talent within the board. This rotation of board members can invigorate the organization, prevent stagnation, and keep the board aligned with the organization's evolving needs.

Encourage active engagement with key stakeholders, including donors, members, and local communities. Their input can provide valuable insights and support for sustainable practices. Active engagement with these key stakeholders creates a more inclusive, accountable, and sustainable conservancy culture. It not only enriches the organization's financial sustainability efforts but also strengthens its mission by aligning it with the needs and aspirations of those it serves and collaborates with.

Diversify funding sources to reduce overreliance on a single funding stream. This may include exploring grants, donations, partnerships, and revenue-generating activities that align with the organization's mission. By diversifying funding sources, the conservancies can build a resilient financial foundation that guards against sudden revenue shortfalls, enabling them to pursue their mission and promote financial sustainability with confidence and stability.

Establish a framework for measuring the social and environmental impact of the organization's activities. Demonstrating positive outcomes can attract more support and funding for sustainability initiatives.

Collaborate with other organizations, NGOs, and institutions that share similar missions. Building a network and forming strategic partnerships can open up new opportunities for financial support and shared resources.

Regularly assess and review the effectiveness of the board's operations, decision-making processes, and overall governance practices. Implement changes and improvements as needed to enhance board efficiency.

Conduct a skills audit of board members to ensure that the board collectively possesses the necessary skills, including financial expertise, to contribute effectively to the organization's financial sustainability.

Consider introducing performance-based incentives for board members and conservancy managers tied to financial sustainability metrics. This can align individual and collective efforts with the organization's financial goals.

5.5 Suggestions for Further Research

The primary focus of this investigation was to discover how corporate governance policies, procedures, and practices influence the financial viability of non-governmental organizations in Northern Kenya. Other scholars should concentrate on other different aspects of corporate governance in other industries, such as health, and manufacturing, Agriculture among others. Additionally, the study concentrated on four variables which amounted to 16.51% Variations in FS of NGOs in Northern parts of Kenya. Future researchers should consider other factors attributing to the remaining 83.49% as well as take into consideration moderating factors/variables in their studies.

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APPENDICES

Appendix I: Introduction Letter

Dear Sir/Madam,

I am a Post graduate student at The Cooperative University of Kenya, admission number MBAC01/6527/2021. In Partial fulfilment of the Award of Master Degree of Business Administration, I am conducting an academic research project on; “Corporate Governance and Financial Sustainability of NGOs in Northern Kenya.

A questionnaire has been developed to assist in gathering relevant information for this study. No risk is associated with this study since the information you will provide will be used purely for academic purposes.

Thank you!

Wanjiru Moureen Muraguri

Appendix II: Research Questionnaire

SECTION A: Demographic Information

1. Name of the Conservancy

2.How long have you worked in this conservancy?

Less than 1 yr. [] 1-5yrs [] 6-10yrs [ ] Over 10 years [ ]

3. What is your current position?

Board member [] Conservancy manager [ ]

SECTION B: Corporate Governance

6. Kindly answer all the questions

Please indicate the extent to which you agree with each statement with reference to the corporate governance and financial sustainability of NGOs (Conservancies) in Northern Kenya.

Given as scale of 1-5, Where 1=Strongly Disagree, 2= Disagree, 3=Neutral, 4= Agree, 5 Strongly Agree.

Descriptive Statement	**1**	**2**	**3**	**4**	**5**
Board Efficiency					
The conservancy hold board meetings frequently					
All Board Member attends the meetings					
Time between when the issues are raised and when decision is made is enough to make informed decision.					
Board Diversity					
All genders are represented well in the Board					

All ethnic groups within your area of operations are well represented.					
Board consists of Member of different age gaps.					
Board Composition					
Board members possesses wide range and diversity of skills, experiences, backgrounds, and perspectives, etc.					
Board Members can adapt, respond, and effectively address a wide range of challenges, opportunities, and changes faced by the organization it governs					
The board of directors has optimal number of members that allows for efficient decision-making and effective governance. (Research and best practices suggest that a board size ranging from 5 to 15 members is generally considered effective)					
Board Independence					
There's separation of duties between manager and Chairman of the conservancy					
They're disclosures of related party transactions between the organization and its directors, officers, or major shareholders to prevent conflict of interest.					
Evaluations of the board's performance and effectiveness is done regularly to help identify potential conflicts of interest and enhance independence.					

