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Diversified Revenue Streams: A Key Driver To Financial Sustainability Of Ngos In Kenya.

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Abstract
Sustainability is a concept of global responsibility that considers social, economic, and environmental factors while balancing the interests of all stakeholders. Organizational stability is the capacity of the business to produce economic, social, and environmental performance simultaneously. Companies that don't adhere to sustainability guidelines will most likely go out of business. The traditional, common, and most used source of income for non-governmental groups is private donations. Non-governmental organizations raise funds through private donations in order to fund their programs and efficiently manage their operations. NGOs value private contributions because they not only provide revenue but also demonstrate to their supporters that the group is genuine and committed to achieving its objectives. Public support for NGOs is typically significantly less than that of private donors for a large number of them. The objective of this paper is to discuss the role of diversified revenue streams on the financial sustainability of NGOs in Kenya. Resource dependency theory is the anchors this seminar paper. According to this theory, the organization is not self-contained; rather, it constantly interacts with its surroundings, including other organizations, in order to obtain the resources, it needs to survive. an organization's ability to function and endure depends on its capacity to obtain resources from the outside world, including resources from other organizations, and to retain control over such acquisitions. The Kenya Red Cross Society (KRCS), Lewa Wildlife Conservancy, Northern Rangelands Trust, The Marianist Family, The Aga Khan Development Network (AKDN) are some of the NGOs in Kenya embracing diversified revenue streams. The paper concludes that revenue diversification is a necessity to all the NGOs in order to generate more funds for their sustainability. NGOs that diversify their revenue streams have more chances of financial sustainability compared to those that don't. As much as diversification of revenue streams by NGOs may come with various risks, its benefits surpasses them all. Revenue is an ingredient of survival hence required by all organizations including NGOs. The paper recommends that for purposes of financial sustainability, all NGOs should embrace diversification of revenue streams. NGOs should develop their ability to acquire resources in the ever changing environment they operate. NGOs should be proactive and risk takers in diversifying their revenue streams in order to supplement their income sources. Management of NGOs should guard and supplement their revenue sources and streams for their survival.

Key words: *Financial Sustainability, Diversified revenue streams, NGOs*

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I. Introduction

A company is considered financially sustainable if it can generate enough income or return on investment to pay for all of its costs and turn a profit. It evaluates a project's viability for investment and whether allocating resources to it will result in a profit that will satisfy investors. A company is considered financially sustainable if it can generate enough income or return on investment to pay for all of its costs and turn a profit. It evaluates a project's viability for investment and whether allocating resources to it will result in a profit that will satisfy investors (Ross et al., 2016).

Finding a way to increase the true and real costs of fee-dependent structures and assets is necessary for sustainability. While corporate growth and profitability are necessary for sustainability, corporations in particular must fulfill their corporate social aspirations, which include social justice, environmental protection, and economic development. A long-standing corporate tenet, sustainability refers to an idea of global responsibility that balances the interests of all stakeholders while taking into account economic, social, and environmental aspects. The ability of the company to generate economic, social, and environmental performance all at once is referred to as organizational stability. Businesses that don't follow the sustainability standards "will almost certainly face extinction," according to (Wilson & Vuksanović, 2022).

Numerous advantages of sustainable development in the context of governance have been identified through research (Collavo, 2022); these benefits include increased food quality, competitiveness, and responsibility (Mohr, 2019). Private donations are the conventional, prevalent, and most often used source of funding for non-governmental organizations (Jauhiainen & Hooli, 2019). Private donations are the money that non-governmental organizations raise to carry out their programs and run their operations in an effective manner (Tshiyoyo, 2023).

Private donations are appreciated by NGOs since they not only bring in money but also show constituents that the organization is legitimate and supports its goals (Fiorelli, 2021). According to Yekini and Yekini, (2020), public funding for NGOs is far lower than that of private contributors for many of them. Hafidi (2022) states that charitable contributions are a significant source of fresh and increased funding for non-governmental organizations (NGOs), particularly smaller and grassroots ones. The objectives and missions of NGOs may be adversely affected by the erratic and unstable nature of private funding, which often comes with a number of problems (Mohamed & Makori, 2022). Goal displacement occurs when non-governmental organizations (NGOs) have to change their objectives or program priorities to meet the demands of certain sponsors, as Fiorelli (2021) highlighted. Another limitation linked to relying on private contributions is revenue instability (Gallo-Cruz, 2019).

Objective of the seminar paper
To discuss the role of diversified revenue streams on the financial sustainability of NGOs in Kenya.

II. Literature Review

This seminar paper is anchored on Resource Dependence theory. In their foundational work The External Control of Organizations: A Resource Dependence Perspective, Pfeffer and Salancik introduced resource dependency theory to the area of organizational studies in 1978. Resource Dependence theory has been referred to as "one of the most influential theories in organizational theory and strategic management," despite the fact that it is only one of several theories that fall under the umbrella of organizational research (Hillman et al. 2009). Organizational theory was predominantly introspective before to RDT's introduction in the 1970s, concentrating on internal structures and functions that affected the organization's ability to function, produce, and survive (Ozturk, 2020).

