TO INVESTIGATE THE FACTORS AFFECTING AND INFLUENCING THE FINANCIAL SUSTAINABILITY OF CIVIL SOCIETY ORGANISATIONS IN ZAMBIA

BY

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DECLARATION

I, **Chimfwembe Lombe** do here by declare that this is my original work and has not been submitted to any other college, institution, or University other than the University of Zambia. All sources of information and literature on related works previously done by others used in the production of this dissertation have been duly acknowledged. If any omission has been made, it is not by choice but by error.

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APPROVAL

This dissertation by **Chimfwembe Lombe** has been approved as fulfilling the partial requirements for the award of the Degree of Master of Business Administration- General

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ABSTRACT

Many corporate entities have relied on financial sustainability drivers such as income generating capacity, income source diversity, financial planning and management, and the potential for geographical spread and product diversity; however, there is limited information on how CSO's respond to financial sustainability challenges in Zambia. Inconsistencies have been found in studies of factors influencing the financial sustainability of local CSOs, with some suggesting that the factors include income diversification and sustainable levels of income from local and external donors, as well as own income generating activities to the extent that the organizations continue to grow and operate after external donor funding is withdrawn. As a result, the purpose of this study was to investigate and comprehend factors correlated with financial vulnerability of CSOs in Zambia, the institutional conditions that enable CSO's to mitigate the impact of a decrease in revenue on programmes and the alternative sources of income available to CSO's in Zambia. The research was guided by Resource Mobilization Theory and employed a mixed methods approach. The survey drew 80 responses from 10 non-governmental organizations. Program managers and finance managers were among them. In order to collect data, a saturated sampling survey was used. Structured questionnaires were used to collect primary data, while data schedule sheets were used to collect secondary data. Expert review and test-retest methods were used to determine instrument reliability, and Cronbach's alpha was used to achieve data validity; it provided a coefficient of 0.930, which was sufficient for further analysis of the study data. Correlation coefficients range from 0.188 to 0.556, with p0.05 for each variable. The data demonstrate that CSOs' goals of reducing financial vulnerability and financial sustainability have significant coefficients. The regression results revealed that financial variables contributed R2 of 0.613 to good financial sustainability. This simply suggests that the steps taken by organizations to reduce their financial susceptibility contribute greatly to their long-term viability. Although alternative sustainability practices are important, the effectiveness of these practices appears to be dependent on other factors. Alternative sustainability strategies, on the other hand, are proven to be inconsequential to CSOs' ability to sustain themselves.These findings may be useful to CSOs in enhancing their growth, as well as to academics and industry players in the public in investigating the significance of contributory factors to the growth of CSOs.

Keywords: **Financial sustainability, funding, growth, income.**

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DEDICATION

By the grace of God, I dedicate this work to my beloved family who were always there to encourage me physically and emotionally in my daily endeavors

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CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter introduces the research study, it defines the contextual information, outlines the problem statement, lists the research goals and research questions. It also explains the scope of the research and justifies its significance.

1.2 Background

Civil society is often referred to as the "third sector" of society, utilizing collective activity from citizens in order to advocate for human rights (State of Civil Society Report 2018). From this definition, individuals come together on a grassroots level to resolve issues with a locally based mindset. More specifically, civil society serves to address the three core civic freedoms: expression, peaceful assembly, and association (State of Civil Society Report 2018). These three broad civic freedoms represent a compartmentalization of the hundreds of fundamental human rights within society. Nearly all societal freedoms (speech, religion, peaceful protest, etc.) fit into the three broad freedoms stated above.

Thus, civil society is important in that it encourages people to strive for societal progress. It has developed the primary purpose of filling resource gaps and challenging existing structures, policies, and systems. Civil society helps to give people the fundamental human rights discussed above, as well as help them to develop into a self-sufficient community (that is. without external dependency). Advocating for progressivism is difficult to do in a world where power dynamics are largely hierarchical, which is why the purpose of civil society is to challenge the current state of political power distribution. There are hundreds, if not thousands, of concerns that civil society faces, including sustainable agriculture, access to information, water/sanitation issues, and constitutional rights.

In most nations, a civil society has proven to be an important instrument for social and economic development (Borzaga et al., 2017). Civil society in Japan and Bangladesh has been of specific assistance in economic growth in Asia (ILO, 2010). Micro-credit and other forms of financial support were used in Bangladesh as a way of alleviating poverty and improving poor people's social livelihoods (ILO, 2010). A more situational example might include looking at violence in Yemen and how CSOs stepped up to mitigate these issues in order to protect the populace (State of Civil Society Report 2018). Furthermore, civil society organizations rose up in catastrophes such as Hurricane Maria, which hit a sub-portion of the Caribbean (State of Civil Society Report 2018), causing otherwise unreliable recovery and advocacy for support. In Africa, however, efforts are being made to coordinate civil society projects with a deliberate focus on peace, governance, sustainable social-economic development and regional integration.

In terms of developed countries, Aschari-Lincoln and Jäger (2016) note that international financial assistance for local CSOs has been scaled down in the last decade. Foreign donors now rarely directly support local CSOs. Moreover, with many funders requiring a high degree of financial transparency and adherence to good governance protocols, the funding environment has shifted. Potential funders also want access to the financial data of the CSOs and many need stringent reporting regimes, rendering excessively complicated and administrative funding applications and therefore discriminating against small-scale CSOs located in developed countries. Such CSOs have also suffered reductions in funding (Fowler 2016). Many who get funding find that they have to invest considerable time, money and energy adhering to the donors' mandatory bureaucratic reporting regimes. This makes them much more accountable for serving donor mandates (Banks & Hulme 2012; Hershey 2013).

Another battle for CSOs is that they may also be tainted by funding sources in the eyes of local residents, which are starting to see them as state agencies or large corporations (Banks & Hulme 2012). This is because of, in part, the implementation by some funders of strict (and sometimes onerous) funding requirements on CSOs. Thus, over time, some CSOs' activities become customized to the donor's demands. Not only for income, but also for a raison d'être, the CSO can also become financially dependent on donors. As such, the CSO mandate is then dictated by the financial sponsors (Reith 2010). As a result, Reith (2010) and McKay, Mbanda and Lawton (2015) have argued that donors enforce funding requirements in certain instances, resulting in CSOs being pressured to contribute to the donor agenda, regardless of what is required or desired at the local level. This dependency on donors weakens the credibility of CSOs and opens them up to criticism that they merely represent themselves (Suleiman 2013).

Being reliant on donor funding makes CSOs particularly vulnerable to the whims of donors (AbouAssi, 2013). For instance, donors often revised their funding targets independently of the CSOs they work with, which may lead to a discrepancy between the donor's and the CSO 's objectives. This can lead, often with disastrous financial implications for the CSO, to the donor ending the partnership (AbouAssi 2013). In addition, often support is removed if the current economic climate adversely affects donors (Mayer et al. 2014). Thus, Carroll and Stater (2009), Mumba (2010), Bowman (2011), AbouAssi (2013, 2015) and Chikoto and Neely (2014) all assert that if the donor climate changes faster than the capacity of CSOs to adapt to the changes, high reliance on donor funding will make non-profits systemically vulnerable. This is compounded by the fact that, since they are rarely in a position to acquire money, many fail to achieve financial sustainability (Hershey 2013).

Therefore, it is in the best interests of CSO’s in the developing world to take into account financial sustainability, not just project sustainability, in terms of strategy and daily operations. This will require the introduction of a more business-like survival strategy. Not all are willing, or able, to do this, however (Julie 2010). Leadership matters, in particular: CSOs need boards of directors made up of individuals with the expertise required to follow a business-like approach (Hayman 2016). However, as Lehner (2013) states, most CSOs are set up and led by individuals who do not have formal experience in business or entrepreneurship. Therefore, as their leaders concentrate almost exclusively on social issues and frequently lack an entrepreneurial mentality, CSOs struggle with finance in general (Morris, Webb & Franklin 2011). In addition to many CSOs, being unable to embark on long-term strategic financial planning, is because they are trapped in cycles of donor-controlled funding (Lehner 2013). In addition, most CSOs work under circumstances that are hand-to-mouth, surviving from one funding period to the next. To diversify their revenue sources, most have not developed new cultures and skills.

For these reasons, Hailey and Salway (2016) argue that sustainable CSOs must be able to adapt, change and revise their missions to a changing external climate, as well as mobilize resources to address new challenges. This requires a transition to a more self-financing and self-reliant approach (Gras & Mendoza-Abarca 2014; Stecker 2014). CSOs therefore need to build models of financial capital that concentrate on revenue diversification (Chikoto & Neely 2014; Stecker 2014). This involves the development of alternate sources of revenue (Yang, Lee & Chang 2011). As a consequence, some CSOs have increased their commercial activities, especially in the Global North by delving into socio-economic consultancy (Kerlin & Pollak 2011). Therefore, if they are to completely recognize their unique mandates, it can be postulated that CSOs need to step into a position of financial strength and freedom (Stecker 2014).

Nonprofit organisations (CSOs, NGOs, CBOs etc.) have a checkered background in South Africa (Patel 2012). International donor funds pumped into non-profit organizations have had to register on a national database in the 1980s and 1990s and send annual audited financial reports to the state in order to continue to work. Hershey (2013) claims that Kenya has experienced rapid and unparalleled growth of local, CSO's over the past three decades starting in 1990. This pattern, he says, reflects similar growth in the CSO sector in the developing world, with increased service points and areas of human rights addressed by CSOs. However, researchers in the NGO sector (Ali, 2012; Manyeruke, 2012; Waiganjo, Ng'ethe and Mugambi, 2012; Njoroge, 2013) agree that financial sustainability is one of the major challenges facing the NGO sector in Africa.

