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SHIFTING DONOR PRIORITIES AND FINANCIAL SUSTAINABILITY OF NON-GOVERNMENTAL ORGANIZATIONS IN KAKAMEGA COUNTY, KENYA

BY

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Abstract

This study examined the effect of shifting donor priorities on the financial sustainability of Non-Governmental Organizations (NGOs) in Kakamega County, Kenya. The specific aim was to determine the effect of change in donor funding priorities on the financial sustainability of NGOs. The study used agency theory as a conceptual framework and employed an explanatory sequential research design. In the sampling procedure, census technique was applied, whereby all 69 NGOs registered in Kakamega County were taken into consideration and 67 of them responded to the questionnaire, resulting into 97.1% response rate. Data collection was done through semi-structured questionnaires and analyzed using Pearson correlation and regression analysis with the help of SPSS software.

The results revealed that change in donor priorities has a positive and significant effect on the financial sustainability of NGOs. Through Pearson correlation analysis, there was a highly significant relationship between change in donor priorities and financial sustainability ($r = 0.638$, $p < 0.05$). The regression analysis results indicated that change in donor priorities positively predicted financial sustainability ($B = 0.182$, $\beta = 0.482$, $p = 0.001$). The regression model accounted for 69.9% of variance in financial sustainability ($R = 0.836$, $R^2 = 0.699$, Adjusted $R^2 = 0.680$).

Keywords: Shifting Donor Priorities, Financial Sustainability, Non-Governmental Organizations (NGOs), Donor Funding, Financial Resilience, and Kakamega County, Kenya

Introduction

Non-Governmental Organizations (NGOs) play a vital role in promoting socio-economic development by complementing government efforts in the provision of healthcare, education, agriculture, poverty alleviation, and community development services. In Kenya, NGOs have significantly contributed to improving livelihoods, particularly among vulnerable and marginalized populations. However, the sustainability of their operations largely depends on donor funding, which has become increasingly uncertain due to shifting donor priorities. As donors continually adjust their funding strategies to address emerging global challenges such as climate change, humanitarian crises, public health emergencies, and technological advancement, NGOs are often compelled to adapt their programs to remain eligible for financial support.Shifting donor priorities refer to changes in donors' funding preferences, thematic areas of support, geographical focus, and funding requirements over time. These changes are influenced by global development agendas, economic conditions, political interests, and emerging societal needs. While donor funding remains essential for NGO operations, frequent changes in funding priorities pose significant challenges to organizational planning and financial sustainability. NGOs that fail to align their activities with donor expectations risk losing financial support, thereby affecting their ability to implement projects and sustain service delivery (Sheikh & ul Ain, 2023).

Financial sustainability refers to the ability of an organization to generate and effectively manage financial resources necessary to achieve its long-term goals and maintain operational continuity. Financially sustainable NGOs are capable of meeting their operational obligations, sustaining programs, and responding to financial uncertainties without compromising their organizational mission. However, excessive dependence on donor funding exposes NGOs to financial vulnerability whenever donor priorities shift. Such shifts may lead to funding reductions, project discontinuation, staff layoffs, and diminished organizational capacity to address community needs (Rustam & Adil, 2022). Globally, studies have demonstrated that changing donor priorities significantly affect the financial stability of nonprofit organizations. Donors increasingly channel resources toward emerging global issues, leaving some sectors and geographical regions underfunded. Consequently, NGOs are often forced to redesign their programs to fit donor interests, a phenomenon commonly referred to as mission drift. This not only undermines organizational autonomy but also affects the sustainability of development interventions intended to address local priorities (Barman, 2021).

In Sub-Saharan Africa, donor dependency remains a major concern for NGOs. Most organizations rely heavily on foreign funding, making them particularly susceptible to shifts in donor preferences and international development priorities. Empirical evidence indicates that donor funding uncertainties negatively affect financial planning, institutional capacity, and long-term organizational sustainability (Agyemang et al., 2023). Changes in donor priorities have frequently resulted in interruptions of critical programs and reduced organizational effectiveness across the region. In Kenya, NGOs continue to depend substantially on donor financing to support development initiatives. Although donor funding remains a critical source of financial support, changing donor priorities have increasingly affected the sector's ability to sustain operations. Funding reallocations and evolving donor expectations have compelled many organizations to modify their strategic objectives and compete for limited financial resources. These challenges are particularly evident among county-based NGOs that possess limited capacity to diversify their sources of funding.

Kakamega County hosts numerous NGOs implementing programs in health, education, agriculture, and poverty reduction. Most of these organizations rely on external donor support to finance their activities. Consequently, shifts in donor priorities often affect their financial stability, project implementation, and long-term sustainability. Despite the importance of this issue, there is limited empirical evidence examining the relationship between shifting donor priorities and the financial sustainability of NGOs within the county context.This study therefore seeks to examine the effect of shifting donor priorities on the financial sustainability of Non-Governmental Organizations in Kakamega County, Kenya. The findings are expected to provide valuable insights for policymakers, development partners, and NGO managers in developing strategies that enhance financial resilience and promote sustainable organizational performance.

