African Journal of Emerging Issues
Peer reviewed | Double blind | Interdisciplinary

African Journal of Emerging Issues (AJOEI)
Online ISSN: 2663 - 9335
Available at: https://ajoeijournals.org

FINANCE

INCOME DIVERSIFICATION STRATEGIES AND FINANCIAL SUSTAINABILITY FOR CATHOLIC SOCIETIES OF APOSTOLIC LIFE IN KENYA

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ABSTRACT

Purpose of the Study: The study sought to understand how income diversification strategies affect the financial sustainability of Faith Based Organizations. The study focussed on Catholic Societies of Apostolic Life working in Kenya.

Statement of the Problem: Faith-Based-Organizations have been working on income diversification strategies for the financial sustainability of their mission activities, however, the decline in the traditional sources of income such as funds from churches in Europe and America, has seriously enhanced the speed of change. Faith Based Organizations working in Kenya today face financial sustainability challenges that make them reduce the number of mission activities.

Methodology: The study applied a descriptive research design and used survey data collected by use of a questionnaire. Pilot testing was done to assess the validity of the questionnaire. Cronbach's Alpha was used to measure of reliability of the survey questions. Factor analysis was used to extract variables from the responses. These variables were then used for regression analysis to examine the relationship between the independent variables (strategies of income diversification) and the dependent variable (financial sustainability).

Result: The findings showed that an increase in non-related sources of income diversification strategy and cost recovery strategy increases the financial sustainability of Catholic Societies of Apostolic Life working in Kenya. However, related sources of income diversification strategies are related negatively to financial sustainability. The regression model controlled for the promoters of the society.

Conclusion: The area of operation does not have a significant effect on financial sustainability while the promoters of the society has a positive and significant effect on financial sustainability.

Recommendation: The study, therefore, recommends that Catholic Societies of Apostolic Life working in Kenya should consider engaging more in non-related sources of income diversification strategies as they seek to be financially sustainable. The societies also need to be that as cost recovery strategy is also key to financial sustainability, non-related sources of income diversification strategy is more effective for financial sustainability. Moreover, relying only on related sources of income diversification strategy will not contribute to long term financial sustainability.

Keywords: *Income, Diversification, Strategies, Financial, Sustainability, Catholic, Societies*

1.1 BACKGROUND TO THE STUDY

There is a saying, 'a person who fails to plan, plans to fail,' and this implies that if Catholic Societies of Apostolic Life in Kenya seek to continue to succeed in their mission activities, then they must subject themselves to ongoing planning for the financial sustainability of their activities. Statistical data indicate that a study on the "Sustainability of the Social Ministry of Churches and Church Related Organizations in Africa" that was performed by the Christian Organizations Research Advisory Trust (CORAT), which is a Pan-African Christian research and consultancy body, discovered that of the 17 CROs interviewed, 18% said that they were sustainable while 82% stated that they were in heading in the direction of a crisis. This study, therefore, points out that financial sustainability for CROs and Faith Based Organizations is indeed a priority issue (CORAT Africa, 2002).

The financial sustainability of Catholic Societies of Apostolic Life in Kenya has for many years relied on single source funding from individual donors, parishes in Europe and North America, donor organizations, charitable foundations, and government ministries in order to meet their mission and objectives. This has hitherto worked well because these Catholic Societies have relied on the goodwill, kindness, and generosity of benefactors to meet the expenses incurred when carrying out mission activities. The single source income has come in the form of grants, aid donations, and contributions given to these societies sometimes even without considering future planning for financial sustainability of the mission activities (Chakawarika, 2011).

Despite the increased demand for funds from international funding organizations, Owiti in 2012, noticed that in comparison to the late 1980s and 1990s, recent donor funding has dropped by 55%. One such international funding organization is the Holy See in Rome, which, in February 2020, according to the Vocations Director of the Catholic Diocese of Murang'a has reduced the funding given to activities run by Catholic Dioceses in Kenya such as training and formation of Seminarians of his diocese. The reduction is caused by donor fatigue and other factors which according to Sr. Margaret Mutiso, Program Coordinator of The Leaders Guild (TLG) a leadership programme under the Centre for Leadership and Management (CLM), Tangaza University College (TUC) and Sr. Constance Aloo, the Executive Secretary for Catholic Scholarship Programme for Kenya (CSPK), is a wakeup call to Catholic Societies of Apostolic Life and other Institutions to learn diversify their sources of income and develop effective and efficient mobilization of financial resources for sustainability of their activities (Owiti, 2010).

The need for planning and adopting income diversification strategies for the financial sustainability of the mission activities carried out by Catholic Societies of Apostolic Life working in Kenya became more pronounced during the 2008 and 2009 Global Financial Crisis. These effects of the Global Financial Crisis included a reduction in funding that was the main source of income for organizations such as the Catholic Societies of Apostolic Life in Kenya. Besides that, the Global financial crisis in 2008, saw donors themselves begin to continually face funding constrictions. These constrictions limited their capacity to fund NGOs and reduced their budgetary allocation thus threatening the very existence of the donor agency. Since NGOs such as Catholic Societies of Apostolic Life serve in high-need communities in Kenya, where there is need for regular and consistently offered solutions, the difficulty of financial sustainability is even more prominent. Hence, rather than wait for the end of the mission activities, as the saying goes, 'a stich in time saves nine,' so Catholic Societies of Apostolic Life working in Kenya need to work proactively to strategize on how to diversify their sources of income (Ogutu & Mang'unyi, 2011).

Today, the Catholic Societies of Apostolic Life are faced with more challenges that show a need to constantly review their strategies for raising of critical funds while acknowledging socio-economic and political developments that many people in Kenya to be victims of poverty, drought, floods and HIV/AIDS. In response to these challenges, some Societies of Apostolic Life working in Kenya, like other religious congregations and dioceses in Kenya, are embracing income diversification strategies. Already, some religious congregations and dioceses like the Archdiocese of Nairobi, the Diocese of Marsabit, Society of Jesus and the Mill Hill Missionaries are carrying out on social entrepreneurship activities like rental houses, restaurants, and guest houses.

The key to financial sustainability for any organization as pointed out by Viravaidya and Hayssen (2001), is income diversification. Following the decline in income and substantial reduction in funding, many organizations are today seeking to remain financially sustainable by diversifying their sources of income. This diversification calls for planning and adopting viable strategies. Such strategies involve resource mobilization and income generation schemes that will supplement the organization's resources and complete any budgetary gaps while meeting the expenditure items that they are likely to incur in their financial years of operation.