There has also been a structural evolution within the civil society sector. The sphere of support has shifted away from advocacy toward service-based organizations (State of Civil Society Report 2018). Beyond Zambia, funding toward civil society organizations is shifting broadly across the globe. The amount of funding aimed at organizations classified as CSOs has dwindled commensurately with increasing economic issues in the country. This has led CSOs in Zambia to seek alternative funding through methods such as domestic resource mobilization, lobbying from large development agencies, private interests, the government, etc. However, it is difficult for CSOs to receive international development funding due to the shift from official development aid (ODA) toward private sector investment (PSI). Due to the fact that money travels through a state-regulated economic system, the government can implement effective restrictions toward certain organizations that do not promote what the government considers appropriate (Civil Society and the Private Sector). Generally speaking, the government approves of CSOs that are service related because their actions align with government credibility and effectiveness (Blansky and Fields, 2019).

Advocacy CSOs operate in such a way that serves to critique the shortcomings of the government. They have the ability to raise opposition in the political sphere, so it is in the government's best interest to suppress these organizations. They can do so through attacks on civil society which, according to the 2017 State of Civil Society Report, were demonstrably increasing. Due to dwindling funding and opposition from powerful actors, including but not limited to the government, CSOs in Zambia must adapt to the new development environment. Through service provision and advocacy, their goal is to protect the three core civic freedoms that can be categorized broadly as promoting and advancing human rights. Due to the lack of funding information about CSOs in Zambia, there is little that can be done in the development sphere to promote the proliferation of CSO success.

There have been few published studies investigating the factors affecting the financial sustainability of CSOs in Zambia, but a range of factors determining the financial sustainability of CSOs have been reported by studies from other countries. These variables include: diversification into consultancy, conservative financial management activities, and forging good working relationships with donor partners (Leon, 2001; Devkota, 2010; Lewis, 2011; Ali, 2012; Waiganjo et al., 2012). In the case of Zambia, it will be important therefore, to evaluate the suitability of these variables and other possible determinants in order to direct CSOs in Zambia to be financially sustainable. This study surveys 10 different CSO's in Lusaka district.

Zambia is subject to numerous human-wellbeing issues, as such, there are a large number of civil society organizations present throughout the country. There is difficulty in finding an official statistic since there are numerous mediums in which these organizations can register (Societies Act, Companies Act, etc.). Mumba (2010) reported that it was estimated that there were approximately 12,000 CSOs in Zambia in 2009, this figure fluctuates as some get deregistered, yet others wind up after the end of the project while new CSO's get registered. According to Mutati (2012), come CSO's fail to continue operations due deteriorating collaboration with the funders. For instance, the IMF in 2009 caused debt issues to shift the allocation of funds away from non-priority endeavors in the Zambia and other African countries. This resulted in the shifting of funding away from civil society organizations and toward other financial responsibilities (i.e., paying back debts). Funding initially shifted from long-term solutions and implementations to short-term projects (Waiganjo et al., 2012). This shift in the funding pattern meant that employees would immediately be laid off following the conclusion of the projects funded under the IMF umbrella hence resulting in the dissipation of continuous progress. As a result, organizations failed to retain qualified staff because they were forced to restart projects. As observed by Mutati (2012), dwindling funds result in CSOs' inability to pay long-term contacts, making it difficult for these organizations to compete for labor on the market.

Financial stability remains a critical issue for CSOs around the world. While there are a number of toolkits and research papers addressing specific sustainability strategies (Carroll & Stater, 2008), many CSOs continue to struggle to set up and maintain the resources needed to carry out their missions. This limitation limits organizational autonomy by inhibiting long-term planning and flexibility in designing and implementing programs. Financial sustainability is also a critical piece of the puzzle in order to encourage local organizations to take greater ownership of the development process, as a strong resource base provides the versatility needed for organizations to experiment with new models that reduce long-term donor dependence.

Civil Society organizations are often seen as leaders in addressing society's challenging environmental and social issues, especially in countries where state led development is weak (Ilhan 2013; Reith 2010). This is especially true for developing countries, where local CSOs are funded through international aid organizations, rather than for-profit organizations or even national governments, because CSOs have less bureaucratic procedures, are more versatile in terms of contracting and are less likely to be partisan (Hershey 2013). CSOs in developed countries, therefore, also promote social change and help reduce inequality (Salamon et al. 2013). The sector itself also has a large economic presence, in addition to the vital social position that CSOs play in developing nations. However, while CSOs play a vital role when governments are unable to solve chronic social problems, they may not be able to meet all the needs of society alone and must be supported by governments and donors from the private sector (Hershey 2013). As such, they also face several major challenges, the most significant of which is securing funding.

Zambia's history of receiving foreign aid extends back to the country's post-independence period, beginning in the mid-1970s, when the country experienced a downturn in copper prices and donors rushed to her aid. The positive response of donors to increase aid to this country paved the way for the establishment of new NGOs as well as the relocation of existing ones from Europe such as Save the Children, Oxfam, and Plan International to expand their charitable activities, as proposed by Manji and O'Coill (2002). The progressive retreat of state intervention in the economy in most

African countries, particularly in the provision of public services, produced a void in this area, which was swiftly filled by non-governmental organizations (NGOs).

Today, NGOs play an important role in the Zambian economy and society as a result of the government's failure to provide high-quality public services, particularly in the health and educational sectors (Mangango, 2018). Many people have come to help solve problems like poverty, starvation, malaria, cholera, and AIDS, to name a few. Others have arrived to address new issues, such as the fight against cervical cancer in women. One thing all non-governmental organizations have in common is that they all seek funds for their projects, which happen to be great causes that are underfunded by the government. As a result, they face intense competition when it comes to raising finances. This study will look at the financing possibilities available to non-governmental organizations (NGOs), particularly those that can ensure long-term operational and financial sustainability.

Not-for-profit organizations do not create their own revenue; instead, they rely on donations. The majority of these contributors are foreign institutions in the case of underdeveloped countries. Because of their reliance on donor funding, NGOs must employ competitive methods in order to win funding bids. The goal is for NGOs to outperform their competitors in the battle for financial resources and to identify alternative funding techniques for long-term sustainability. As a result, Zambian NGOs must design ways to enhance and diversify their funding sources, as well as to make themselves appealing to prospective donors. Donor financing is restricted since it is competed for by NGOs all over the world. The amount of funding aimed at organizations classified as CSOs has dwindled commensurately with increasing economic issues in the country. This has led CSOs in Zambia to seek alternative funding through methods such as domestic resource mobilization, lobbying from large development agencies, private interests, the government, etc. However, it is difficult for CSOs to receive international development funding due to the shift from official development aid (ODA) toward private sector investment (PSI) (Blansky and Fields, 2019).

1.3 Statement of the problem

NGOs play a crucial role in developing countries by providing essential services, which means that interruptions can be extremely harmful for development as communities do not have alternative ways of obtaining those services. Yet NGOs in developing countries often depend on uncertain funding flows mainly from foreign donors and are thus financially vulnerable. Furthermore, access to donor funding and compliance with the associated requirements became more problematic after the global economic crisis of 2008, especially for relatively small and young organisations. The problem of this research, therefore, relates to the specific nature of financial vulnerability of NGOs in developing countries, the responses of Zambian NGOs to their own financial vulnerability, and the extent to which such responses can effectively encourage the sustainability of the organisations and their programmes. Several Studies of factors influencing financial sustainability of local NGOs reveal conflicts; some suggest that sustainability factors include income diversification, and sustainable levels of incomes from local and external donors, as well as own income-generating activities; to such an extent that the organisations continue to grow and operate after external donor funding is withdrawn (Mumba 2010, Mutati 2012). Some studies (Reith 2010; Ilhan 2013) however, conclude that CSOs with operational sustainability factors tend to offer more than their traditionally established services, while others state that for the CSOs to continue in providing efficient services, they must remain focused to limited services with which they are registered to provide. These contrasting constructs require critical analysis to determine causal contribution of sustainability factors to operational challenges that CSOs face in Zambia. The aim of the research is then to understand the factors affecting and influencing the financial sustainability of CSOs in Zambia in the midst of the various operational challenges they may face. The study thus seeks to explore the revenue stream of CSOs. In so doing the study will make a contribution to the literature on the non-profit sector of the country, where academic studies are patchy.

1.4 General Objective

This study investigated the factors affecting financial sustainability of CSOs and established alternative sources of income available to CSO's in Zambia

1.5 Specific objectives

1. To ascertain factors correlated with financial vulnerability of CSOs in Zambia.
2. To examine the institutional conditions that enable CSO's to mitigate the impact of a decrease in revenue on programmes?
3. To establish the alternative sources of income available to CSO's in Zambia

1.6 Research questions

1. What are the factors correlated with financial vulnerability of CSOs in Zambia?
2. What are the institutional conditions that enable organisations to mitigate the impact of a decrease in revenue on programmes?
3. What alternative sources of income are available to CSO's in Zambia?

1.7 Justification and significance of the study

Given the research problem outlined in the preceding section, the overarching goal of this study is twofold: first, to investigate the nature and correlates of financial vulnerability among NGOs in Zambia, and second, to investigate the financial decisions and strategies used by NGO managers to deal with financial challenges. Because of the scarcity of representative panel data, particularly financial data for emerging nations, this study may be beneficial for other developing countries as well. The study examined financial data from a sample of Zambian non-governmental organizations (NGOs) for the years 2015, 2016, 2017, 2018, and 2019. The analysis identifies financial susceptibility variables as well as current methods and coping mechanisms that contribute to the sustainability of organizations and their programs in developing nations. The study examines, using existing literature, to what extent the mechanisms proposed in the literature that are focused on developed countries can be implemented by NGOs in developing countries, as well as what other steps are taken by NGOs in developing countries that are not mentioned in the literature. The significance therefore is:

1. The study is important in the field of research policy and practice. The thesis will contribute to the already non-existent literature on the determinants of the financial sustainability of CSOs in Zambia and, as such, offer a separate contribution to information in the field of research.
2. The results of this study will help subsequent studies build on it to examine other critical aspect of CSOs operations that may threaten their survival.
3. The findings of the study are useful to managers and policy makers in the CSO sector on what factors threatens their survival and how they can manage these factors to ensure financial sustainability.