Research Hypothesis

There is no statistically significant effect of shifting priorities in external financing on financial sustainability of NGOs in Kakamega County.

Review of Related Literature

The study was anchored onagency theory. Agency theory was created by Michael C. Jensen and William H. Meckling in 1976. This theory elaborates the connection between the parties of principal-agent, in which one party delegates authority to another party that acts on their behalf. Agency Theory postulates that conflict may emerge because of the lack of cooperation and trust of agents towards principals due to the possibility that they would not be able to take decisions in the best interest of principals, especially if there is goal divergence or information asymmetry. Other authors like Eisenhardt (1989) extended the theory by discussing monitoring, incentives, and governance as measures for solving agency problems.

Agency Theory will be useful in this study in explaining how external financing conditionalities and changing priorities affect the financial sustainability of NGOs in Kakamega County. External financiers in this case play the role of principal and fund the organizations, while the NGOs themselves play the role of agents by executing the projects that have been funded. These financiers usually come with certain conditions and performance measures and require reporting and guidance on strategies for their development purposes. While these measures improve transparency, they may make the organizations inflexible and may incur administrative costs. Changes in external financing priorities may compel the organizations to alter the projects or even end them.

One of the major strengths of Agency Theory is its well-defined approach to accountability, governance, and control systems. Agency Theory provides insight on why donor supervision and performance management play a vital role in externally financed firms. But some scholars claim that the theory is heavily reliant on assumptions since it mainly focuses on the interests of individuals and opportunism as major motivators. The nonprofit sector characterized by mission orientation and dedication to an objective may be an exception to such assumptions. Nevertheless, Agency theory is useful in terms of studying the impact of externally sourced finances and NGOs.

Shifting Priorities on Financial Sustainability of NGOs

The study entitled “Strings Attached: The Hidden Costs of Donor Conditionalities in International Development” by Smith (2020) assessed the impact of donor conditionalities on the financial autonomy of NGOs in 15 developing countries. Employing a mixed methods approach using surveys and document review, Smith concluded that strict donor conditionalities, including earmarking of funds and restrictions on budget reallocations, hindered the capacity of NGOs to adapt to local conditions.

Huffstetler et al. (2022) performed research entitled The Impacts of Donor Transitions on Health Systems in Low- and Middle-Income Countries, focusing on the impact of donor withdrawal on sustainability of health NGOs. This qualitative study, using 12 country case studies as data sources, established that sudden withdrawals by donors led to disruption of programs, staff turnover, and deficit operations. This study proved that unstable funding undermines sustainability of institutions and service continuity.

Kamau and Wanjiru (2020) undertook research on "Donor Conditionalities and Organizational Autonomy among Kenyan NGOs" through a quantitative survey involving 120 NGOs from Nairobi and Mombasa, whose results found that there were performance indicators imposed by donors that limited organizational decisions, whereas funding shifts resulted in project cancellations. The researchers suggested that NGOs should engage in negotiations regarding funding contracts and capacity building in forecasting.

Nsubuga (2021), entitled "Donor Priorities and Their Impact on the Sustainability of NGOs in East Africa," adopted a qualitative research design in examining the operations of five international NGOs in Dar es Salaam. The findings indicated that changes in donor priorities on a global level, such as the integration of women into activities and climatic resilience, forced the NGOs to depart from their mission statement, causing donor dependency.

Ochieng and Were (2022) analyzed the issues of Donor Influence and Financial Sustainability of NGOs in Western Kenya by conducting a descriptive survey on 80 NGOs operating in the counties of Kakamega and Kisumu. It was revealed that conditions imposed by the donors regarding spending ratios constrained the activities of NGOs. The authors concluded that the matching of donor priorities and the interests of communities was crucial for sustainability.

A research study called "Navigating Donor Priorities: Financial Resilience of NGOs in Kakamega County, Kenya" by Akinyi (2023) was performed on the adaptive approaches used by NGOs to deal with changing priorities of the donors. Through a mixed-method approach including interviews and financial auditing, it was established that NGOs who had a broad portfolio of funding sources and an efficient reporting system managed to survive through changes in the policies of donors.