On the other hand, resource dependency theory sees the organization from an open-system perspective (Katz & Kahn, 1978). According to this theory, the organization is not self-contained; rather, it constantly interacts with its surroundings, including other organizations, in order to obtain the resources, it needs to survive (Pfeffer & Salancik, 2003). In view of Pfeffer and Salancik, "you must understand the context of that behavior, that is, the ecology of the organization, in order to understand the behavior of an organization".

According to this theory, an organization's ability to function and endure depends on its capacity to obtain resources from the outside world, including resources from other organizations, and to retain control over such acquisitions. The performance of the organization is identified in several studies as a viable dependent variable within the RDT framework (Callen et al., 2009), despite the fact that much of the literature on RDT uses the theory to explain why organizations enter into inter-organizational arrangements (e.g., joint ventures and mergers) in an effort to decrease their dependence on others for resources (Drees & Heugens, 2013).

Resource Dependence theory has been used as a guiding framework to explain managerial behavior (Malatesta & Smith, 2014) and organization design (e.g., organization size, board size, and board involvement techniques) in addition to inter-organizational arrangements and organizational performance (Hodge & Piccolo, 2005). This theory has been used to explain managerial behavior, organizational design, organizational performance, and the probability that an organization will enter into an inter-organizational arrangement as functions of the organization's capacity to successfully acquire resources, including the efficacy of their resource-acquisition strategy.

This theory relates to this seminar work since it addresses the ability of the organizations to acquire resources. Non-governmental organizations have the ability to acquire resource of all manner including finances for their own survival and continuity. Such organizations have perfected their abilities and strategies to acquire such resource in the ever changing and competing environment.

Role of Diversified revenue streams on the Financial Sustainability of NGOs in Kenya
According to Grasse et al., (2016), nonprofit organizations can increase revenue growth by combining several sources of income, but only if they are willing to take on a certain amount of risk. The challenge comes from the reality that various. There are various risks connected with different revenue streams, and nonprofit managers do not have the necessary knowledge to assess the risk of each revenue stream. This intricacy impairs the capacity to consistently reach the ideal balance that could maximize anything to gain from seeking more streams.

The search for new revenue streams may need the development of new management techniques and systems, which will cost money and effort (Min, 2022). This investment carries the risk of replacing one type of uncertainty with another. According to Flaherty, (2022), nonprofits that rely only on donations spend less on fundraising and administration (ceteris paribus), which contributes to administrative efficiency indirectly and may help maintain donor trust in the face of the overhead myth.

Nonprofit managers can focus on this core ability and maximize efficiency if they have professional fundraising skills that come from cultivating relationships with a select few sponsors (Arvidson & Linde, 2021). Similar to this, securing government financing necessitates a significant time and human resource investment, which inevitably drives up administrative expenses for nonprofits even those with steady or consistent revenue streams (Pratt, 2023).

When nonprofit organizations receive funding from a single source, primarily the government, they may "crowd out" funding from other sources in at least two ways. Firstly, donors may question whether nonprofits need other sources of revenue, especially when grants or contracts are seen as long-term or permanent. Secondly, when government or grant making foundations provide seed money to nonprofit organizations, the imprimatur of the gift may stimulate private donations; however, major long-term support may threaten to chase away donors instead. Adena and Huck, (2019) found that whether public subsidies substitute private donations depends on their magnitude relative to one another. Public subsidies may crowd in private donations at low levels of government support, but the effect is the opposite.

According to Kearns et al., (2012), when nonprofit organizations take on projects that are perceived as being at odds with their aims, they run the risk of eventually losing their funding and goodwill. Diverse revenue streams may cause NGOs to focus more on donors than on members or clients, even in spite of any potential benefits from greater community embeddedness (Adena & Huck, 2019). Diverse revenue streams entail varying standards (Anheier & Toepler, 2022), and organizations occasionally jeopardize their reputation or mission in return for grants or contracts (Pratt, 2023). When nonprofit organizations fight for limited resources in an effort to achieve financial stability, this issue is exacerbated (Cooley & Ron, 2002). When nonprofit organizations alter their program offerings to satisfy donor expectations rather than recipient requirements, this is known as mission drift (Mitchell, 2019).

In the near term, revenue diversification may be especially beneficial to the financial stability of nonprofit organizations. However, the plan may eventually have a detrimental impact on financial health to the extent that diversity confuses organizational procedures and takes focus away from missions. The fact that empirical research shows conflicting findings about the association may not come as a surprise.

Diverse fiscal results have been associated with revenue diversification. Research on the levels of spending or revenue has produced a variety of results. Schleicher, (2023) found that diversification lowers expenditures, while Hendrick and Degnan, (2019) found the opposite, and Yang, (2021) found no significant effects on either spending or revenues. Some researchers find that diversification lowers tax burden and effort, while others find that it increases tax effort (Chikoto-Schultz & Sakolvittayanon, 2020). Diversification promotes revenue or spending stability, according to the literature (Jordan et al., 2015).