4. For policy makers, the study will seek to advise them on areas that future policy regulations should focus to ensure sustainability of these CSOs.

1.8 Scope of the study

The study collected data from experts working in CSO’s who were deemed to have the requisite knowledge on CSO sustainability. This study was restricted to the general business fields of financial management and business performance in terms of the scope of the subject. It looked at how financial sustainability includes sound financial management, resource mobilization and revenue generation / self-financing in terms of conceptual scope. Sound financial sustainability involves the ability to produce a positive balance sheet so that the CSOs can be versatile in reacting to new needs and operating environment changes. In this analysis, the region or geographical reach was Lusaka District and the analysis was a cross-sectional study in terms of time scale, and data was collected at a time point.

1.9 Brief Research Methodology

The mixed method approach was used in this report and survey questionnaires were used to collect data from sample local and international CSOs. The population of interest to this study consisted of all CSOs registered in Zambia and operating within Lusaka. A non-probability, convenience sampling method was used in selecting the CSOs. Primary data research instrument reliability was tested using Cronbach’s Alpha Method while validity of the data collection instruments was done using experts in the area of study to edit the questionnaire and further enhanced by conducting a pilot study which is aimed at refining the instruments.

Both descriptive and inferential statistics were used to summarize and analyze the data, involving measures of dispersion and central tendency. Pearson r correlation and multiple regression analyses were also be used. Data was presented using tables, figures, and charts.

1.10 Chapter Synthesis

The dissertation is arranged as follows:

Chapter one provided a contextual gap contained in the problem statement highlighting why the need to have this research cannot be over emphasized. It goes on to explain the purpose, research objectives, significance, and scope of this research.

Chapter two deals with detailed literature review of the study and highlights the theoretical framework upon which the study was based, the empirical framework for the study as well as the conceptual framework for the research.

Chapter three goes into specifics of the methods to be used in this research and explains the research design, population study, sampling design and procedure, sample size, instruments for data collection, data analysis, and research procedures

Chapter four outlines method of data collection, method of data analysis and limitations of the study.

Chapter five presents analyses and interprets the findings and lastly Chapter six concludes and makes recommendations.

1.11 Chapter Summary

This chapter provided a contextual gap contained in the problem statement highlighting why the need to have this research cannot be over emphasized. It goes on to explain the purpose, research objectives, significance, scope of this research, the brief research methodology and the chapter synthesis

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This section presents the literature review for the study. It highlights the theoretical framework upon which the study was based, the empirical framework for the study as well as the conceptual framework for the research. The secondary data reviewed is in line with the studies main objective which was to understand the sustainability challenges and identify ways of broadening the financial base to enhance sustainability for CSOs in Zambia. The empirical review was done on each specific objective of the study.

2.1 Theoretical Review

The notions of financial sustainability variables and NGO/CSO growth are anchored on various main theories including Social Capital Theory (SCT); Resource Based View (RBV) Theory and Open System Theory (OST) Theory. The three theoretical perceptions considered for this research are discussed below.

2.1.1 Resource based theory

The resource-based view (RBV)'s core concept is that companies compete based on their capital and skills (Petaraf and Barney, 2003). Resources are defined as the inputs or factors at a company's disposal which help to perform its operations or perform its activities. RBV is an approach that originated in the 1980s and 1990s after the major works published by Wernerfelt (1984) and others to achieve the competitive advantage. RBV's supporters claim that leveraging potential opportunities using current (tangible and intangible) tools in a new way is much more realistic than having to learn new skills for any particular opportunity.

The theory of resource-based analysis claims that organizations hold tangible and non-tangible resources. Such resources enable firms to gain competitive advantage and contribute to superior results over the long term. This benefit can be maintained over longer periods of time to the degree that the business is capable of defending against resource depletion, transition or replacement (Frawley and Fahy, 2006). Given the fact that CSOs are listed as non-profit organizations, they remain economic entities as they use the scarce resources of society (land, labor and capital) to manufacture goods and services. Such organizations have administrative expenses, place expenses on society to the degree that they use donations and volunteer resources to provide superior value to society and require a consistent income source to support their mission and be financially sustainable.

Previous studies state that Kay (2005) championed the resource-based theory. According to Ngahu and Mutinda (2016), the idea is based on the economic rent concept and that an entity is a power gathering. The theory argues that companies with scarce resources are capable of outperforming their rivals as well as well-organized resources (Barney, 1995). According to Omeri (2015) the resource-based theory is based on an organization's internal resources to describe success and strategy competitiveness of the organization. The study further maintains that resources are the overall assets of the company that can be used to generate value for stakeholders. The theory notes that the internal environments of an organization are more critical in evaluating its strategic strategy compared to the external environment in terms of its resource resources (Camison, 2005).

Ngahu and Mutinda (2016) further argue that while CSOs are organisations that do not make profit, they are also economic entities that use the same or similar tools as their counterparts in making profit. Omeri (2015) also supports the view as he argues the CSOs use capital to conduct their projects and programs derived from society's limited resources. Furthermore, the study shows that NGOs have high operational costs and as a result would typically rely on community funding to carry out some of their projects. Previous studies indicate that most CSOs have a unilateral revenue structure and, as such, there is a need for NGOs to diversify their funding sources in order to ensure sustainability (Saungweme, 2014; Hendrickse, 2008; Barney, 1991). This study adopted the resource view theory with the conviction that all CSOs require capital for their projects and programs to function and remain sustainable.

2.1.2 Social Capital Theory (SCT)

It is generally defined as social relations between individuals or groups capable of developing norms of mutual trust and forming social networks to attain certain social and economic purposes (Putnam, 2001). This definition appears to ignore social context, as it assumes that each individual or group has equal access to join. Yet in practice such an assumption is hard to check. Szreter (2002) proposes new dimensions for making the concept of social capital more meaningful, namely bonding, bridging and linking. Bonding and bridging social capital apply, respectively, to social relations focused on the homogeneity and heterogeneity of ethnic or social membership class.

Linking social capital is related to power that drives a more pronounced bridging of different social class or ethnicity in a society. A society with strong bonding and weak social bridging capital propels the sharpening of class and ethnic divisions while strong bridging and weak bonding social capital facilitates the growth of rootless elite classes. Therefore, a balanced development of the social capital bonding and bridging in society is important. Another significant factor to remember is the concept of social capital outreach, anything to do with reporting, whether at micro, meso or macro level.

The SCT is considered relevant to this study as it explains how social capital can be mobilized for pursuit of CSO's financial sustainability.

2.1.3 Open Systems Theory (OST)

Bastedo (2004) explains that the theory of open systems shares the perspective that the survival of an organization depends on its relation to the environment. There is a boundary between the entity and the world, in keeping with the open system principle. The company needs to keep this boundary porous so that knowledge, ideas and materials can be permeated to move through. Therefore, the organization is composed of sub-systems that are interrelated and interdependent from each other. An open structure exists if there is a porous membrane or boundary between the entity and the outside world, according to Lim and Sambrook (2010).

This interaction between the internal and external environment allows these organizations' controllers to pay attention to their external and internal environments, and the needs and reactions of customers. The OST theory is considered relevant to this study as it explains how (internal and external resources can be mobilized for pursuit of collective organization goals.

2.2 Empirical Review

This section of the literature review looks at a review of previous studies on determinants of financial sustainability of NGOs/CSOs globally with a view to establishing discrepancies in previous studies and how this study will resolve those discrepancies. The empirical review is done in line with the studies specific objectives: to understand the sustainability challenges faced by

CSOs globally; to explain the alternative sources of income available to CSOs and to establish which of the alternative measure can work in Zambia.

2.2.1 Factors correlated with financial vulnerability of CSOs

Civil Society Organisations financial sustainability is essentially the organisation's ability to reallocate assets in the face of opportunities and challenges, and to maintain a stable financial balance over a long period of time (Omeri, 2015; Iwu et al. 2015; Saungweme; 2014; Mirithi, 2014). Some researchers see CSOs' financial sustainability as the organization's ability to raise its own revenue or raise funds locally and the foreign reliance while also being able to carry out the projects required for the duration (Lewis, 2011; Devkota, 2010).

A study by Pathfinder International (1994) suggests that CSO’s financial sustainability is determined by the organization's excess income over spending, surplus cash or liquidity status and solvency level. Many research focuses on financial sustainability from the organization's point of view through income diversification, so that programs can be executed even though a specific source of funding is cut (Saungweme; 2014; Lewis, 2011).

A study by the Asian-Pacific Entrepreneurship Development Institute (2014) revealed that most local CSOs in developing counties have significant financial management vulnerabilities and have ad-hoc accounts that make it difficult to demonstrate financial sustainability. According to Omeri (2015), many CSOs do not have the money to purchase and use advanced technologies to allow for planning purposes to track and maintain financial data. Schneider (2003) endorsed that view and claimed that CSOs do not see technology innovation helping to manage their financial capital as they see it as secondary to their mission.