There have been a number of pieces of literature discussing how conditionalities in terms of earmarking, strict performance measures, and prescribed expenditure ratios in addition to changes in donor priorities hinder the financial sustainability and independence of NGOs especially those operating in developing nations such as Kenya and East Africa. According to Smith (2020) in 15 countries analyzed, the restrictive measures restrict innovation and flexibility. On the other hand, through an analysis of 12 cases in health organizations, Huffstetler et al. (2022) find out that the withdrawal of donors leads to program disruption and staffing problems. Additionally, Kenyan literature by Kamau and Wanjiru (2020), Ochieng and Were (2022), and Nsubuga (2021) indicates that performance measures and realignment with global issues such as gender and climate lead to mission drift, project closures and dependence. On the other hand, Akinyi (2023) paints a brighter picture indicating that income diversification, transparency, and sound financial management makes NGOs better equipped to deal with these problems.

1.8 Conceptual Framework

Figure 1: Conceptual Framework

Independent Variable **Dependent Variable**

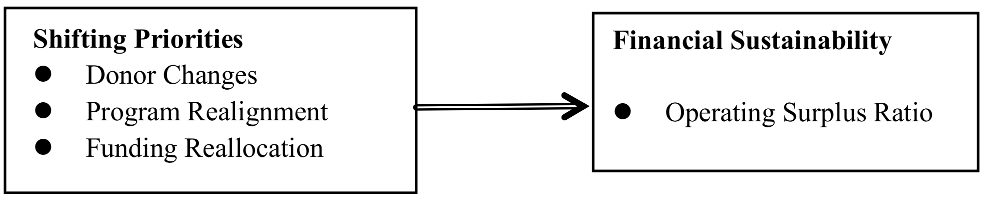

Figure 1: Interactions between Shifting Prioritiesand Financial Sustainability of NGOs in Kenya.
Source: Netoh, 2026

Methodology

This study was anchored in positivism philosophy. Positivism is founded on the belief that reality is objective, measurable, and can be understood through empirical observation and scientific inquiry. The positivist philosophy stresses the application of observable facts and statistics in identifying relationships between variables. The philosophy is relevant for this study because it will help to explore the relationship between external financing volatility and the financial sustainability of NGOs based on quantified facts.

The positivist philosophy allows the researcher to gather numerical information about fluctuations in external financing by collecting information on financing volumes, disbursement times, financier conditionality, and financing sources and analyzing their impact on indicators of financial sustainability of NGOs in Kakamega County, Kenya. The positivist approach to research implies the application of structured data gathering methods, such as questionnaires and statistical methods, to determine relationships between variables and draw objectively and reliably verifiable conclusions.

Moreover, positivism encourages researchers to apply deduction in research. According to the philosophy, theories are tested empirically. In other words, positivism implies the use of hypotheses to identify facts through empirical verification. The philosophy is applicable to this study because the researcher was interested in establishing measurable relationships between an independent and a dependent variable.

This study adopted an explanatory sequential research design to examine the relationship between external financing volatility and the financial sustainability of NGO in Kakamega County, Kenya. Explanatory sequential research design was suitable since it helps to systematically describe the existing state of affairs in financing without manipulating the variables. It makes it possible for the research to examine changes in the amounts of external financing, their timing, the conditionalities and dependence of the financiers on NGOs.

The target population for the research was all 69 NGOs registered in Kakamega County, Kenya (Public Benefit Organisations, 2026). The NGOs were the unit of analysis since the research aimed at examining the impact of fluctuating external funding on financial sustainability of NGOs.

This study utilized census sampling method. Census is where information is collected from each member of the target population and not a selected sample, hence no sampling error and an improved comprehensiveness of the findings (Taherdoost, 2020). The census sampling method is deemed suitable for this research since the target population is quite small and manageable, and therefore the researcher can get information from all the finance officers of the NGOs in Kakamega County. Through census, comprehensive information about the externality of financing and financial sustainability has been acquired.

Thus, the study included all the 69 finance officers from the organizations based in Kakamega County. The finance officers are involved in budgeting, cash flow management, donor compliance, and accounting activities; thus, they are well placed to offer relevant information on financing instability and sustainability measures. Moreover, the use of census methodology increases the validity of the research results, since it will include all the opinions of the finance officers from the target population in order to represent the phenomenon under study comprehensively (Saunders, Lewis, & Thornhill, 2023).

Quantitative data collection tools were applied to obtain dependable and unbiased data about the impact of financing volatility from external sources on financial sustainability of NGOs operating in Kakamega County. A semi-structured questionnaire was the main data collection tool used. A semi-structured questionnaire makes it possible to measure certain variables consistently. These variables include fluctuating amounts of financing, financing timeliness, conditionalities attached to the donations, concentration of financing sources, and financial sustainability. The use of semi-structured questionnaire is justified since it promotes consistency in responses and enables respondents to give reliable information on financing and operations of NGOs. This helps in carrying out objective statistical analysis of the data collected. The semi-structured questionnaire also facilitated the application of inferential statistics techniques like correlation and regression (Saunders, Lewis & Thornhill, 2023).