To diversify their sources of income, Faith-Based-Organizations may adopt the strategy of 'never put your eggs in one basket.' In this way, such organizations can hold a mixed portfolio of investments instead of depending on one investment to yield returns for the organization. This will help keep organizations such as Catholic Societies of Apostolic Life working in Kenya to remain financially sustainable while they meet current and future financial needs. Viravaidya and Hayssen (2001), therefore, affirm that diversification is associated with sustainability such that if one income diversification strategy fails, the other strategy can compensate for the failure.

Income diversification is the process by which Faith-Based-Organizations such as Catholic Societies of Apostolic Life working in Kenya can broaden their income base by embracing different economic activities. By mentioning that income diversification is a process, it implies that Catholic Societies of Apostolic life working in Kenya engage in some income diversification activities such as offering some products to the market by taking part in commercial activities and so not only engage in mission activities but also to do some non-mission activities. In the most successful cases, adapting income diversification strategies creates increment in income by investing in other non-mission related activities.

For any organization to accomplish its goals and objectives, there needs to be financial sustainability for all its activities. Davies (2003) suggests that non-profit organizations should make plans so that on the one hand, they raise enough funds from internal sources that can be able to offset their operating costs. Alongside that, the non-profit organizations can approach external donors for funds to meet programme costs. In addition to that, Kuria and Wanyoike (2016), financial sustainability in organizations such as Catholic Societies of Apostolic Life working in Kenya, can be realized by means of monitoring of net income, profits, and liquidity. Financial sustainability includes the capacity of a business to protect its capability (Bowman, 2011). Within the context of this research study, the term economic sustainability describes the capability of Faith-Based-Organizations such as Catholic Societies of Apostolic Life operating in Kenya to preserve and support their capability to supply important social services without over-reliance on either a singular inside or external contributor support for income (Carroll & Stater, 2009). The indicators of financial sustainability include clearly defined income generating strategic plans.

Therefore, in practice, the characteristic of a financially sustainable Catholic Society of Apostolic Life working in Kenya is to have a varied funding base that permits access to unrestricted funds, to solid partnerships with stakeholders, and to easily accessible funds (World Council of Churches, 2005). However, many, organizations, just like the Catholic Societies of Apostolic Life working in Kenya today continue to have a donor-dependent vision making them vulnerable to shut down unless income diversification strategies are not implemented.

Catholic Societies of Apostolic Life are congregations in the Roman Catholic Church that are part of Faith-Based-Organizations carrying out the mission of Jesus Christ in many countries of the world including Kenya. Their mission includes helping the poor, marginalized, and disabled to become resourceful people in the society. This can be seen in the various schools, hospitals, colleges, and universities set up and run by these societies. An example is the Tangaza University College whereby several Catholic Societies of Apostolic Life working in Kenya have come together to offer training and empower young people with skills so that they can serve the community. Besides that, the Catholic Societies of Apostolic Life have been implementing projects such as skills empowerment projects for the youths, income generating projects for widows, and service rendering projects (Mbugua, Nyiva & Gathano, 2017).

1.2 STATEMENT OF THE PROBLEM

Faith-Based-Organizations have been working on income diversification strategies for the financial sustainability of their mission activities, however, the decline in the traditional sources of income such as funds from churches in Europe and America, has seriously enhanced the speed of change. Currently some Faith-Based-Organizations implement income diversification strategies such as agribusiness and hotel industry. Faith Based Organizations have now to engage in additional activities alongside carry out their mission objectives to be financially sustainable and the way Faith-Based-Organizations. Subsequently, Faith Based organizations that do not adapt these changes have had to stop mission activities that are not financially sustainable.

In Kenya, some Catholic Societies of Apostolic Life have ceased operations of some of their activities due to lack of income obtained from donations and fund. An example is the Plastic recycling project in Kisumu run by the Mill Hill Missionaries that ended in 2002 after donors withdrew their support. Another example is the Challenge Program for physically challenged children in Shauri Moyo, Nairobi, which was run by Mill Hill Missionaries and had to stop in 2014 when the donors declined to send funds for the project. It is with this concern that, this study is intended to investigate the main income diversification strategies in Faith Based Organizations and how they affect Faith Based Organizations such as Catholic Societies of Apostolic Life working in Kenya's financial sustainability.

However, several studies have been undertaken across the world on NGO financial sustainability but not much has been written about Catholic Societies of Apostolic Life working in Kenya. Additionally, these studies have not addressed the significant risk posed by the fast decline in funding from traditional sources of income for Faith Based Organizations. It is in this light the research was targeted to fill the current gap through doing an examination concerning the impacts of alternative sources of income and strategies that will contribute to the financial sustainability of Catholic Societies of Apostolic Life in Kenya.

1.3 OBJECTIVES OF THE STUDY

i. To determine the effect of related sources of income diversification strategy on financial sustainability in Catholic Societies of Apostolic Life in Kenya.
ii. To determine the effect of non-related sources of income diversification strategy on financial sustainability of Catholic Societies of Apostolic Life in Kenya.
iii. To determine the effect of recovery cost income diversification strategy on the financial sustainability of Catholic Societies of Apostolic Life in Kenya.

1.4 RESEARCH QUESTIONS

i. How does related sources of income diversification strategy affect financial sustainability of Catholic Societies of Apostolic Life in Kenya?
ii. How does non-related sources of income diversification strategy affect financial sustainability of Catholic Societies of Apostolic Life in Kenya?
iii. How does cost recovery strategy affect financial sustainability of Catholic Societies of Apostolic Life in Kenya?

1.5 Conceptual Framework

Figure1 shows the causal relationship between the independent variables of income diversification and dependent variable of financial sustainability in Societies of Apostolic Life working in Kenya. The conceptual framework provides a clear picture of various variables that are likely to influence financial sustainability. It also demonstrates that there are control variables that affect financial sustainability.