III. Supporting Evidence

The Kenya Red Cross Society (KRCS)

The Kenya Red Cross Society (KRCS) was established on 21 December 1965 through the Kenya Red Cross Society Act. The organization's constitution is based on the Geneva Conventions of 1949 and the Additional Protocols of 1977 to which Kenya is a Party. The society facilitate communities to respond to humanitarian emergencies to alleviate human suffering and work with partners to implement innovative community driven programs that transform lives and enhance community resilience. The society sustain itself financially through donations from International Federation of Red Cross and Red Crescent Societies (IFRC), the International Committee of the Red Cross (ICRC) and national societies but also non-Movement donors such as governments, individuals and companies. To remain financially sustainable, the society has also embarked on quite ambitious enterprises (diversified revenue stream) to increase its domestically raised income. It has two main ventures which include a private ambulance service (E Plus), which is now Kenya’s largest ambulance service, and a chain of hotels (Red Court).

Lewa Wildlife Conservancy

The Lewa Wildlife Conservancy, a non-governmental organization based at the foothills of Mount Kenya, works as a model and catalyst for the conservation of wildlife and its habitat. This is done through the protection and management of species, the initiation and support of community conservation and development programs, and the education of neighboring areas in the value of wildlife. Lewa raises its revenue through fundraising from individuals while the rest comes from zoos and partners’ foundations. The conservancy in an effort seen to supplement its revenue, is annually engaged in organizing a marathon through the conservancy known as “Lewa safari marathon”. The objective of this event is not just to have fun in the conservancy but to raise revenue through individuals and corporations that register to participate in the run and also those who register to exhibit during the event. This annual event ends up generating a lot of revenue for the conservancy that ends guaranteeing its financial sustainability.

Northern Rangelands Trust

The Northern Rangelands Trust (NRT) is a membership organisation owned and led by the 43 community conservancies it serves in Kenya (northern and coastal regions) and Uganda. NRT was established as a shared resource to help build and develop community conservancies, which are best positioned to enhance people’s lives, build peace and conserve the natural environment. NRT serves its member conservancies. These are local institutions run for and by indigenous people to support the management of community-owned land for the benefit of improving livelihoods. As institutions, community conservancies not only give people a voice, but provide a platform for developing sustainable enterprise and livelihoods either directly or indirectly related to conservation. The trust is funded by its member conservancies through their members. To supplement its cash flow, the trust has embarked on diversified activities that generate more revenue for its financial sustainability. These activities include, the beadwork where women are hired to make beads that are sold to local tourist and others are exported to other countries. This activity ends up earning a lot of revenue to the trust.

The Marianist Family

The Marianist Family is a big, joyful, prayerful, diverse community. The Marianist Family includes the brothers and priests of the Society of Mary, the Daughters of Mary Immaculate who are more commonly known as the Marianist Sisters and lay women and men who are committed to the Marianist charism. It is a global family, present in more than 30 countries across the world. Together, they carry out the mission of the Blessed Mother in bringing Christ to the world. They work in education, social justice and pastoral ministry, with a focus on building strong communities of faith and service. To sustain the operations of the Marianist family, a board exist that sources for funding the grants, donations and endowment fund. However, to supplement these revenue streams, the family has ventured in income generating activities that can raise funds for their financial sustainability. For instance, the family has rolled out vocational training activities at a subsidized rate where they have been able to admit thousands of youth in their various collages across the country. This act has seen them raise revenue for their sustainability.

The Aga Khan Development Network (AKDN)

The Aga Khan Development Network (AKDN) is dedicated to improving the quality of life of those in need, mainly in Asia and Africa, irrespective of their origin, faith, or gender. Our multifaceted development approach aims to help communities and individuals become self-reliant. A significant portion of the funding for development activities comes from partnerships with national governments, multilateral institutions and private sector partners. His Highness the Aga Khan provides regular funding for administration, new programme and country initiatives, and for some core activities. The Ismaili community contributes invaluable volunteer time, professional services and substantial financial resources. Other funding sources include income from user fees and endowment funds. However, to supplement their funding and attain financial sustainability, the foundation has diversified in other project companies such as hospitals, schools and University for Economic development that works on a commercial basis and operate as businesses, but all surpluses are reinvested in further development initiatives, including contributions to social and cultural projects.

IV. Conclusion

This seminar paper concludes that;

i. Revenue diversification is a necessity to all the NGOs in order to generate more funds for their sustainability.
ii. NGOs that diversify their revenue streams have more chances of financial sustainability compared to those that don’t.
iii. As much as diversification of revenue streams by NGOs may come with various risks, its benefits surpasses them all.
iv. Revenue is an ingredient of survival hence required by all organizations including NGOs.

V. Recommendation

This seminar paper recommends the following.

i. For purposes of financial sustainability, all NGOs should embrace diversification of revenue streams.
ii. NGOs should develop their ability to acquire resources in the ever changing environment they operate.
iii. NGOs should be proactive and risk takers in diversifying their revenue streams in order to supplement their income sources.

iv. Management of NGOs should guard and supplement their revenue sources and streams for their survival.

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