The study ensured that the research instruments were both valid and reliable to generate credible findings on the influence of external financing volatility on the financial sustainability of NGOs in Kakamega County, Kenya. Validity was ensured by using expert review from supervisors and financial experts to establish whether the questions in the questionnaire are actually measuring what is meant to be measured in terms of changes in financing volumes, disbursement timing, donor conditionalities, and financial sustainability indicators.A pilot study was carried out prior to the actual research to a small group of finance officers in NGOs who were not part of the actual research. The purpose of this pilot study was to find ambiguous questions, evaluate the clarity of instructions provided, and also the feasibility of data gathering procedures (Saunders, Lewis & Thornhill, 2023).

The reliability of the structured questionnaire was evaluated through the use of Cronbach’s alpha coefficient. This statistic represents internal consistency between items. Cronbach’s alpha of 0.70 or above is deemed as an acceptable value that indicates the presence of internal consistency of the instrument (Gliem&Gliem, 2020). It means that it consistently measures the constructs that have been designed to measure.

Table 3.6: Reliability Analysis

Variable	Number of Items	Cronbach’s Alpha (α)	Comment
Shifting Priorities	30	0.897	Reliable

Source:Netoh2026

As demonstrated by the reliability test presented in Table 3.3, all the variables used in the study possessed Cronbach's alpha coefficients higher than the desirable minimum value of 0.70.Shifting Priorities had 0.897. The results imply that the items in the research instrument showed strong internal consistency when measuring the related constructs. The fact that coefficient was greater than the reliability threshold of 0.70 indicates that the questionnaire can be regarded as a reliable research tool since it was able to measure the constructs pertaining to the volatility of external financing in NGOs. As noted by Nunnally and Bernstein (1994), a Cronbach's alpha coefficient greater than 0.70 is normally accepted as adequate to demonstrate the reliability of research instruments in social science researches.

The study analyzed quantitative data to comprehensively address the research objectives. Data analysis involved the use of descriptive and inferential statistical techniques to summarize and interpret the collected data. Descriptive statistics such as frequencies, percentages, means, and standard deviations were used to present the characteristics of the data. Inferential analysis was conducted using correlation and regression techniques to examine the magnitude and direction of the relationship between external financing volatility and the financial sustainability of NGOs (Saunders, Lewis & Thornhill, 2023). The Statistical Package for Social Sciences (SPSS) was used as a data management and statistical computing tool to facilitate data coding, cleaning, organization, and execution of statistical procedures. However, SPSS itself is not a data analysis method but a software package that supports the application of statistical techniques used in the analysis process.

Ethical considerations were strictly upheld in the study to ensure the well-being of both the NGOs participating in the study and the staff working therein. The researcher sought permission from the organizations to collect data, ensuring that no sensitive information regarding the operations of the organizations is revealed without authorization. This created a level of understanding and trust between the researcher and the respondents. Respondents in this study were treated with respect and professionalism and were at liberty to choose whether or not to participate in the study. They had the freedom to not respond to any particular question for whatever reason without being penalized. This was done to protect the respondents' right to confidentiality and anonymity. Finally, integrity and honesty were upheld by the researcher during the study period. This was achieved by the accurate reporting of data and findings without any form of fabrication.

Findings

Questionnaires were administered to 69 finance officers who belonged to NGOs registered in Kakamega County, Kenya. Of the total 69 questionnaires that were administered, 67 were returned, resulting in a response rate of 97.10 percent. The subjects were involved in the research through the completion and submission of questionnaires in line with the requirements of the study. Out of the total 69 questionnaires administered, two were not received since the particular respondents were unavailable at the time of follow up. The high rate of response can be credited to the self-administration of the questionnaire, ample time allocated to the respondents to fill the same, and follow up by the researcher, thus improving the involvement of the respondents. A response rate of 97.10 percent is adequate for analysis of the data. Mugenda and Mugenda (2003) indicate that a response rate of 60 percent and above is adequate for research purposes in social sciences. In light of this, the response rate attained for the current research was more than sufficient.

External Financing Volume Fluctuations on Financial Sustainability

The main aim of the study was to assess the impact of changes in the level of external financing on the financial sustainability of non-governmental organizations (NGOs) in Kakamega County, Kenya. The specific purpose of the research was to establish the respondents' perceptions on the impact of changes in the level of external financing on the financial sustainability of their firms. The respondents had to rate their level of agreement with some statements about changing levels of external financing, income instability, and budget uncertainties using a five-point Likert scale. It was found out that the respondents strongly agreed that changes in the level of external financing have a significant impact on the financial sustainability of their firms.