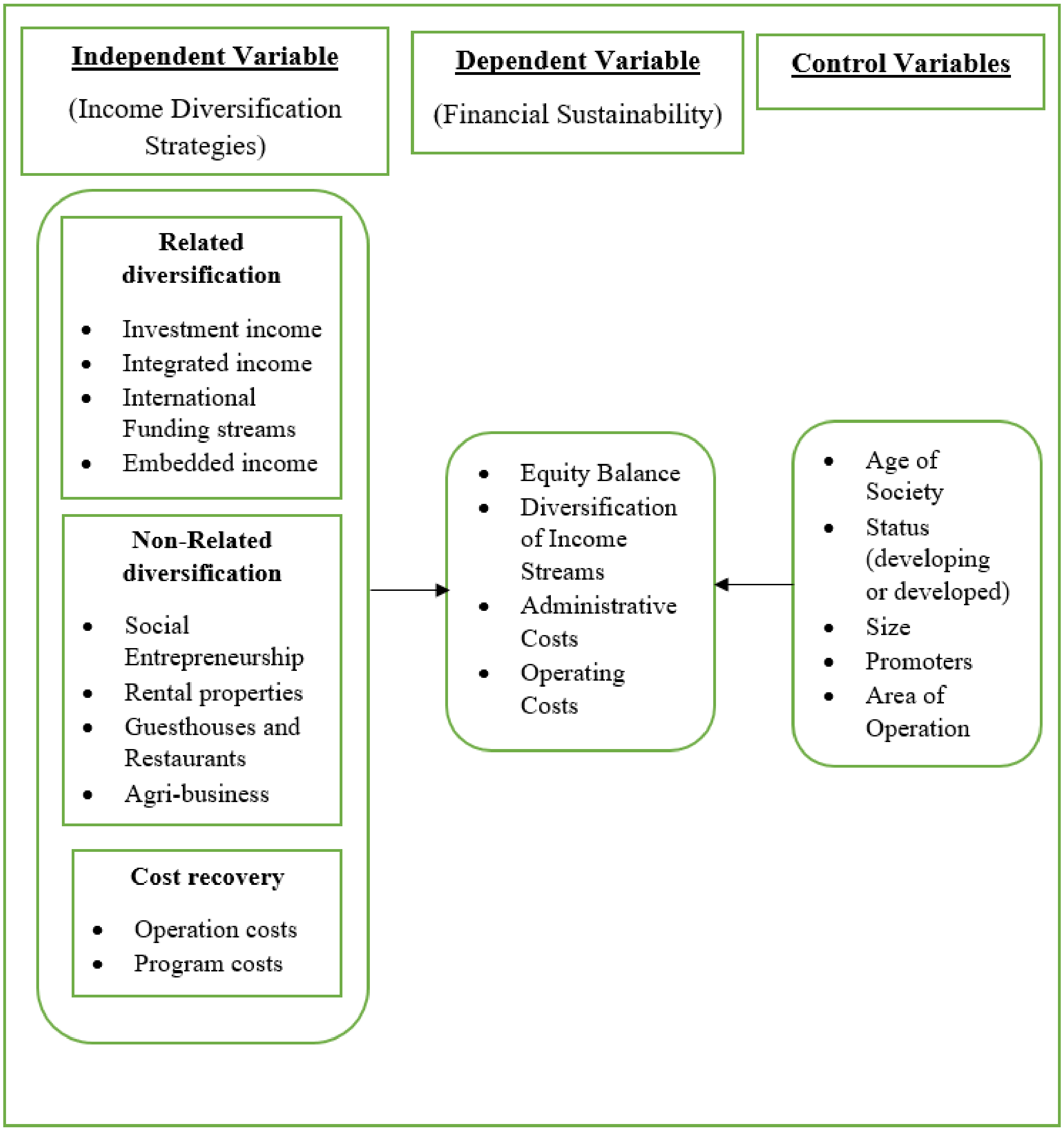

Figure 1: Conceptual Framework

2.1 Theoretical Review

2.1.1 Resource-Based View Theory

In the recent past the RBV theory has evolved to demonstrate how strategic resources and capabilities enables organizations to have financial sustainability. RBV theory can, therefore, be used to explain the financial sustainability of Catholic Societies of Apostolic Life working in Kenya. The strategic resources and capabilities place such organizations at an advantage when making decisions concerning financial sustainability (Kay, 2000). The ultimate benefit of this theory is within the idea of gaining competitive edge over rivals. RBV theory provides important insights right into why companies with valuable, rare, inimitable, and non-substitutable (VRIN) resources could enjoy greater performance and financial sustainability as compared to other organizations in the industry (Barney, 1995).

The term resources has been variously specified by RBV philosophers, but can consist of monetary capital, properties, human skills/knowledge, business processes, and modern technologies owned by companies as well as are used to gain a strategic competitive advantage over various other players in the industry (Carmeli, 2001). This happens irrespective of the type of firm, and are necessary for developing products, services as well as strategies. Other scholars in favour of RBV theory additionally insisted that valuable, rare, one of its kind, and non-substitutable (VRIN) resources create lasting competitive edge because beneficial sources of any kind enable firms to implement effective and efficient methods for maintaining company procedures (Barney, 1995).

A firm is a well-structured, unique collection of elements known as resources as well as capabilities, and RBV theory points out two relevant sources of advantages: sources as well as abilities. To further specify sources, Kurniawan and Christiananta (2018) presumed that sources are the possessions, capacities, business processes, firm abilities, expertise in addition to details that a business uses to initiate more effective approaches. The more distinct and imaginative the approach, the extra prosperous and organization will certainly become (Barney, 1995). Barney (1995) suggested that leaders of companies ought to focus on the potential of their firms. This is alongside exploring the use of internal resources owned by the firm. By doing so, the organizations stand to gain an advantage over the rest of the players in the market.

The above characteristics can be seen in Faith-Based-Organizations such as Catholic Societies of Apostolic Life working in Kenya. Many Catholic Societies of Apostolic Life are yet to explore their internal resources so as improve their financial sustainability. Some religious organizations working in Kenya such as Society of Jesus and Comboni Missionaries pursued various ways to improve their financial sustainability. With that, they have opened a new way of operating that has since threatened to close religious organizations. As a result, similar organizations such as Catholic Societies of Apostolic Life working in Kenya have had to adapt to the new trend in the way church related organizations are run. This is to continue to provide essential services while carrying out their mission activities. To deepen the provisions of the RBV theory, this research investigates two other theories; RDT and RMT.

2.1.2 Resource Dependence Theory

The RDT mentions firms are open systems that depend on their mainly external environment 'to obtain essential resources such as employees, information, basic materials and innovation' (Hirschheim, Heinzl & Dibber, 2009). This concept studies just how the external sources of companies or environmental variables influence the behavior of the organization. These sources which organizations depend on can either be concrete or intangible properties or even both. These assets are used by organizations to plan and implement strategies such as income diversification strategies (Barney & Arikan, 2001). Dependence Pfeffer and Salancik (2003, p.237) believe is “the product of the relevance of a provided input or result to the organization as well as the level to which it is managed by relatively few companies.” Therefore, the three main assumptions in RDT are: (a) social context matters; (b) companies create strategies to keep their autonomy and goals; and (c) power is very important for understanding why companies behave and act in specific methods (Davis & Cobb, 2010).