According to Mirithi (2014), the concept of financial sustainability varies greatly between organizations making profit and not organizations making profit depending on the nature of the organization's income, structure and objectives. The financial potential for a not-for-profit organization consists of the resource that gives the organization the opportunity to take advantage of opportunities when they occur and also to respond to unforeseen needs when they occur (Mirithi, 2014; Kuranja, 2014).

Financial sustainability goes beyond resource utilization and income production, sound financial management practices, revenue diversification etc., according to AbdelKarim (2002). Ali (2012) sees a CSO's financial sustainability as the ability to produce successful balance sheets because the company has the flexibility to respond to environmental changes. For CSOs to be financially viable, according to Okorley and Nkrumah (2012), they need to have the management capabilities to raise funds and get their workers involved in their financial situation to get their full support and cooperation. The main financial sustainability components for CSO’s include in the nut shell: sound financial management activities, revenue diversification, own income generation efficiency, and strong donor relationship management (Mutinda and Ngahu, 2016; Omeri, 2015; Saungweme, 2014; Ali, 2012).

2.2.1.1 Financial Management Practices

Financial management practices entail reviewing and managing the CSO's current and future financial positions, as well as determining how to best fund the strategic goals of CSOs. CSOs combine a diverse set of income-generating and social activities to build a portfolio of livelihood activities that may meet basic needs and improve livelihood outcomes. Having good strategic financial management systems assists an organization in obtaining funding from donors who can easily understand the organization's direction (Waiganjo et al., 2012). They emphasize the importance of CSOs critically strategizing their financial sustainability as the operating environment changed quickly while needs increased due to a variety of factors such as climate change, drug abuse, disease, and natural disasters. According to Gakuu and Kirimi (2014), financial management practices emphasize prudent fund management mechanisms that assist CSOs in achieving their goals in an effective and sustainable manner.

In Kenya, Spalling, Brouwer, and Njoka (2014) explain that most local CSOs have weaknesses in strategic financial management and sustainability models, and they find it difficult to leverage their assets due to their rudimentary accounts and ad hoc nature. Waiganjo et al. (2012), on the other hand, argue that CSOs in developing countries are attracting qualified staff and even competing with the private sector for staff, resulting in them having the best skills to achieve the highest levels of financial management. If sound financial management is not practiced, the risk of losing sight of long-term financial goals increases (Leon, 2001). Financial management in CSOs is thus concerned with ensuring that funds are available when needed, and that they are obtained and used in the most efficient and effective manner for the benefit of the CSOs (Waddell, 2000).

2.2.1.2 Revenue Diversification

Saungweme (2014) described CSO/NGOs' revenue diversification as the organization's ability to extend sources of income to include multiple donor sources both locally and internally. Boas (2012) has defined revenue diversification to include a number of activities that reduce the company's reliance on a particular source of income, donor or country. This view is supported by Alymkulova and Seipulnik (2005), in which they argue that if they want to be sustainable, CSOs should not depend so much on a particular source of income.

According to Leon (2001), diversification of revenues occurs when CSOs raise funds from at least five different sources. Lewis (2011) argued that the income diversification of CSOs is where the organization has the capacity to secure funding from various sources, including public, local and national governments, private sector businesses and not rely too heavily on foreign donors

Leon (2001) and Lewis (2011) argue that CSO's income diversification is when at least 60 percent of organizational funding comes from five different sources. On the global front, on the other hand, Norton (2009) sees income diversification as where a source of CSO funding includes 50 percent from international donors, 20 percent from membership fees, and 20 percent from raising community funds, and 10 percent from other sources. Rasler (2007) argues that both internal dimensions of building a sustainable CSO are external in dimension. From an Irish and Simon (1999) point of view, CSOs must first achieve organizational and self-governance before they achieve financial sustainability.

Previous studies on CSOs' income diversification in Africa have shown that most CSOs have difficulties in trying to diversify their sources of income, with some even losing their identity (Marinkovic, 2014; Waiganjo et al. 2012; Rawlings, 2011). For example, Waiganjo et al (2012) reported that Kenya's CSOs faced stiff competition in their attempt to diversify their sources of income from foundations and trust built up by private companies and banks' corporate social responsibilities. This implies that monies which should have been made accessible to these CSOs were channeled by private companies to these foundations and projects.

Other studies on CSOs' income diversification and financial sustainability revealed a positive and important relationship between CSOs' revenue diversification and financial sustainability. Omeri (2015) research on CSOs in Nakura County, Kenya, for example, revealed a positive and important relationship between NGOs' diversification of revenues and financial sustainability. Saungweme (2014) also found a positive and significant relationship in Zimbabwe between the diversification of revenues and the financial sustainability of CSOs.

2.2.1.3 Own Income Generation Efficiency

Literature shows that there are many ways in which CSOs can collect their own money, including: selling products and services, financial management and donation from the corporate alliance to trust or endowment funds, raising funds, etc. (Mutinda and Ngahu, 2016; Omeri, 2015; Ashoka and Mango, 2015; Saungweme, 2014).

European researchers such as Ali (2012) and Lewis (2011) argued that privileges such as the tax exemption enjoyed by CSOs could be revoked once they are seen to be engaged in any profitable venture. Lewis (2011) argued that the CSO's ability to collect its own funds is a guarantee of its financial survival, as this allows the Organisation the independence and autonomy to execute its own programs and programs.

Saungweme (2014) argues that a significant determinant of financial sustainability is the capacity of the NGOs to produce their own profits. Waiganjo et al. (2012) stated that local CSOs in Kenya, like the Red Cross Society, generated their own income through a variety of means like operating profit-making hotels and emergency services and using the proceeds for charity and development purposes. Some CSOs raised their own funds in Zimbabwe through consulting services, selling of products, subscription to membership among other sources (Saungweme, 2014; USAID, 2010).

Earlier studies examined the determinants of CSOs 'financial sustainability showed a positive relationship between the generation of own income and CSOs' financial sustainability (Saungweme, 2014; Manyeruke, 2012, Ali, 2012; Lewis, 2011; Leon, 2001). For example, Saungweme (2014) in his exploratory study on local CSOs in Zimbabwe found a positive relationship between the generation of own income and the financial sustainability of CSOs. On the other hand, using CSOs in Kenya, Waiganjo et al. (2012) found using a mixed method approach found a positive link between CSOs producing their own income and their financial sustainability.

The findings are similar to those of Ali (2012) and Njoroge (2013) in which they found that all four key determinants of CSOs' financial sustainability were positively related but the relationship was found to be weak. Saungweme (2014) argues that CSOs seeking to collect their own funds face the identity crisis problem where they are accused of losing focus and becoming profit-oriented.

2.2.1.4 Strong Donor Relationship Management

According to Omeri (2015), after the initial relationship between the donor and the CSO has been formed, the next big challenge is to keep the relationship moving forward. Building a good and cordial relationship with donors was a critical step in achieving financial sustainability at CSOs, according to Lewis (2011). Investors within the community and community foundations can play a critical role, according to Carman (2001), is development by assisting CSOs to achieve their vision and mission. Omeri (2015) argues in this regard that it is the responsibility of CSOs to ensure that they present information that donors and investors expect of them in a clear and transparent manner.

Saungweme (2014) argues that effective donor relationship management involves CSOs being able to change their structures, activities and processes under their donor goals so that they can attract more donors. For its part, Waiganjo et al. (2012) reported that CSOs that are able to coordinate their programs according to donor preferences are likely to receive their funding and thus become financially sustainable. Their study further revealed that most donors in a consortium are supporting CSOs, and that it was necessary for CSOs to join such alliances to attract these donors to ensure financial sustainability.

Prior studies on determinants of NGO’s financial sustainability in Africa have found a positive relationship between good donor management and NGO’s financial sustainability (Saungweme; 2014; Ali, 2012; Waiganjo et al. 2012; Lewis, 2011; USAID, 2010; Fafchamps and Owens, 2008). For example, the Saungweme (2014) study on the determinants of financial sustainability of local NGOs in Zimbabwe revealed a positive, but weak, relationship between good donor management and financial sustainability. NGO report USAID (2010) in Zimbabwe also reported a positive relationship between good donor relationship management and NGO financial sustainability. Ali (2012) study revealed that the most significant determinants of financial sustainability of NGOs in

Kenya were good donor relationship management. Related research, Waiganjo et al. (2012) also recorded a clear positive relationship between good donor relationship management and NGO financial sustainability. The research on NGOs in Uganda, by Fafchamps and Owens (2008), also reported a positive relationship between good donor relationship and financial sustainability.

Saungweme (2014) identified some of the factors from previous studies that formed the basis for maintaining successful donor ties. Some of the key ones are: the number of donor-organized programs invited by CSOs, maintaining an updated database and tracking system of all donors in the country, the number of donor-funded projects and programs, repeat donor funding and donor funding of long-term CSO projects (Lewis, 2011; CI, 2011; Leon, 2001).

2.2.2 Institutional conditions that enable CSO’s to mitigate the impact of a decrease in revenue on programmes

Research has shown that a growing number of non-profit organizations in developing countries have developed and earned local people's confidence as key development partners (Amagoh and Kabdiyeva, 2012; Okorley, Deh and Owusu, 2012). Resource shortage is highly critical when considering CSOs' financial survival (Omeri, 2015). This reasoning is in line with Drucker's (1980) argument that organisations are faced with increasing programs and activities that require consistent and adequate funding but will need to settle with their limited funding opportunities. This could lead to financial unsustainability unless measures are put in place to address them. An organization's financial sustainability is the firm's ability to take advantage of opportunities and respond to unforeseen challenges while preserving continuity in the organization's operations (Bowman, 2011). Omeri (2015) links financial sustainability to financial capacity that the study argues is the extent to which management has flexibility in resource reallocation given opportunities and threats.