Table: Effect of External Financing Volume Fluctuations on Financial Sustainability of NGOs

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Our NGO experiences significant variations in donor funding from one financial period to another.	67	2.00	5.00	3.7463	.65928
The amount of external funding received by our NGO is often unpredictable.	67	4.00	5.00	4.1493	.35903
Changes in external financing frequently affect the stability of our organization's revenue streams.	67	4.00	5.00	4.1642	.37323

Revenue fluctuations arising from external financing make it difficult to sustain organizational operations.	67	3.00	5.00	4.0149	.36897
Budget preparation is challenging due to uncertainty in external financing levels.	67	3.00	5.00	4.4179	.52655
Our organization frequently revises its budgets because of unexpected changes in external funding.	67	3.00	5.00	4.2090	.61638
Uncertainty in external financing affects long-term financial planning within the organization.	67	4.00	5.00	4.2836	.45414
Fluctuations in external financing disrupt the implementation of planned activities and programs.	67	3.00	5.00	4.2239	.64716
External financing volatility affects staffing decisions and operational continuity in our NGO.	67	4.00	5.00	4.3134	.46739
Variability in external financing reduces the organization's ability to respond effectively to emerging challenges.	67	4.00	5.00	4.4776	.50327
Valid N (listwise)	67				

Source: Netoh 2026

The study sought to examine the effect of external financing volume fluctuations on the financial sustainability of non-governmental organizations (NGOs) operating in Kakamega County, Kenya. In this regard, the research established the views of the respondents on the impact of the variation in the volume of external financing on the operations of organizations and their financial sustainability. From the analysis of the results, it can be seen that the respondents largely agreed that there are considerable impacts of variations in volume of external financing on the financial sustainability of their organizations (the means range between 3.75 and 4.48). The results indicated that the respondents largely agreed that their NGOs are subject to considerable variations in the donor funding volumes from one financial period to another (M = 3.75, SD = 0.66). In addition, the respondents agreed that the levels of external financing available to their organizations are often unpredictable (M = 4.15, SD = 0.36).

In addition, it was found that changes in external financing often have an impact on the stability of organizational income (M = 4.16, SD = 0.37), whereas income fluctuations resulting from external financing are difficult to sustain organizational activities (M = 4.01, SD = 0.37). Thus, the conclusions drawn can be interpreted in such a way that funding instability directly influences NGOs' ability to sustain operational stability and implement their activities.

It has been additionally demonstrated that budget preparation is complicated due to uncertainty in external financing (M = 4.42, SD = 0.53), whereas organizations often review budgets owing to unanticipated changes in external financing (M = 4.21, SD = 0.62). Therefore, the uncertainty of external financing significantly impacts the efficiency of financial planning and budgeting in NGOs. Also, the respondents agreed that the uncertainty of external financing has an influence on financial planning in the organization (M = 4.28, SD = 0.45). The respondents noted that variability in external financing affects the implementation of planned activities and programs (M = 4.22, SD = 0.65) and staffing issues in NGOs (M = 4.31, SD = 0.47). This means that variability in external financing goes beyond financial management to affect human resource decision-making and service delivery. Also, the respondents noted that variability in external financing hinders the ability of their organizations to respond to challenges (M = 4.48, SD = 0.50) as indicated by the highest mean score for this variable under the construct. This means that variability in external financing poses serious threats to the adaptability and sustainability of organizations.

Generally, the study has found that the respondents agree that there are negative impacts of external financing volume variability on financial sustainability of NGOs. From the mean scores of 3.75 to 4.48, it is evident that the respondents view variability in external financing, revenues, and budgets as major factors influencing the sustainability of organizations. These results are aligned with the findings of Huffstetler et al. (2022), which show that sudden changes in donor funding leads to disruptions in programs, losses of staff, and weak sustainability of health NGOs in low- and middle-income countries. In the same way, Dreher, Fuchs, and Langlotz (2024) discovered that the amount of funds provided through donor channels is often dependent on political and economic issues, which places NGOs that heavily depend on several donor channels under threat of financial instability.

The research results are also in line with the findings of Bridgespan (2024), which indicated that while philanthropic contributions in Africa have been growing, short-term and restricted grants lead to instability of NGO revenue flow and planning. At the same time, PEN Kenya (2025) stated that donor funding volatility is one of the key financial threats for NGOs in Kenya, thus preventing long-term planning and sustainable institutional investments. The results are in agreement with the findings by KIPPRA (2023), which found out that NGOs running in rural counties, such as Kakamega, are adversely impacted by funding uncertainties. According to the policy brief, funding cuts result in stopped community projects, weak organization structure and low financial resilience. As a result, KIPPRA recommends putting more efforts into development of financial management and funding predictability strategies. These results may also be explained by the Resource Dependence Theory (Pfeffer &Salancik, 1978), which states that organizations depend on external actors for resources required for survival and development. Resource Dependence Theory postulates that dependency on external financing is likely to make an organization vulnerable in cases when the flows of resources are insecure or unpredictable. In case of NGOs functioning in Kakamega County, unpredictability of volumes of donor financing makes finances insecure and creates problems for budgeting and programs implementation.