In addition to that, according to Pfeffer and Salancik (2003), companies depend upon their exterior environments so much to ensure that if those environments adjustment and are not dependable for example if the source is unsteady, after that the company might encounter troubles. The implication of reliance on the outside atmospheres are such that a problem might occur for the economic sustainability of companies that may also compel them to transform their tasks. These actions to the modifications in the atmosphere likewise include organizations exploring new methods to expand their income sources. The level to which organizations depend upon a single resource demonstrates how prone they are to outside impacts that come from other stakeholders in their external atmosphere.

Another crucial ramification of RDT is that the more companies depend on other firms, the more important the external companies are to their operation and monetary sustainability. And the more important these outside organizations are to companies, the most likely these organizations gain control of the affairs of the company. Such outside control can intimidate the independence, authenticity, and innovative capacity of the companies. This implies that they encounter external control by other firms that exist side-by-side in the exact same environment, especially when it is no longer feasible for them to depend upon the same setting (Pfeffer & Salancik, 2003). Nonetheless, Mitchell (2012) proposes that organizations such as Confidence Based Organizations are essential parts of the civil society market and their freedom vis-à-vis donor companies is very important.

The RDT applies to the current study because Catholic Societies of Apostolic Life working in Kenya are organisations each involving a system which operates in a social context and develop strategies to retain their autonomy and goals to achieve financial sustainability. Responses to the changing social context includes organizations exploring new income diversification strategies to reduce dependency on single source funding. This will ultimately lead to financial sustainability of Faith Based Organizations.

2.1.3 Resource Mobilization Theory

The RMT theory was first formally published by John McCarthy and Mayer Zald in 1977, in a key paper whereby they outlined the ideas of source mobilization concept. Mobilization is the procedure of developing teams, groups, organizations, and companies for the pursuit of cumulative goals. This theory, mainly applied to social movements, states that the ability of social movements to succeed depends on the resources at their disposal such as time, money, and skills, among others as well as the ability to effectively put them into use (Eltantawy & Wiest, 2011).

The RMT further outlines several ways that organizations can obtain the resources that they need. These include self-production of resources by organizations, combine the available resources owned by their members, or pursue external sources (either from small-scale donors or bigger grants). Moreover, resource mobilization theorists point out how an organization's resources can have an impact on how it carries out its objectives. For instance, organizations that are funded by external donors could end up facing a situation where their activities are constrained by the preferences of the donor (Eltantawy & Wiest, 2011). So, it is the role of the organization to attract money and supporters of the organization's mission and even to capture the media's attention, forge alliances with those in authority, and set up an organizational structure (Edwards & Gillham, 2013).

In addition, the RMT comes from a fund-raising strategy. So, an organization needs to adopt a fund-raising strategy that enables it to acquire necessary resources to meet its objectives. The theory acknowledges that one of the most important resources for the organization is the financial resource. Financial resource is so important such that if an organization does not have money, then it cannot be able to mobilize other resources available in the society. One practical way of understanding this is that in a market-oriented economy such as the case in Kenya, the financial resource determines the development or reduction of other resources. So, it is worth noting that the RMT assumes that without such financial resources, organizations such as social movements cannot be effective in advancing any social change (Kendall, 2005).

The RMT applies to this study because Faith Based Organizations such as Catholic Societies of Apostolic Life working in Kenya are that need resources to realize their objectives and mission. RMT has presented several ways and strategies that Catholic Societies of Apostolic Life working in Kenya can obtain the resources that they need. These include self-production of resources and fund-raising that are the income diversification strategies. It is the adoption of such strategies that contribute to the financial sustainability of Catholic Societies of Apostolic Life working in Kenya.

2.1.4 Modern Portfolio Theory

Modern Portfolio Theory was first identified and established by Harry Markowitz in the 1950's. His work forms the foundation of modern portfolio. The resulting theory as changed and increased by great deals of scientists is typically called modern account concept. Modern Profile Theory (MPT) tries to maximize expected profile returns proportionate with a provided quantity of portfolio risk or lessening threat for a supplied level of awaited returns, by carefully selecting the percent of various residential properties (Bhalla, 2008).

Modern Portfolio Theory is a mathematical formula concerning the principle of financial investment diversity, with the function of selecting properties that jointly entail lowered threat than any private ownership. While taking a look at the partnership in between revenue variety and economic sustainability for non-profits, the modern-day profile concept advises that even more variety minimizes volatility at the expense of reduced anticipated earnings. Revenue diversity is embedded in the profile principle (Kingma, 2003). In account idea, it is commonly assumed for suppleness that returns are generally distributed over the period under analysis (Greenlee & Tuckman, 2007).

Modern Portfolio Theory provides a channel where to assess the ideal mix of revenue streams

(Mayer, Wang, Egginton & Flint, 2014). Modern Portfolio Theory is relevant to this research in up until now as it considers the complicated communication of revenue streams (Kingma, 2003) and monitoring decisions on the revenue diversity strategies to be embraced (Jegers, 1997), rather than considering a single approach alone. A diversified portfolio brings about stability of incomes and can lead to promote more organizational sustainability. Therefore, the MPT assumptions such as income diversification decreases income volatility and normal distribution of returns, are relevant to this study since by adapting suitable income diversification strategies, Catholic Societies of Apostolic Life working in Kenya can increase their financial stability.

2.1.5 Legitimacy Theory

Legitimacy theory postulates that organizations such as Faith Based Organizations continually work towards ensuring that they operate within the bounds and norms of their respective societies. When an organization adopts the Legitimacy Theory view, it would willingly report on activities especially if the management were convinced that those activities were expected by the communities where it operates. Also, Legitimacy Theory relies on the notion that there is an agreement between an organization and the community in which it functions. An organization influences the society in which it functions, while the organization is also influenced by the society in which it operates. The social contract is used to represent the various expectations a society has regarding how an organization should deliver its services (Deegan, 2002).

Cost recovery is linked to legitimacy, and this is at the organizational level when there is similarity between organization and society value system. Legitimacy is important in improving the accountability in operations of organizations such as Faith Based Organizations. Legitimacy is important for such organizations because they represent the interests of the poor people and other problems affecting the local communities (Songco, 2007). Faith Based Organizations also need from time to time to allocate funds for improvement of the quality of the services they render to the local communities. Therefore, legitimacy theory was found appropriate in this research which holds that income diversification is one of the elements that affects the monetary sustainability of Faith Based Organizations such as Catholic Societies of Apostolic Life working in Kenya.