While CSOs play a crucial role, they are not without criticism. Not every nationals government supports them and poses questions about their motives. Some argue even that CSOs are promoting citizen uprisings and initiatives to change the regime. Others argue that CSOs engage in illicit activities that compromise national sovereignty (Agence France-Presse 2014; Fraser 2005). The ruling elite therefore often contest the legitimacy of NGOs (Suleiman 2013).

As a result, the non-profit funding landscape has evolved significantly since the 1980s (Hershey 2013). Initially, CSOs were viewed as a key conduit for developing and strengthening democracy and good governance in developing nations. To that end, funding, from international bodies, such as the World Bank and the European Union (EU), became significant (Habib 2005; Hershey 2013). Later, the donor funding landscape took a directional shift and began to focus more on poverty alleviation instead of broad empowerment (Banks & Hulme 2012). For example, the World Bank and the International Monetary Fund (IMF) came to view CSOs as effective, versatile and reliable in this regard, and thus elevated them to mainstream partners (Hershey 2013).

However, international financial support for local CSOs has been scaled back in the last decade as regards developing nations. International donors now rarely directly fund local CSOs, rather channeling money via Global North based NGOs. Moreover, Aschari-Lincoln and Jäger (2016) note that the financing landscape has changed with many funders demanding a high degree of financial transparency and adherence to protocols of good governance.

Potential funders also want access to the CSO's financial data and others want stringent reporting regimes, making funding applications excessively complex and administrative, and therefore, discriminating against small-scale CSOs located in developed nations. Consequently, such CSOs have suffered funding losses (Fowler 2016). Those who get funding find they have to spend considerable time, money, and energy adhering to the donor-required bureaucratic reporting regimes. This makes them even more bound to serve mandates from donors (Banks & Hulme 2012; Hershey 2013).

Another struggle for CSOs is that funding sources can also taint them in the eyes of local communities, which begin to view them as state agencies or big business (Banks & Hulme 2012). This is because some funders are partly imposing particular (and often onerous) funding conditions on CSOs. This reliance on donors undermines the legitimacy of the CSO and opens them up to criticism that they are merely self-serving (Suleiman 2013). Being dependent on donor funding makes CSOs especially vulnerable to the whims of donors (AbouAssi 2013; De AndrésAlonso, Garcia-Rodriguez & Romero-Merino 2015; Stecker 2014). For example, donors often revisit their funding goals independently of the CSOs they work with, which can result in a mismatch between the donor’s goals and the CSO. This can end the relationship with the donor, often with catastrophic financial consequences for the CSO (AbouAssi 2013).

Additionally, where donors are negatively affected by the prevailing economic environment, funding is sometimes withdrawn (Aschari-Lincoln & Jäger 2016; De Andrés-Alonso et al. 2015; Mayer et al. 2014; Stecker 2014; Unerman & O'Dwyer 2010). So, Carroll and Stater (2009), Bowman (2011), AbouAssi (2013, 2015) and Chikoto and Neely (2014) all claim that high reliance on donor funding can make non-profits systemically vulnerable if the donor environment changes faster than the ability of the CSOs to adjust to the changes. This is exacerbated by the fact that many struggle to achieve financial sustainability, as they are rarely capable of accumulating capital (AbouAssi 2013; Hershey 2013).

The USAID, (2017) report that Sub-Saharan Africa's CSO sectors continue to struggle with financial viability and that the vast majority of Sub-Saharan Africa's CSO sectors continue to rely heavily, sometimes exclusively, on foreign funding sources. According to (Mbuya & Osodo, 2018), Gunderson (2011) developed that efficient financial management, including funds flow control systems, financial planning, budgeting systems, asset management systems, accounting policies and procedures, internal and external audit systems, reporting and tracking systems, information systems, financial analysis systems, etc. The (USAID, ICNL, FHI360, 2018) noted that the organizational capacity of CSOs in Zambia deteriorated during the year ended December 2017 as public support for advocacy organizations decreased and CSOs had limited capacity to hire qualified permanent staff, as financial viability decreased due to donor funding shifts. The effectiveness of CSOs depends on the availability of resources and, with a declining financial base, CSOs struggle to sustain the level of workers required to move the organizations forward.

So it is in the best interests of developing world CSOs to take into account financial sustainability, not just mission sustainability, when it comes to their planning and day-to-day operations. That will require a more business-like approach to survival. Not all of them are willing or able to do this though (Julie 2010). Specifically, leadership matters: CSOs need boards of directors composed of people with the necessary skills to adopt a business-like approach (Hayman 2016). However, as Lehner (2013) states, most CSOs are founded and led by people who have no formal experience in business or entrepreneurship. Thus, CSOs are struggling with finance in general, since their leaders focus almost entirely on social causes and often lack an entrepreneurial mindset (Morris, Webb & Franklin 2011). This is not just because many CSOs cannot embark on strategic long-term financial planning because they are locked into donor-controlled funding cycles (Lehner 2013). In addition, most CSOs operate under hand-to-mouth conditions, surviving from one cycle of funding to the next. Most have not developed new cultures and capacities to diversify their sources of revenue.

2.2.3 Alternative sources of income available to CSOs

Hailey and Salway (2016) argue that sustainable NGOs need to be able to adapt, adjust and revise their missions to a changing external environment, as well as mobilize resources to meet new challenges. This involves a move toward greater self-financing and self-reliance (Gras & Mendoza-Abarca 2014; Stecker 2014). Civil Society Organisations therefore need to develop financial resourcing models that focus on diversification of revenues (Chikoto & Neely 2014; Stecker 2014). It means developing alternate sources of income (Yang, Lee & Chang 2011). As a result, some CSOs have increased their commercial activities particularly in the Global North (Kerlin & Pollak 2011). Therefore, it can be argued that CSOs need to step into a financial strength and independence position if they are to completely accept their particular mandates (AbouAssi 2015; Carroll & Stater 2009; Stecker 2014). Some CSOs have developed alternative revenue streams in light of that (Yang et al. 2011). This means that some CSOs have become more corporate and are actively raising funds (Haltofová & Štěpánková 2014).

Thus, Yang et al. (2011) noted an increase in nonprofit marketing strategies. For example, US-based CSOs in 2002 had a split funding model of: 54 percent commercial operation, 36 percent government subsidies, and 10 percent public donations. This represents attempts to build an impermeability to the whims of donor funding.

This strategy is consistent with the argument of Mayer et al. (2014) that revenue diversification has a positive influence on the revenue stability of CSOs. This may include taking marketing approaches (Julie 2010; Yang et al. 2011). However, Grimes (2010) and Suleiman (2013) argue that this move could jeopardize the social mission of many CSOs; particularly if they adopt a more entrepreneurial approach, as this can lead the organization to drift away from fulfilling its mandate and become self-serve. Gras and Mendoza-Abarca (2014) and Grasse, Whaley and Sieke (2015) also warn that diversification could result in exposure to external risks that could adversely affect, or crowd out, existing sources of revenue. Self-financing cannot, therefore, be the holy grail of financial sustainability (Yang et al., 2011). To this end, diversification of sales needs to be seen as a technique for handling external pressure rather than an end in itself (Grasse et al. 2015; Hailey & Salway 2016). The emphasis should be on income diversification to reduce the effect of 'global financial shocks' and revenue fluctuations, as well as mitigate the inherent social, political and economic risks of developed world operations (Aschari-Lincoln & Jäger 2016; Chikoto & Neely 2014). Grasse et al. (2015), however, maintain that a blanket approach to diversification could result in internal inefficiencies. Hence, diversification of revenues is but one element of successful revenue management (Bowman 2011).

2.2.4 Gaps in Empirical Literature

Civil Society Organisation sector researchers (Ali, 2012; Manyeruke, 2012; Waiganjo, Ng'ethe, and Mugambi, 2012; Njoroge, 2013) agree that financial sustainability is one of the major challenges facing Africa's CSO sector. Nevertheless, their research has not looked at the factors that affect CSOs' financial sustainability. These factors include: diversification of revenues, prudent financial management practices, generation of own income and good working relationships with donor partners (Leon, 2001; Devkota, 2010; Lewis, 2011; Ali, 2012; Waiganjo et al., 2012).

The study by Okorley and Nkrumah (2012); Gras & Mendoza-Abarca (2014) and; Stecker (2014) examined factors influencing CSO organizational sustainability and identified factors such as ensuring transparency and accountability, writing proposals based on goods needs, training in leadership and resource lobbying. However, the analysis did not analyze the factors affecting certain CSOs' financial sustainability. The study seeks to assess the financial viability of CSOs in Zambia, in the light of these factors.

Islam, Haris and Siti Hajar (2013) argue that while the majority of CSOs currently receive equal funding from foreign international NGOs (INGOs), a significant number of them have not shown a compatible relationship between sustainability constructs and growth factors. In analyzing the growing investment in the sub-sector of NGOs in India, Namita (2013) found that, despite increased activities to diversify funding sources and enhance the capacity of CSO/NGOs to generate increased internal funding, information is lacking to link this scenario to CSO sustainability levels.