Pearson correlation analysis was conducted to examine the relationship between external financing shifting priorities and financial sustainabvility of NGOs in Kakamega County. Specifically, the analysis assessed the relationships between volume fluctuations, shifting priorities, dependency and disbursement timing. The results indicated that all the independent variables had a positive relationship with organizational sustainability, as presented in Table below.

Table 4.5: Correlation Analysis between Study Variables

Variables	Financial Sustainability	Shifting Priorities
Financial Sustainability	1.000	0.638
Shifting Priorities	0.638	1.000

Source: Netoh 2026

The study tested the null hypothesis that external financing volume fluctuations have no statistically significant relationship with the financial sustainability of NGOs operating in Kakamega County, Kenya. From the Pearson correlation analysis results, the correlation coefficient r=0.619 was obtained for N=67. With the correlation coefficient being positive, changes in the volume of external finance are very significant with respect to the financial sustainability of the NGOs. With the correlation being significant at 0.05 level (2-tailed), the null hypothesis was rejected.

The study tested the null hypothesis that shifting priorities in external financing have no statistically significant relationship with the financial sustainability of NGOs operating in Kakamega County. Correlation analysis using Pearson showed the correlation coefficient of r=0.638 for N=67, showing the most positive correlation between all independent variables used in this research. Since the correlation was statistically significant at the significance level of 0.05 (2-tailed), the null hypothesis was accepted. Results obtained from this analysis show that the changes in priorities, fund requirement, and focus of the programs have significant effects on the financial sustainability of NGOs. The frequent changes in donors' policies force the organizations to reorganize their programs, reallocate funds, and revise their strategic plans, thus affecting their sustainability and financial stability. This conclusion coincides with the conclusions made by Smith (2020), Huffstetler et al. (2022), Kamau and Wanjiru (2020), Nsubuga (2021), Ochieng and Were (2022), and Akinyi (2023).

The coefficient of shifting priorities of external financing (0.180) means that there is an increase of 0.180 units of financial sustainability if the coefficient improves by one unit, all other variables held constant. This means that if there is a capability of adapting to shifting priorities of donors, there is an increased likelihood of achieving sustainable financial position in NGOs.

Model Summary

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.836	.699	.680	.570
a. Predictors: (Constant) Shifting priorities				

Source: Researcher 2026

The coefficient of determination ($R^2 = 0.699$) indicates that approximately 69.9% of the variation in the financial sustainability of NGOs is explained by shifting priorities of external financing, on external financing. The remaining 30.1% of the variation in financial sustainability may be attributed to other factors not included in the regression model. The adjusted coefficient of determination (Adjusted $R^2 = 0.680$) shows that, after adjusting for the number of predictor variables in the model, approximately 68.0% of the variation in financial sustainability is still explained by the independent variables.

Hypothesis Test Results

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	Std. Error	Beta		
1	(Constant)	5.067	0.489		10.38	0.000
	Shifting Priorities	.182	0.052	0.482	3.50	0.001

a.

Dependent Variable: Financial Sustainability of NGOs

H_01: Shifting priorities in external financing have no statistically significant influence on the financial sustainability of NGOs in Kakamega County.

Results obtained from the regression model show that changes in priorities for external financing have a positive and significant effect on financial sustainability ($B = 0.182$, $\beta = 0.482$, $p = 0.001$). Thus, one unit increase in an NGO's ability to adjust to changes in donor priorities causes 0.182 units increase in financial sustainability, keeping all other variables constant. Due to the value of p less than 0.05, the null hypothesis (H_{03}) is rejected. The standard beta coefficient (β = 0.482) shows that changes in donor priorities are the most powerful predictor of financial sustainability in this research. In other words, NGOs whose strategic planning and financial management are in line with the changing donor priorities will manage to be financially sustainable. These findings are explained by Agency Theory, which describes the nature of the relationship between donors and NGOs and the factors affecting their decisions. The findings are consistent with Smith (2020), Huffstetler et al. (2022), Kamau and Wanjiru (2020), Nsubuga (2021), Ochieng and Were (2022), and Akinyi (2023).

Discussions

The objective of the study was to find out how donor shifting priorities affect the financial sustainability of the Non-Governmental Organizations (NGOs) in Kakamega County, Kenya. According to the results obtained, it has been proven that there is a statistically significant and positive effect of the change in donor priorities on the financial sustainability of NGOs. It means that the capacity of an organization to adapt to the change in the donor funding priorities and program areas affects its financial sustainability. Donor agencies are changing their funding priorities because of the emergence of new challenges in global and regional development.From the analysis using the Pearson correlation coefficient, it was found that there was a positive correlation coefficient of r = 0.638 between shifting donor priorities and financial sustainability. This shows the strength of the correlation that exists between the two variables, which implies that organizations that manage to match their activities to the donor priorities are likely to achieve financial sustainability. This positive correlation means that adaptation to donor priorities is becoming one of the key factors for the survival of organizations in the current donor-funding world. As the correlation coefficient was statistically significant at the 0.05 significance level, the null hypothesis was rejected.