2.2 Empirical Review

2.2.1 Financial Sustainability

The definition of financial sustainability differs dramatically between not for revenue making organizations and profit-making companies depending on the nature of revenue of the company, the objectives and framework of the organization, (Bowman, 2009). Since our study involves not for profit organizations namely, Catholic Societies of Apostolic Life working in Kenya, the financial sustainability of such organizations relates to that of Faith Based Organizations. The financial sustainability of such Faith Based Organizations in relation to income diversification is the capacity of the company to generate its own income or raise funds in your area while lowering donor funding dependence but still able to carry out the necessary projects for a direct duration (Lewis, 2011).

Financial sustainability is the dependent variable in this research work. To measure this, Tuckman and Chang (1991) suggests four main indicators which will be used. These are measures of financial sustainability of Non-Profit Organizations such as Catholic Societies of Apostolic Life working in Kenya are equity balance, diversification of income streams, administrative costs and operative costs. Equity balance is calculated as the total assets of the Non-Profit Organization such as Catholic Societies of Apostolic Life less liabilities. When there is a large equity balance, the Catholic Society of Apostolic life can re-finance an existing property. This can be either through obtaining a loan or sales. This measure is also widely accepted as an indicator of long-term financial stability (Glynn, Murphy, Perrin & Abraham, 2003).

Catholic Societies of Apostolic Life working in Kenya benefits from financial sustainability in a variety of ways. One, they have the flexibility to initiate and implement their own activities. Two, they can realize further growth of the society's projects. Third, they can say ‘no’ to some sources of income that have different values from their own. Furthermore, financial sustainability reduces the danger that a withdrawal of funding might force the organization to stop project work which would harm the lives of the stakeholders who depend on the project. The implementation is done while maintaining strong ties with Faith Based Organizations, funding organizations, and beneficiary communities.

2.2.2 Related Income Diversification Strategy and Financial Sustainability

There are various diversification strategies that can be implemented to achieve financial sustainability for Catholic Societies of Apostolic Life working in Kenya. These diversification strategies include receiving income not only from corporate and individual donors, government sources and foundations, but also from several business activities. Thus, the diversification strategies can be categorised as related income diversification strategy, non-related income diversification strategy, and cost recovery strategy. The related income diversification strategy includes tapping international funding streams (Kurosaki, 2003). Faced with funding challenges, some Faith Based Organizations have responded with hard work, good planning and entrepreneurial spirit that has seen them successful in carrying out their mission activities (Barrett, Bezuneh, Clay & Reardon, 2000).

The international funding streams can also be realized from external finances. These outside finances are available from sources such as government, local authorities, nationwide lottery game, counts on and foundations, service, and individuals (Graham, 2008). These outside finances that can aid acquire funds to run Confidence Based Organization's programs are from three sources; interested third parties, who provide to the Faith Based Company largely for the individual contentment stemmed from grants and contributions; after that the recipients of the Faith Based Company's programs, that value their participation more than the price of getting involved and three, the unconnected 3rd parties, who will certainly pay the Faith Based Organization in return for something of value that the company can make or provide for them such as business endeavours (Viravaidya & Hayssen, 2001).

The influence of income diversification on anticipated revenue and volatility for charitable companies, was examined by Mayer, Egginton, Wang and Flint, in 2014. The study revealed that the impacts of adapting revenue diversity strategies on volatility and expected revenue depend upon the compositional modifications in the investment profile. These researchers likewise learnt that on the one hand, a much more varied profile realized by changing gained earnings with donations reduces both the volatility and anticipated income. While on the other hand, replacing investment revenue with contributions to obtain a rise in diversification of the exact same degree decreases volatility and raises anticipated profits (Mayer, Egginton, Wang & Flint, 2014). This suggests there are other reasons for Faith Based Organizations such as the Catholic Societies of Apostolic Life working in Kenya, to have investments.

Further investigations on the main strategies NGOs have for income diversification, as a path to financial sustainability with focus on Romanian NGOs, found that the choice of revenue strategies is related to the context each NGO has (Crisan & Dan, 2018). This relates to the Resource Dependence Theory whereby the context that can be described considering the organization life cycle, specialization, location of the organization and the recent lessons each NGO has learned relating to specific revenue strategies. It therefore shows that the age of the organization as well as its location do play a role in the income diversification strategies to be adopted by an organization for financial sustainability.

2.2.3 Non-related Income Diversification Strategy and Financial Sustainability

Faith Based Organizations have been experiencing difficulty in finding adequate, appropriate and continuous income for their mission activities (Jacobsen, 2005). To address this difficulty Faith Based Organizations such as Catholic Societies of Apostolic Life working in Kenya and turning to local resource mobilization. The regional resource mobilization offers potential for Faith Based Organizations to elevate funds from neighbourhood services, individuals, governments, and locally created earnings (Edwards & David, 1995). The locally generated income may include income from activities such as agribusiness, hospitality business and social entrepreneurship. These activities are often not related to the core mission of the organization.

The relationship between social entrepreneurship and financial sustainability was studied in a research on how social enterprise model can add to resolving financial sustainability troubles for social purpose organizations such as Faith Based Organizations. This research study utilized illustrator case-study of the Bangladesh Rural Development Committee (BRAC), and) and based upon an economic ratio evaluation for the years of 2005 and 2009. The study ended that a profits structure based upon social venture initiatives, against donor gives, contributed to an extra economically lasting organization (Salvado, 2011). This supports the Resource Based View Theory that explains the non-related income diversification strategies for financial sustainability. Therefore, the adoption of social entrepreneurship as a strategy for financial sustainability is one area that should not be ignored by Catholic Societies of Apostolic Life working in Kenya.

In Africa, an empirical study was conducted by Mohamed and Muturi (2017) on factors influencing economic sustainability of local non-Governmental organizations in Puntland, Somalia. This research which utilized a detailed research design revealed that there was a favourable and significant impact of diversification techniques and strategic monitoring on monetary sustainability of local NGOs. Concepts such as Profile theory and Source Based View concept that have likewise been used in this study, were used in the research of neighbourhood NGOs in Somalia. The arise from the research better exposed that companies which had actually expanded their income sources and embraced strategic plans delighted in more monetary sustainability than the companies that did not. So, this points out that Catholic Societies of Apostolic Life working in Kenya do need to embrace income diversification strategies as they seek financial sustainability.