2.3 Conceptual Framework

Based on the objectives of the study, the researcher's conceptual framework is presented in Figure

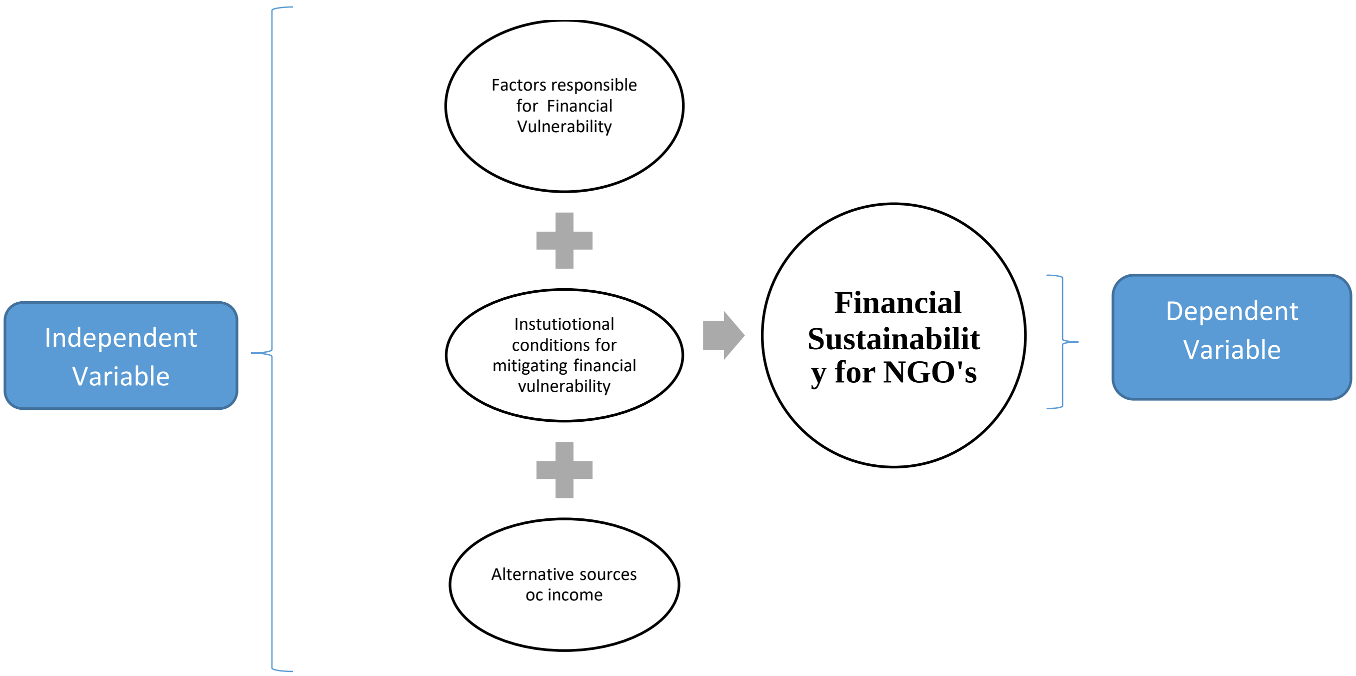

Figure 2.1: Conceptual Framework (Source: Author, 2022)

The conceptual framework design is based on the argument that a CSO's Financial sustainability can be understood by singularly and collectively analyzing the independent variables in Figure 2.1. This study found that a CSO's financial sustainability is dependent on CSOs' knowledge of factors responsible for financial vulnerability, organizational institutional conditions for mitigating financial vulnerability and alternative sustainability factors.

CHAPTER 3

METHODOLOGY

3.0 Introduction

The chapter goes into specifics of the methods to be used in this research. It explains the research design, population study, sampling design and procedure, sample size, instruments for data collection, data analysis, and research procedures.

3.1 Research Design

There are three key research designs used in carrying out an analysis, according to Creswell (2012). There are methods of study that are qualitative, quantitative and mixed. The study uses quantitative research methods. This method is particularly well suited for the purpose of this study as it is grounded in case-oriented research. The method entails the assumption that the ability of CSO's to safeguard programme expenditures when faced with a decrease in revenue thereby ensuring sustainability. A survey questionnaire was used to collect data from sample local and international CSOs covering the current medium-term period. This is intended to represent current patterns and circumstances which are responsible for affecting these CSOs' current financial conditions and sustainability.

3.2 Target Population

The population of interest to this study consisted of all CSOs registered in Zambia and operating within Lusaka. A search at Pacra revealed that there are approximately 12,000 CSOs in Zambia. Lusaka district has been chosen due to time and financial provisions that the researcher has to work with.

3.3 Sampling Procedure and Sample Size

Ten CSOs in the Lusaka district were chosen using convenience sampling. The study gathered information from 100 people purposively chosen from the ten organizations. The researcher's goal was to gather information from senior officials of the chosen CSOs with relevant knowledge on sustainability to respond to the researcher. Convenience Sampling and Purposive Sampling are Nonprobability Sampling Techniques that a researcher uses to choose a sample of subjects/units from a population. Although, Nonprobability sampling has a lot of limitations due to the subjective nature in choosing the sample and thus it is not good representative of the population, but it is useful especially when randomization is impossible like when the population is very large (Ilker, et al, 2016). Maboya and McKay (2019) used convenience and purposively sampling to assess the financial sustainability challenges that the South African non-profit sector faces.

3.4 Data Collection Procedure

Basically, the research questions adopted for this study take the form of casual and exploratory probes as described by Babbie (2013). The survey questionnaire designed for the collection of data from sampled local and foreign non-governmental organizations spanning over a medium-term current period will be used. This is to reflect current trends and conditions responsible for influencing the current financial conditions and sustainability of these CSOs. The questionnaires will be administered through “drop and pick later” method. The questionnaire comprises closed and open - ended questions. The questionnaire has two sections where section A outlines the demographics of the respondents; Section B highlights the determinants of financial sustainability expressed on a Lickert scale. Section B of the questionnaire is designed such that respondents will be asked to determine the degree of importance of each information using Likert-type five scales, where, Strongly Agree (SA) - 5, Agree (A) - 4, Undecided (U) - 3 Disagree (D) - 2 Strongly Disagree (SD) - 1, and the hypothesis tested statistically using SPSS to fulfill the research objectives. Secondary data will be obtained from the published financial statements and returns of the CSOs filed with the Public benefit organizations regulatory authority.

3.4.1 Reliability Test for Data Collection Instrument

Reliability refers to the extent to which an experiment, test, or any measuring procedure yields the same results on repeated trials. Primary data research instrument reliability was tested using Cronbach’s Alpha Method (Cronbach, 1951). According to Sekaran (2001), alpha values for each variable under study should not be less than 0.7 for the statements in the instruments to be deemed reliable for social sciences.

3.4.2 Validity Test for Data Collection Instrument

The validity of the data collection instruments was done using experts in the area of study to edit the questionnaire. In addition, validity was enhanced by conducting a pilot study which is aimed at refining the instruments. As proposed by Mugenda and Mugenda (1999), the pilot was administered on 10 % of the participants of the total population totaling to 10 respondents. These 10 who participated in the pilot were not be included in the final study.

3.5 Data analysis and Presentation

Both descriptive and inferential statistics were used to summarize and analyze the data, involving measures of dispersion and central tendency where means and averages and regression analysis were used. Pearson r correlation and multiple regression analyses were also be used to address objective (i) to (iii). Content analysis was performed on qualitative data. Data was presented using tables, figures and charts.

3.5.1 Correlation analysis model

The following formula adapted from Cohen et al. (2003) (Equation 3.1) will be used to calculate Pearson r through SPSS.

$$r_{xy} = \frac{\sum_{i=1}^{n}(x_i - \bar{x})(y_i - \bar{y})}{\sqrt{\sum_{i=1}^{n}(x_i - \bar{x})^2}\sqrt{\sum_{i=1}^{n}(y_i - \bar{y})^2}}$$

Where:

r = Pearson r correlation coefficient

N = number of values in each data set

∑xy = sum of the products of paired scores

∑x = sum of x scores

∑y = sum of y scores

$\sum x2$ = sum of squared x scores

$\sum y2$ = sum of squared y score

3.5.2 Multiple Regression Model

Multiple regression analysis is adopted to determine relationship between explanatory variable; financial sustainability factors and; Factors correlated with financial vulnerability, Institutional conditions Mitigating revenue decrease, and Alternative Sources of Income. The model for the regression analysis is below;

General model

$y = \beta 0 + \beta 1 X1 + \beta 2 X2 + \beta 3 X3 + \cdots \ldots\ldots\ldots\ldots + \beta k X k + \mathcal{E}$

The following specific regression model was adopted for the study

FS= $\beta 0 + \beta_1$FCFV + β_2 ICMD + β_3 ASI + Ɛ

Where;

FS = Financial sustainability of CSOs

FCFV = Factors correlated with financial vulnerability

ICM = Institutional conditions Mitigating revenue decrease

ASI= Alternative Sources of Income

Ɛ = Error term

3.6 Chapter Summary

This chapter has explained the methodology that was used in this study. The next chapter presents the findings based on the methodology explained in this study.

CHAPTER 4

RESEARCH FINDINGS

4.0 Introduction

This section presents the findings of the study. The study's specific objectives were to ascertain to ascertain how CSO's ensure organizational sustainability, to examine how CSO's respond to financial sustainability challenges and to establish the alternative sources of income available to CSO's in Zambia.

4.1. Response Rate

This indicated the total number of respondents who returned their questionnaires and completed them completely, meeting the threshold to be analysed. For the purposes of this study, 100 questionnaires were distributed. Only 80 were filled and returned when they were collected. As a result, the response rate was calculated to be 80%.

4.2. Reliability

Cronbach's alpha was used to perform a data reliability test of the 80 questionnaires received. The outcome showed a coefficient of 0.93 as shown in table 4.1. This meant that the data received, and their dependability implied that they were trustworthy. Cronbach's Alpha of 0.70 or higher is considered reliable (Cronbach, 1951, in Sekaran, 2001).

Table 4.1 Reliability Statistics

Cronbach's Alpha	No of Items (n)
0.930	80

Source: Researcher, 2022

4.3. Demographic Results

4.3.1. Gender

Table 4.2 indicates the respondents disaggregated by gender.