These results also reveal that any shift in the donor priorities will have significant effects on the financial planning and strategy formulation process of the organizations. When the donors decide to modify their priorities in terms of funding or to adopt new developmental strategies, then the NGOs may feel the need to redesign their programs and utilize the available resources in such a way that they can be eligible for getting funded. Therefore, those organizations that have high institutional capacity and proper strategic planning skills find themselves well-equipped in making such adjustments without encountering serious financial problems.Regression analysis offered additional insights about the importance of donor priority changes in affecting financial sustainability. From the regression analysis findings, it was found out that shifting donor priorities positively affect financial sustainability with an unstandardized coefficient of B = 0.182 and standardized coefficient of β = 0.482 at the level of significance of p = 0.001. This implies that for each unit improvement in the ability of the NGO to adapt to the changes in donor priorities, there will be an improvement of 0.182 units in financial sustainability, all other factors held constant. With p being less than 0.05, the null hypothesis was rejected.

Another way through which it is evident that changing donor priorities is one of the best predictors of financial sustainability is through the standardized beta coefficient of 0.482. It is clear from this that NGOs that embrace adaptive management, strategic partnership, and donor management will have better chances of attaining financial sustainability as compared to those NGOs that adopt a rigid strategy. Given that the donor funding landscape is dynamic, NGOs need to continually revise their strategic plans in order to remain competitive.Coefficient of determination (R^2 = 0.699) shows that about 69.9% of variations in the financial sustainability have been caused by independent variables in the regression analysis such as the variations in the volume of external financing, payment schedule, changes in donor priorities and dependence. Adjusted Coefficient of determination (Adjusted R^2 = 0.680) further shows that about 68% of the variations in financial sustainability continue to be caused after taking into account the number of predictor variables. This is an indication that external financing variables are significant in determining the financial sustainability of NGOs in Kakamega County. Changes in donor priorities are part of the external financing environment.

The findings of this research are in agreement with the empirical literature available about donor dynamics and financial sustainability of non-profit organizations. According to Smith (2020), donor organizations keep changing their funding priorities based on new global development agendas, thus forcing the NGOs to change their programs and funding mechanisms. This can have implications for the priorities, budgets, and timelines of projects being implemented by such NGOs. The current findings are in agreement with this claim since it is shown that NGOs which adjust to donor expectations enjoy better financial sustainability.Similarly, according to Huffstetler et al. (2022), donor dynamics have an impact on continuity and sustainability of NGOs working in developing nations. These researchers show that changes in priorities of donors may lead to funding uncertainties which have implications for the sustainability of organizations. The findings of this study are in line with these arguments as it is shown that the donor priorities affect the financial sustainability of NGOs through resource mobilization.

Further, Kamau and Wanjiru (2020) noted that Kenyan NGOs are likely to have financial problems when donor priorities change concerning the programmatic areas in which the NGOs traditionally operate. In most cases, organizations which do not align their programs to changing donor priorities will face challenges such as budget cuts and funding limitations. Such a finding resonates with the results of the current study, where the impact of shifting donor priorities on the financial sustainability of NGOs in Kakamega County was observed.Such results are also validated by Nsubuga (2021), who found that donor funding terms play a significant role in determining NGO performance and sustainability in East Africa. Similarly, Ochieng and Were (2022) observed that changes in donor-oriented programs impact the budgeting processes of institutions. Additionally, Akinyi (2023) posited that NGOs must adopt sustainable funding models that limit reliance on the priorities of individual donors.

In theory, the results are sufficiently accounted for by the Agency Theory. The theory captures the link between the donors and the NGOs, considering the former as the principal providing the financial resources while the latter is an agent charged with the implementation of donor-funded projects. According to the Agency Theory, the donor sets the funding conditions and priorities influencing the organizational actions. Therefore, NGOs have no choice but to conform their activities to the donor expectations if they want to get further funding. Although such conformity creates opportunities for getting funding, it at the same time makes the organization financially vulnerable when the donor priorities shift without notice.The results imply that NGOs need to adopt flexible financial management and strategic planning mechanisms to ensure that they can respond to the shifts in donor priorities. Organizations also need to strengthen the donor relationship management and diversify sources of funding in order to reduce their financial vulnerability caused by shifting donor priorities.

Conclusions

The conclusion drawn from the study is that shifts in donor priorities have a considerable impact on the financial sustainability of NGOs working in Kakamega County, Kenya. The results have indicated that shifts in donor priorities, areas of emphasis of the donors' programs, and requirements have a huge influence on the financial sustainability and operations of NGOs. Due to the fact that many of the NGOs in the region depend greatly on external funding from donors to implement their development activities, shifts in donor priorities have become an important determining factor in the financial sustainability of NGOs.