SECTION C: Financial Sustainability

7.Please indicate the extent to which you agree with each statement.

Given as scale of 1-5, Where 1=Strongly Disagree, 2= Disagree, 3=Neutral, 4= Agree, 5 Strongly Agree

Descriptive Statement	**1**	**2**	**3**	**4**	**5**
Financial Sustainability					
Improved Operational efficiency mechanisms have been adopted in your conservancy. E.g., streamlined organization structures, Adoption of current technology, effective resource management, partnerships, and collaborations, etc.					
Your organization has Multiple sources of funding and multi-year grants.					
There are frequent donor visits, regular communications, provide updates on projects' impact, and demonstrate transparency and accountability to maintain good donor relationships.					

Appendix III: University Introduction Letter

THE CO-OPERATIVE UNIVERSITY OF KENYA

P. O. Box 24814-00502 Karen, Kenya

Telephone: (020)-2430127/2679456/8891401 Fax (020)-8891410

www.cuk.ac.ke

BOARD OF POSTGRADUATE STUDIES

12th September, 2023

The Director,
National Commission for Science, Technology & Innovation,
Utalii House,
Nairobi.

Dear Sir,

REF: MOUREEN WANJIRU MURAGURI, REG NO. MBAC01/6527/2021

This is to introduce the above named Master of Business Administration student in the School of Business and Economics (SBE) at the Co-operative University of Kenya.

She has successfully completed her course work and is proceeding to the field to collect data from non-governmental organisations in Northern Kenya. The title of her research project is ***"Corporate Governance Practices and Financial Sustainability of Non Governmental Organisations in Northern Kenya"***.

Kindly accord her the necessary assistance.

Yours Sincerely,

D. K. Muthoni,
Director, Board of Postgraduate Studies.

Cc: Dean, SBE.

CUK is ISO 9001: 2015Certified

Appendix IV: NACOSTI Research Permit

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **628975**

Date of Issue: **26/September/2023**

RESEARCH LICENSE

This is to Certify that Miss.. Moureen Wanjiru Muraguri of The Cooperative University of Kenya, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Samburu on the topic: CORPORATE GOVERNANCE PRACTICES AND FINANCIAL SUSTAINABILITY OF NGOs IN NOTHERN KENYA for the period ending : 26/September/2024.

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See overleaf for conditions

Appendix V: Northern Kenya Based Conservancies under Northern Rangelands Trust

1. Nanapa Community Conservancy
2. Narupa Community Conservancy
3. Naapu Community Conservancy
4. Nanapisho Community Conservancy
5. Songa Community Conservancy
6. Melako Community Conservancy
7. Shurr Community Conservancy
8. Jaldesa Community Conservacy
9. Ngare Ndare Forest Trust
10. Kirimon Community Conservancy
11. Ruko Community Conservancy
12. Kaptuya Community Conservancy
13. Kalama Community Conservancy
14. West Gate Community Conservancy
15. Sera Community Conservancy
16. Naibunga Lower Community Conservancy
17. Naibunga Upper Community Conservancy
18. Naibunga Central Community Conservancy
19. Il-Ngwesi Community Conservancy
20. Lekurruki Community Conservancy
21. Meibae Community Conservancy
22. Ltungai Community Conservancy

23. Ngilai Community Conservancy

24. Kalepo Community Conservancy

25. Nalowon Community Conservancy

26. Nkoteyia Community Conservancy

27. Biliqo – Bulesa Community Conservancy

28. Nasuulu Community Conservancy

29. Nakupurat – Gotu Community Conservancy

30. Kirimon Community Conservancy

31. Leparua Community Conservancy