Table 4.2 Respondents Gender

Description	Frequency	Percentage
Female	45	56
Male	35	44
Total	80	100

Source: Researcher, 2021

Results in table 4.2 reveal that more women 45 (56%) responded to the questionnaires as compared to 35 (44%) of the males.

4.3.2. Age

The study also sought to identify the respondents' age groups, which ranged from 18 to 25 years old, 26 to 30 years old, 31 to 35 years old, and over 35 years old.

Table 4.3 Respondents Age

Age Range	Frequency	Percentage
18-25	6	8
26-30	10	13
31-35	30	38
≥36	34	43
Total	80	100

Source: Researcher, 2022

According to the results in table 4.3 above, 6 (8 %) of the respondents were between the ages of 18 and 25, 10 (13 %) were between the ages of 26 and 30, 30 (38 %) were between the ages of 31 and 35, and 34 (43 %) were either 36 or older.

4.3.3. Designation

There was a desire to learn about the distribution of respondents based on the positions they held. The findings were divided into four categories: senior management, middle management, junior management, and non-management staff. Table 4.4 details the results.

Table 4.4 Respondents distribution according to designation

Designation	Frequency	Percentage
Senior Management	8	10
Middle Management	25	31
Junior Management	15	19
Non-Management Staff	32	40
Total	80	100

Source: Researcher, 2022

According to the results in table 4.4, the majority of the respondents 32 (40 %) were non-management personnel. However, a closer examination reveals that 48 (60 %) of the respondents were in management, albeit at different levels. As a result, the quality of research is strengthened because management personnel are well-versed in the subject under investigation.

4.3.4. Years of Service

The level of experience based on the years of service of the respondents was also examined, and the results are summarized in table 4.5.

Table 4.5 Respondents distribution according to years of service

Years of service	Frequency	Percentage
≤1	10	13
2-4	17	21
5-7	30	38
≥8	23	29
Total	80	100

Source: Researcher, 2022

The results indicated that majority of the respondents 30 (38%) had work experience of between 5-7 years, while 23 (29%) had experience of either 8 years or older. The rest with experience of 2-4 years were 17 (21%) and 10 (13%) had experience of one year or less.

4.3.5. Highest level of education

The respondent's educational level was also assessed, and the results are shown in table 4.6.

Table 4.6 Respondents highest level of education

Level of education	Frequency	Percentage
Professional Certificate	2	3
Professional diploma	7	9
Bachelor’s degree	44	55
Master’s degree	27	34
Total	80	100

Source: Researcher, 2022

Table 4.6 reveals that the majority of the respondents had either a bachelor’s degree 44 (55%) or Master’s degree 27 (34%). The rest include 7 (9%) who had professional diploma and 2 (3%) who had professional certificates.

4.3.6. Registration Status

On the institution's side, it was necessary to identify the various categories of registration under which the firms were registered. The summary is provided in Table 4.7.

Table 4.7 CSO registration status

Registration status	Frequency(n=10)	Percentage
FBO	2	20
NGO	8	80
Trust	0	0
Total	10	100

Source: Researcher, 2022

The results indicate that none of the surveyed organisations were registered as Trust’s while 8 (80 %) were registered as NGO’s while 2 (20%) were registered as FBO’s.

4.4. Descriptive Statistics

4.4.1. Number of external/internal donors in the past five years

The respondents were asked “How many external/internal donors were funding your activities in between 2015 and 2020?”and the results are presented in table 4.8.

Table 4.8 Number of external/internal donors in the past five years

Type of Organisation	Year	2015	2016	2017	2018	2019	2020
FBO	Number of external Donors	8	6	9	10	10	8
	Number of local donors	2	4	1	0	0	2
NGO	Number of external Donors	10	9	10	10	10	10
	Number of local donors	0	1	0	0	0	0

Source: Researcher, 2022

Results in table 4.8 and figure 4.1 revealed that all FBO's and NGO's receive funding from external donors. Only one CSO indicated that they don't receive funding from external donors while two FBO's were completely reliant on external donors.

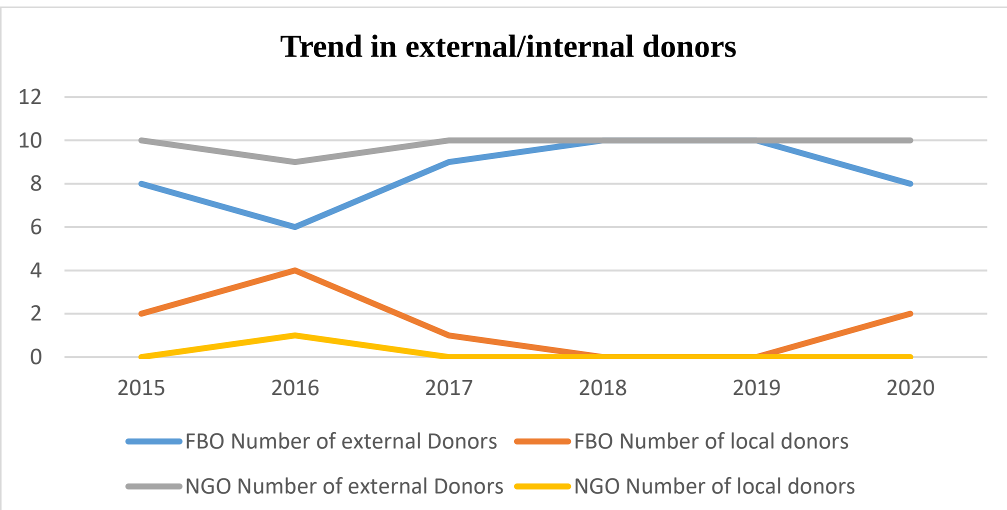

Figure 4.1 Trend in external/internal donors
Source: Research data, 2022

4.4.2. To ascertain factors correlated with financial vulnerability of CSOs in Zambia?

The study examined the factors correlated with financial vulnerability of CSOs in Zambia on a scale of 1 to 5, respondents were asked to rate the importance of the elements to their organization's financial sustainability between 2015 and 2020.

According to the results in table 4.9, respondents generally agreed that the NGOs addressed income generation capacity as a financial vulnerability measure through the individual constructs mentioned above. It was found that adherence to project implementation plan was agreed to by all participants with 54% in agreement and 46% strongly agreeing. The construct response to purpose was also thought to be a key financial vulnerability measure for NGOs with 41% in agreement and 50% in strong agreement. Other constructs (general needs analysis, charging fees for services were, using endowment funds and renting out assets) agreed to though with a fair distribution of responses of either agree or disagree.

However, there was a disagreement when it came to asking for beneficiary contributions. Again, on public material contribution, those who agreed were only 19%, while those who disagreed or were undecided were 42% and 19%, respectively, implying that this construct was not widely regarded as a major contributor to financial vulnerability. Similarly, respondents disagreed with the assertion that membership fee collection is a measure of financial vulnerability.

These findings are in line with those of Waiganjo et al. (2012), who agree that NGOs can generate their own funds by contributing to a trust/endowment fund, fundraising for institution-building operations, selling goods and services, financial management, and corporate alliances, and reinvesting the proceeds in charity and development work, and that an organization is more financially sustainable when it does so.

Table 4.9. Respondents' views on factors correlated with financial vulnerability of CSOs (n=80)

	Measures to avoid Financial vulnerability	**Scale**						
		SD	**D**	**U**	**A**	**SA**	**Mean**	**Std**
1	General Needs analysis	7(9%)	3(4%)	2(3%)	56(70%)	12(15%)	16	.25
2	Charging fees for services e.g., training, consultancies and admin	7(9%)	8(10%)	7(9%)	43(54%)	15(19%)	16	.17
3	Asking beneficiary contributions	20(25%)	30(38%)	12(15%)	3(4%)	15(19%)	16	.11
4	Trust/endowment funds	3(4%)	13(16%)	7(9%)	46(58%)	11(14%)	16	.19
5	Public material contributions	17(21%)	33(41%)	15(19%)	9(11%)	6(8%)	16	.12
6	Membership fees	20(25%)	29(36%)	4(5%)	14(18%)	13(16%)	16	.10
7	Getting credit felicities from other institutions	14(18%)	40(50%)	4(5%)	6(8%)	16(20%)	16	.16
8	Renting out assets e.g., office space	9(11%)	15(19%)	3(4%)	35(44%)	18(23%)	16	.14
9	Response to purpose	1(1%)	4(5%)	2(3%)	33(41%)	40(50%)	16	.21
10	Adherence to project implementation Plan	0	0	0	43(54%)	37(46%)	40	.038

4.4.3. To examine the institutional conditions that enable CSO's to mitigate the impact of a decrease in revenue on programmes

Table 4.10 shows how the study assessed the CSO's involvement in financial sustainability processes using various constructs presented on a Likert scale.