In Kenya, Kisinga and Angila (2006), reported that NGO’s including Catholic Societies of Apostolic Life, should actively advocate for social entrepreneurship, so long as those enterprises meet legal and tax obligations, and the profits are ploughed back into the organizations. This affirmed the relationship between social entrepreneurship as a form of non-related income diversification strategy and financial sustainability of Faith Based Organizations. According to CRDA (2001), CROs need to develop more business-like procedures, concentrating on one of the most achievable kinds of enterprise framework yet without endangering their main objective of giving solutions to the bad and various other deprived teams.

For many Faith-Based-Organizations, social entrepreneurship, agribusiness, and rental activities serve as non-related income diversification strategy that enables them to reduce their reliance on donations, and to either subsidize or recover program costs. In these cases, social entrepreneurship contributes to reduction in program deficits and efficient use of financial resources (Rao and Holt, 2005). Therefore, income diversification should start with an overall organizational evaluation that includes, strategic analysis of the current situation, the strengths of the organization, and opportunities, alongside a study of the zealous climate.

2.2.4 Cost Recovery Strategy and financial sustainability

Cost Recovery describes a way to recuperate all or a proportion of the costs to deliver a non-profit service or fund a distinct activity such as restructuring or assessing operational efficiency of the organization to improve delivery of services. Examples of such costs incurred in service delivery are special events, conference fees, paid training, and fee-for-service. Such distinct activity is therefore one that is marries with the organization's mission (Hampson et al., 2011). When planning to invest financial and human resources into a project so that businesses are run for the benefits of the community as well as for the financial sustainability of the organizations, there is need for Faith Based Organizations to prioritize covering the costs incurred by the organizations. This points to how relevant cost recovery is while implementing income diversification strategies (van Dijk et al., 2014).

The relevance of cost recovery strategy in increasing financial sustainability was observed in a study carried out on a care centre run by Structure Resources throughout Community (BRAC), a huge organization in Bangladesh, through of July 2004 - June 2005. The study concluded that adapting the cost recovery strategy not only increases financial sustainability of the organization, but it also decreases dependency on a single source of income in Bangladesh (Alam & Ahmed, 2010). This study shows that if a Faith-Based-Organization can recover its cost through funds that are generated by itself, then dependence on donors can reduce and ultimately, it will become a financial sustainable organization (Pathak, 2018).

Cost recovery is widely recognized as an important component in sustainable community projects and it is just one of a variety of conditions that must be present in order to ensure the continuation of advantages intended by neighbourhood jobs. Yet, it is a fact that remains to draw an excessive amount of attention, in creating nations and somewhere else, because of the influence that fell short cost recuperation can carry service arrangement and neighbourhood advancement (Hilary & Snijder, 1999). The Human Growth Record (2003), which worries on governance, shows that the spaces in institutional and management capability in many federal governments, cost-recovery concepts, are broad. This converts right into less efficient planning and budgeting for the water field. According to the Record, to lower the voids in service provision, expense recovery ought to as well as does play critical duty.

In New Jersey, Weiwei (2010) in a study discovered that certain organizational and environmental features such as management, capacity, environment, and investment measures have a positive effect on funding variety and by extension, have a significant influence on non-profit income diversification. The study then concluded that income diversification does help organizations maintain their financial sustainability. This further supports the relevance of the management of

Faith Based Organizations such as Catholic Societies of Apostolic Life working in Kenya committing themselves to implement income diversification strategies for financial sustainability.

The commitment of Faith Based Organizations such as Catholic Societies of Apostolic Life working in Kenya's management is important. This is because it is the management that is in the best position to develop a vision and present the instance for revenue diversity activities, alongside involve the wider Belief area while doing so (Reisch, Spash, & Bietz, 2008). Faith Based Organization leaders are additionally vital in creating the essential change treatments connected to earnings diversity, whether social or business adjustment. A number of the earnings diversification activities intended to improve and create new resources of income necessitate acquisition of new expertise, which is not always available within the organization.

Adopting added revenue streams is as a result needed to alleviate the risks of an unexpected decrease in income or to progress the growth of the organization's tasks. Faith-Based-Organizations likewise apparently technique income diversity as a technique of accomplishing a lot more adaptability of their interior monetary management. Income that is produced by the organization often reacts to different guidelines in regards to financial resources allocation. The majority of people are of the view that additional income resources might include minimal administrative requirements, although, the truth is that this is not necessarily the instance.

3.1 RESEARCH METHODOLOGY

This study adopted a descriptive research design. The descriptive design was chosen because it is unique in the number of variables employed, therefore, it can include multiple variables for analysis (Borg & Gall, 1989). Descriptive research design was suitable for this study because it enabled the researcher to conduct the study in the natural environment of the respondent. The target population of this research comprised all the members of the ten Societies of Apostolic Life working in Kenya. According to the report of the Religious Superiors Council of Kenya of 2019, there are 220 members of the Societies of Apostolic Life working in Kenya. The 141 respondents provided information about their societies. The researcher used the purposive sampling technique because it enables the researcher to concentrate on people with particular characteristics that can better assist with the relevant research. This study therefore concentrated on members holding different positions of responsibility in the Catholic Societies of Apostolic Life working in Kenya. These are members who were directly involved in the planning and implementation of the Catholic Societies' financial strategies. These members included, local council society representatives, regional and provincial leaders, past and present, society financial administrators, and development and project coordinators of the Societies of Apostolic Life Working in Kenya.

Descriptive analysis was employed in the research work. Descriptive statistics is relevant because it allows researchers to present data in a meaningful manner, and enhances a simpler interpretation of the data in any form of study (Cooper & Schindler, 2011). The researcher sought to determine the descriptive statistics of dependent variable, (financial sustainability). Results were presented in tabular form. The study proceeded to determine if a relationship existed between the dependent variable (financial sustainability of Catholic Societies of Apostolic Life) and independent variables (related sources of income diversification strategy, non-related sources of income diversification strategy, cost recovery strategy, and other any other factors). This is because the study involved Catholic Societies of Apostolic Life who work in Kenya but originate from outside Kenya. A multiple regression model was used to examine the effect of the influence of the independent variables on the dependent variable (financial sustainability).