The study has shown that donor priorities have increasingly become dynamic in nature, due to the fact that they are affected by changes in global development agenda, economic status, and policies. Therefore, NGOs are compelled tomake adjustments in their strategies and activities in order to be competitive for donor funds. Those NGOs which fail to make necessary adjustments are faced with funding uncertainties, hence affecting their financial sustainability. The result has thus indicated that donor funding does not only serve as a source of finances but also an important external factor.

There was a positive and significant correlation between the shift in donor priorities and financial sustainability in that organizations that exhibited more adaptability to shifts in donor priorities were found to perform financially more stably. The findings imply that organizational adaptability has become an important prerequisite of sustainability in the current donor funding environment. The organizations which have the ability to keep track of donor trends and develop their programs according to these funding priorities will find it easier to raise funds and sustain themselves.

The regression analysis proved the existence of significant predictors in shifts in donor priorities regarding financial sustainability in NGOs within Kakamega County. The positive value of the regression coefficient shows that improvements in adaptability of organizations to shifts in donor priorities positively contribute to financial sustainability of organizations. Financial sustainability could thus be improved through responsive management that anticipates and accommodates changes in donor priorities.

The study further indicates that changes in donor priorities impact several elements of organizational performance such as financial planning, budgeting, project implementation, and development of institutional capacity. The changes in themes or conditions set by donors often require NGOs to adjust their programs and strategies in order to remain eligible for any kind of funding support. While this helps NGOs gain access to donor funds, it might become a challenge for organizations regarding their independence and planning for the future. NGOs should, therefore, maintain the right balance between meeting the requirements of the donors and staying true to their mission and strategy.

The research further shows that depending on donor money makes NGOs financially vulnerable to any sudden change in donor priorities and needs. Organizational entities which depend mainly on few donors are especially vulnerable to funding problems because of changes in donor priorities and development agenda. Donor dependency is, therefore, risky in terms of project continuity, operational effectiveness, and financial sustainability. Financial sustainability can never be achieved using donor funding alone; additional measures have to be taken.

Strategic adaptability is another important capability of NGOs in funding environments that keep on changing. Those NGOs who have the ability to regularly monitor donor funding trends and develop institutional capabilities to deal with any changes in donor funding will be able to continue their activities easily. Not only does organizational adaptability lead to improved access to financial opportunities, but also helps in better planning and resource mobilization.

Another finding suggests that NGOs need to adopt financial management practices in order to ensure sustainability of their activities in the future. Financial sustainability is not just about raising funds from donors, but about building organizational capabilities to manage financial risks associated with changing donor interests. In order to do so, NGOs need to improve their financial management systems and develop strategic frameworks that can cope with the demands of donors.

Overall, the research proves that changing priorities of donors have a significant impact on the sustainability of NGO finances in Kakamega County, Kenya. The sustainability of NGO operations depends increasingly on the ability of organizations to adapt to the changes in donor priorities in terms of financing and manage their finances in a proper way. Organizations that demonstrate organizational flexibility and strategic thinking in relation to donor relationships have better chances for sustainable financial performance in the face of uncertainty related to external funding. The research provides insights into the area of NGO financial sustainability and contributes to existing literature.

Recommendations

The study suggests that NGOs should enhance their organizational and managerial capacities needed for strategic planning and organizational flexibility so as to effectively respond to the shifting interests of their donors. Since there are constantly changing donor funding dynamics, it is essential that the NGOs become proactive and are able to foresee and adjust to the changes in donor priorities, areas of interest and funding environment. In other words, the strategic planning should be consistently aligned with the donor trends while at the same time remaining consistent with the overall organizational mission.

The study further suggests that NGOs enhance their stakeholder engagement strategy through regular consultation with the donors, the beneficiaries and the development partners. Consultation with the donors will give NGOs an idea about their changing funding priorities and expectations, thus enhancing their capacity to prepare successful funding proposals and maintain good donor relations. Simultaneously, through consultations, the NGO will be able to ensure that its programs satisfy both the community and donor interests.

Furthermore, capacity building is key to improving the adaptability and resilience of institutions by ensuring they build up competencies in resource mobilization, proposal writing, managing relations with donors, financial planning, and strategic management. It will enable them to cope with the changing donor environment and create chances for sustainable funding.

As recommended by the study, NGOs should consider diversifying sources of their funds by reducing their reliance on donor funding. Diversification of sources of funding through exploring other options, such as fundraising efforts at the local level, strategic partnerships, income generation, and funding from different funding agencies, will make them financially sustainable.

Finally, NGOs need to adopt the process of adaptive management which involves learning and innovation. NGOs that adopt this approach will be in a better position to sustain themselves in the future with respect to donor funding changes.

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