4.0 FINDINGS AND DISCUSSION

A total of 141 questionnaires were distributed among the 10 Catholic Societies of Apostolic Life working in Kenya in accordance with the study sample size, out of which 130 were duly filled and returned, resulting to an initial response rate of 92.2%. These results indicated that a majority (81.7%) were male while 18.3% were female respondents. Approximately two-thirds of the respondents (66.2%) were in administrative positions while the rest were in other activities within the societies. This suggests that the respondents were well informed of the issues that were of concern in this study. This gives credence to the information obtained from them as being appropriate for the study. All the respondents had held their current positions of responsibility for more than one year. Majority of respondents (80%) belong to Catholic Societies whose headquarters are outside of Kenya. The study found that majority of the respondents (78.3%) belong to Catholic Societies of Apostolic Life that have existed for more than 150 years. This suggests that a majority these societies have a lot of experience in financial sustainability. Majority (80%) of the Catholic Societies of Apostolic Life have more than 150 active members. This suggests that a majority these societies have members who actively implement their mission objectives and have interest in the financial sustainability of their mission activities. Majority (76%) of the Catholic Societies of Apostolic Life operate in rural and urban, semi-urban, and urban areas. This implies that a majority these societies carry out their mission activities in strategic areas (urban and semi-urban) where they can access resources for financial sustainability.

4.1 Descriptive Statistics

Table 1 depicts descriptive statistics results.

Table 1: Descriptive Statistics

Variables	Minimum	Maximum	Mean	Std. Deviation
Related sources of income diversification strategy	-1.122	3.258	0.000	1.000
Non-related sources of income diversification strategy	-3.367	0.080	0.000	1.000
Cost recovery strategy	-3.677	1.290	0.000	1.000
Financial sustainability	-3.032	1.304	0.000	1.000
Age	-1	1	0.77	0.465
Size	-1	1	0.67	0.542
Status	0	1	0.89	0.318
Area of operation	-1	1	0.28	0.720
Promoters	0	1	0.86	0.348

The results in the above Table 1 show an average mean score of 0.000 for related sources of income diversification strategy with a minimum of -1.122 and a maximum of 3.258. The standard deviation is 1.000 shows a standard normal distribution. Also, the results revealed an average of 0.000 with a minimum of -3.367 and a maximum 0.080 for non-related sources of income indicating that majority of the respondents agreed that non-related sources of income affected financial sustainability of the society to a great extent. The standard deviation of non-related sources of income diversification that was found to be 1.000 presents a standard normal distribution.

The minimum cost recovery strategy in the sample is -3.677 and the maximum is 1.290 with an average of 0.000. Similarly, financial sustainability of Catholic Societies of Apostolic Life working in Kenya, had an average of 0.000 with a minimum of -3.032 and a maximum 1.304 implying that majority of the respondents agreed that cost recovery strategy affected financial sustainability of the society to a great extent. The standard deviation of financial sustainability that was found to be 1.000 shows a standard normal distribution.

Also, an average mean score of 0.77 implies that majority of respondents agreed that the age of the society affected financial sustainability with a minimum of -1 and a maximum of 1. The standard deviation is 0.465. Moreover, according to the results the average of 0.67 indicates that majority of respondents agreed that size affected financial sustainability of the society to a great extent, with a minimum of -1 and a maximum 1. The standard deviation of the control variable status was found to be 0.318. The minimum for the variable status in the sample is 0 and the maximum is 1 with an average of 0.89. This means that in the sample, the respondents agreed that status affects financial sustainability. In addition, an average mean score of 0.28 for area of operation with a minimum of -1 and a maximum of 1, and a standard deviation is 0.720. The standard deviation is higher than the mean shows that area of operation does not affect financial sustainability. Again, according to the results the average of 0.86 indicates that majority of the respondents agreed that promoters affected financial sustainability of the society to a great extent, with a minimum of 0 and a maximum 1. The standard deviation of the control variable promoters was found to be 0.348.

4.2 Univariate Analysis

Presented in Table 2 are correlation analysis results.

Table 2: Pearson's Correlations

N = 115	Relsou	Nonrels	Costrec	Age	Status	Size	Area	Prom	Finsust
Relsou	1	-.675***	-.566***	.214**	.045	.185	-.050	-.001	-.696***
		(.000)	(.000)	(.011)	(.318)	(.024)	(.297)	(.495)	(.000)
Nonrels		1	.626***	-.180	-.176	-.111	-.116	-.021	.731***
			(.000)	(.027)	(.030)	(.119)	(.108)	(.413)	(.000)
Costrec			1	-.100	-2.14	-.016	-.110	-.062	.565***
				(.143)	(.011)	(.432)	(.120)	(.256)	(.000)
Age				1	-0.003	.490***	.144	-.095	-.264***
					(.487)	(.000)	(.062)	(.155)	(.002)
Status					1	.138	.100	-.144	-.215
						(.071)	(.143)	(.063)	(.011)
Size						1	.058	-.153	-.325***
							(.269)	(.051)	(.000)
Area							1	-.194	.033
								(.019)	(.363)
Prom								1	.224**
									(.008)
Finsust									1

***. Represents correlation significance at 1% level, ** represents significance at 5% level, N is the number of respondents, Relsou represents related sources independent variable, Nonrelsou represents non-related sources variable, Costrec represents cost recovery variable, Age represents the Age of society control variable, Status represents the status of the society as local or international variable, Size represents the strength of membership of the society variable, Area represents the Area of operation variable, Prom represents the local promoters control variable, and Finsust is the financial sustainability dependent variable

The results of the correlation analysis as presented in Table 2 indicate that the variables non-related sources of income diversification strategy and cost recovery strategy have a positive and significant correlation with financial sustainability. The related sources of income diversification strategy variable is negatively and significantly correlated with financial sustainability at 1% level ($r = -0.696$, p<.05). The Pearson correlation results also show that the independent variable non-related sources of income is positively and significantly correlated to financial sustainability at 1% level ($r = 0.731$, P<.05). Similarly, the results show that the independent variable cost recovery strategy is positively and significantly correlated to financial sustainability (r = 0.565, p<.05) at 1% level. These positive and significant correlations imply that an increase in non-related sources of income diversification strategy and cost recovery strategy adds to the financial sustainability of Catholic Societies of Apostolic Life working in Kenya.

It should be noted that the control variables promoters and area are positively correlated to financial sustainability. Promoters variable has a positive correlation with financial sustainability (r = 0.224, P<.05) at 5% level. This implies that the presence of local promoters for the activities of Catholic Societies of Apostolic Life working in Kenya contributes significantly to their financial sustainability. Also, the control variable of area of operation has a positive correlation with financial sustainability ($r = 0.033$, $p>.05$). This shows that the area of operation (in rural or urban and semi-urban areas) affects financial sustainability of the societies but not significantly.

The control variable of size of the society has a negative correlation with financial sustainability ($r = -0.386$, $p<.05$). This implies that the number of members belonging to the society significantly affects financial sustainability. Age also has a negative correlation with financial sustainability ($r = -0.264$, $p<.05$), at 1% level. This implies that an increase in the age of Catholic Societies of Apostolic Life working in Kenya above 150 years does not contribute significantly to their financial sustainability. Similarly, status (location of society headquarters in developed or developing country) variable also has a negative correlation with financial sustainability ($r = -0.215$, $p<.05$). This infers that the status of the society does not matter for financial sustainability.

In summary, two of the three independent variables are significantly correlated to financial sustainability. And two of the control variables are positively correlated to financial sustainability. This shows that the long term financial sustainability of Catholic Societies of Apostolic Life in Kenya is affected by non-related sources of income diversification strategy, cost recovery strategy, promoters, and area of operation.

4.3 Multivariate Analysis

Regression analysis results are presented in Table 3.

Table 3: Regression results

Dependent variable = Financial sustainability				
Variable	β	**t-value**	**p-value**	**VIF**
(Constant)	−0.204	−0.815	0.417	
Relsou	-0.276^{***}	−3.191	0.001	2.177
Nonrels	0.456^{***}	6.162	0.000	2.268
Costrec	0.163^{**}	2.434	0.048	1.851
Age	−0.014	−0.232	0.817	1.392
Status	−0.046	−0.837	0.404	1.204
Size	-0.181^{***}	−2.930	0.004	1.405
Area	0.080	1.451	0.150	1.310
Promoters	0.222^{***}	4.070	0.000	1.057
N	115			
Adjusted R-Square	0.691			
F-value (P-value)	0.000			

*** Represents the significance at 1% level, ** Represents significance at 5% level, N represents the number of observations, and β is the coefficient of the variables, Relsou represents related sources variable, Nonrelsou represents non-related sources variable, Costrec represents cost recovery variable, Age represents the Age of society control variable (-1 for societies less than 50 years, 0 for societies between 50 and 150 years, 1 for societies above 150 years old), Status represents the status of the society(0 for societies whose headquarters are in developing countries and 1 for societies whose headquarters are in developed countries) , Size represents the strength of membership of the society (-1 for societies with less than 50 members, 0 for societies with between and 150 members, and 1 for societies with more than 150 members), Area represents the

Area of operation variable (-1 for rural areas only, 0 for rural, semi-urban and urban areas, 1 for urban and semi-urban areas), Promoters represents the local promoters control variable (0 for international promoters only and 1 for local and international promoters).

The results reveal that the model had a reasonable goodness of fit (F= 32.921, p= 0.000) and adjusted R Square of 0.691. This means that 69.1 % of the variation in the dependent variable (financial sustainability) is explained by the independent variables in the model while the other proportion (30.9%) is explained by other factors not considered in this study.

The coefficient of related sources of income diversification strategy is negative and significant at 1% level to financial sustainability meaning that an increase in related sources of income does not significantly contribute to financial sustainability. However, the coefficient of non-related sources of income is positive and significant at 1% level which means that an increase in non-related sources of income leads to an increase in financial sustainability. Similarly, the coefficient of cost recovery strategy is positive and significant at 5% level which means that an increase in cost recovery income leads to an increase in financial sustainability. A unit increase in non- related sources of income leads to 0.456% increase in financial sustainability while a unit increase in cost recovery income leads to 0.163% increase in financial sustainability. This infers that a unit increase of non-related sources of income diversification strategy has higher effect by 0.293% on financial sustainability than cost-recovery strategy. Related sources of income has the least effect on financial sustainability because it had a negative coefficient.

The regression results further show that the coefficient of promoters is positive and significant which means that an increase by 1% level in local promoters leads to an increase in financial sustainability. Similarly the coefficient of area of operation (rural only or urban and semi-urban) is positive which means that societies that have many mission activities in urban and semi-urban areas are more likely to be financially sustainable than societies that only operate in rural areas. A unit increase in promoters leads to 0.222% increase in financial sustainability while a unit increase in area of operation leads to 0.080% increase in financial sustainability.

The coefficient of age is negative and not significantly (0.817) associated with financial sustainability. This means that older societies (above 150 years) are not necessarily more likely to be financially sustainable compared to younger societies. Furthermore, the coefficient of status (headquarters located in developed or developing country) is also negative and meaning that an increase in the economic status (Gross Domestic Product) of the country that hosts the headquarters of the society does not lead to an increase in financial sustainability of the society. Also the coefficient of size (members of the society) is negative and significant at 1% level to financial sustainability meaning that an increase in membership does not significantly contribute to financial sustainability. The negative coefficients may be due to lack of other variables that have not been included in the model but have significant influence on financial sustainability.

5.0 CONCLUSION

The study concluded that the non-related sources of income diversification have the greatest effect on financial sustainability of Catholic Societies working in Kenya. Therefore, having guest houses and restaurants, social entrepreneurship and rental property as non- related sources of income leads to significant increase in financial sustainability of the society. Cost recovery strategy also affects the financial sustainability of Catholic Societies of Apostolic Life working in Kenya. This implies that relying only on related sources of income diversification strategy does not contribute to the long-term financial sustainability of the society. This may be due to the decline in the traditional sources of income such as mass stipends from Europe and United States of America, and declining interest rates.

Similarly, the results reveal that there is a negative and significant relationship between financial sustainability and size of the society. This infers that as the number of members of the society increases financial sustainability declines. This may be due to the increasing cost of medical care for the sick members in the society, rising cost of nursing care for aging members, and the increasing cost of training candidates and enhancing skills of members for mission activities.

6.0 RECOMMENDATIONS

Income diversification strategies affecting financial sustainability of Catholic Societies of Apostolic Life working in Kenya include investment income, international funding streams, embedded income, social entrepreneurship, rental property, and guest houses and restaurants, and operational efficiency. Therefore, the study recommends that all the Catholic Societies of Apostolic Life working in Kenya should adopt these income diversification strategies for financial sustainability of their mission activities.

The study also established that promoters and area of operation of the Catholic Societies of Apostolic Life working in Kenya positively affects financial sustainability. Among the two variables, promoters significantly affect financial sustainability of the societies. This study proposes that the leaders of the societies should have more local promoters alongside the international promoters. It was revealed that area of operation affects financial sustainability. Therefore, the study recommends that leaders of Catholic Societies of Apostolic Life working in Kenya should consider expanding their mission activities in urban and semi- urban areas where they can access financial resources to sustain their existing mission activities in the rural areas. The study also established that financial sustainability is negatively affected by the size of the society. Therefore, the study recommends that leaders of Catholic Societies of Apostolic Life working in Kenya should consider capping the number of candidates that they recruit in their societies.

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