Table 4.10 Respondents views institutional conditions that enable CSO's to mitigate the impact of a decrease in revenue on programmes **(n=80)**
Source: Research data, 2021

	Institutional measures to enable financial sustainability	**Scale: Strongly disagree(1) to Strong Agreed (5)**						
		SD	**D**	**U**	**A**	**SA**	**Mean**	**Std**
1	Avoiding pressure for own contribution from supporting donors	12(15%)	15(19%)	13(16%)	26(33%)	14(18%)	16	.064
2	Through source chain determination activities	4(5%)	13(16%)	13(16%)	28(35%)	22(28%)	16	.1
3	Enacting policies which lessen donor dependence	0	4(5%)	3(4%)	46(58%)	27(34%)	16	.22
4	By demonstrate capacity to generate own income through income generating activities	0	4(5%)	3(4%)	46(58%)	27(34%)	16	.22
5	Mitigating/hedging against drop in funding through savings	12(15%)	15(19%)	13(16%)	26(33%)	14(18%)	16	.064
6	Mitigating against political risks (avoiding partners from high-risk countries).	13(16%)	12(15%)	16(20%)	21(26%)	18(23%)	16	.04
7	By diversification of own financial resources	8(10%)	5(6%)	5(6%)	30(38%)	32(40%)	16	.15
8	Through borrowing	40(50%)	25(31%)	1(1%)	14(18%)	0	16	.19
9	Setting up social enterprises	15(19%)	13(16%)	3(4%)	22(28%)	27(34%)	16	.10
10	Reducing overhead costs and other expenses not met by donors	5(5%)	10(13%)	3(4%)	37(46%)	25(31%)	16	.16

Although respondents generally agreed that the individual constructs could mitigate the impact of a decrease in revenue on programmes, there was a mixed reaction when it came to Mitigating/hedging against funding drops through savings and mitigating against political risks. The response for both constructs was fairly matched, with a clear low deviation from the mean of less than 0.1. (0.064 and 0.04 respectively). A sizable proportion of respondents, 51% for construct 5 and 48% for construct 6, believed that these constructs have an impact on financial sustainability; as a result, 49% and 52% were either undecided or disagreed with the construct. Constructs 3,4,7,9, and 10 were identified by respondents ways to mitigate the impact of a decrease in revenue on programmes. Enacting policies that reduce donor dependence, demonstrating capacity to generate own income through income generating activities, diversification of own financial resources, establishing social enterprises, and reducing overhead costs and other expenses not met by donors were deemed influential in financial sustainability by 80% of respondents.

Construct 9 was thought to have no influence on financial sustainability. Borrowing was viewed as a no-go option for financial sustainability, with 50% of respondents strongly disagreeing. Avoiding pressure for own contribution from supporting donors was also thought not to be a financial sustainability measure, with 34% disagreeing and 16% undecided, but an almost equal response on the other side supported the construct. According to Hailey (2014), while financial sustainability is critical for the long-term survival and effectiveness of all types of CSOs, it is clear that the more diverse the CSOs' funding sources, the more financially self-sufficient and sustainable they are.

While there are clearly different perspectives on sustainability and what it means in practice, Hailey (2014), contends that any analysis of sustainability must acknowledge the diversity of the perspectives as well as the ways in which they complement one another. Diversification of funding sources is critical to increasing the stability of nongovernmental organizations' revenue streams. As a result of the economic crisis, accessing international funding sources may be more important than ever (Kurosaki, 2003). Most non-governmental organizations have responded to the funding challenge with the same entrepreneurial spirit, good planning, and hard work that has brought them success in their core activities (Barrett, Bezunch, Clay and Reardon 2000). According to Rao and Holt (2005), social enterprise serves as a strategy for many non-governmental organizations to diversify their funding base, reduce reliance on donors, and recover or subsidize program costs.

4.4.4. What alternative sources of income available to CSOs in Zambia?

The study also looked into alternative sources of income for non-profits. Respondents ranked the extent to which these practices apply to their organization on a Likert scale of 1 to 5. Table 4.11 provides a summary of their responses.

Table 4.11 Alternative sources of income available to CSOs in Zambia (n=80)

	Alternative sources of income	**Scale**						
		SD	**D**	**U**	**A**	**SA**	**Mean**	**Std**
1	Social enterprising	0	5(6%)	3(4%)	32(40%)	40(50%)	16	.21
2	Asset liquidation	40(50%)	28(35%)	2(3%)	5(6%)	5(6%)	16	.19
3	Billing for services	16(20%)	12(15%)	18(23%)	14(18%)	20(25%)	16	.035
4	Investing in private ventures	11(14%)	19(24%)	17(21%)	13(16%)	20(25%)	16	.043
5	Lobbying for budget support	8(10%)	9(11%)	5(6%)	21(26%)	37(46%)	16	.15
6	Partnering with funding agencies	12(15%)	13(16%)	8(10%)	27(34%)	20(25%)	16	.084
7	Entering sub-grantee partnerships	0	0	5(6%)	38(48%)	37(46%)	16	.22
8	Organising fund-raising events	9(11%)	11(14%)	8(10%)	22(28%)	30(38%)	16	.011
9	Offering consultancy services	4(5%)	11(14%)	5(6%)	33(41%)	27(34%)	16	.015
10	None	0	0	0	0	0	0	0

Source: Research data, 2022

According to the responses in Table 4.11, all the CSOs indicated that they had a secondary source of income. However, there are differences in what alternatives they consider. The most popular construct supported by all CSOs was 7, with 95 % agreeing to enter into sub-grantee partnerships. According to the results of construct 1, social entrepreneurship was also seen as a popular alternative source of income, with 90 % confirming that their CSO does so. Seventy-two (72) percent identified lobbying for budget support as another available source of alternative income; however, 21 % believed that lobbying (construct 5) was not an alternative income source for NGO's. Asset liquidation was not recognized as an alternative source of income, with 50% strongly disagreeing and another 35% disagreeing with construct 2.

The rest of the constructs (3,4,6,8, and 9) have a balanced distribution of responses with no clear position based on the Likert scale results. According to Waiganjo et al. (2012), having good strategic financial management systems helps an organization secure funding from donors who can easily understand the organization's direction. According to Gakuu and Kirimi (2014), financial management practices emphasize prudent fund management mechanisms that assist CSOs in achieving their goals in an effective and sustainable manner. The constructs with no clear opinion from CSO's, as evidenced by standard deviation from the mean responses of all less than 0.1, imply that the CSO's may be using these as either an alternative or primary source of income.

4.5. Inferential Statistics

4.5.1. Correlation Results

Pearson's correlation coefficient was employed in this study. This metric measures the linear relationship between the dependent and independent variables. It examines how far the variables move in a straight line. Variables are typically displayed on both the vertical and horizontal axes. The leading diagonal's values are always "1." A correlation coefficient greater than 50% indicates a strong association. If the sign of the correlation coefficient is negative (-), it indicates that the variables have a negative relationship, i.e., they move in the opposite direction. If the coefficient is positive, the variables are moving in the same direction. If the probability (sig. 1-tailed) between the various correlations is less than 0.05 (5 % significance level), the association is significant; however, if the probability is greater than 0.05 (5 % significance level level), the association is not significant. The correlation between Organizational financial sustainability factors (FS) and factors correlated with financial vulnerability (FCFV), Institutional conditions Mitigating revenue decrease (ICM), and Alternative Sources of Income (ASI).

Table 4.12 Correlations on all Variables and CSO financial sustainability

Variables	Pearson Correlation	FS	FCFV	ICM	ASI
FS	Sig. (2-tailed)	1.000			
FCFV	Sig. (2-tailed)	.188 .133	1.000		
ICM	Sig. (2-tailed)	.299* .016	.115 .360	1.000	

ASI	Sig. (2-tailed)	.501** .000	.412** .001	.302* .014	1.000

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

According to Table 4.12, there was a high significant positive correlation (r = 0.501; p =0.000) between financial sustainability and alternative sources of income, a low significant correlation between factors correlated with financial vulnerability alternative sources of income (r = 0.412; p = 0.001). A probability value of less than 0.05 indicates a statistically significant correlation. This means that the chance of obtaining such a correlation coefficient is less than five times out of a hundred.

The results also show a weak positive but insignificant relationship between financial sustainability and factors correlated with financial vulnerability (r = 0.188; p = 0.133). This result contradicts the findings of Davis (2016), Rehema (2014), and Hailey (2014), all of whom, in addition to obtaining a positive relationship, established a strong, significant relationship between financial sustainability and factors correlated with financial vulnerability. The weak and low associations reflect absence of collinearity between the variables.

4.5.2. Regression Analysis

Regression analysis is a statistical technique used to investigate relationships between variables. It generates an equation that describes the statistical relationship between one or more predictor variables and one or more response variables. Each term's p-value tests the null hypothesis that the coefficient is equal to zero (no effect). A low p-value (<0.05) indicates that the null hypothesis can be rejected. In other words, a low p-value predictor is a useful addition to the model because changes in the predictor's value are related to changes in the response variable. A larger (insignificant) p-value, on the other hand, indicates that changes in the predictor are not associated with changes in the response. The results were tabled as below: -

This goal was achieved through correlation and regression analyses, which reflected the relationship between the variables, the magnitude of that relationship, the significance, and the power of that relationship.

Table 4.13. Standardised and Unstandardized Coefficients on factors correlated with financial vulnerability of CSOs.

Model	Variables	Beta	Unstandardised Coefficients	Standardised Coefficients	T	Sig.
1		B	Std. Error	Beta		
	(Constant)	1.187	.603		1.968	.054
	FS	.375	.101	.397	3.698	.000
	FCFV	.251	.081	.320	3.102	.003
	ICM	.164	.119	.147	1.382	.172
	ASI	.175	.104	.097	1.112	.002

From the Table 4.13, there is a positive and significant relationship between organisational sustainability factors, response to sustainability challenges and CSO sustainability. A unit increase in financial sustainability factors results into a significant increase in financial sustainability by 0.375 (p=0.000); while an increase in response to factors correlated to financial vulnerability results also in a significant increase in CSO sustainability by 0.251 (p=0.003). However, the relationship between Institutional conditions and financial sustainability is positive but insignificant and leads to a 0.164 change in growth (p=0.172).

Table 4.14 Model summary

Model	R	R Square	Adjusted Square	Std. Error of Est	R	Square F Change	df1
1	.613[a]	.376	.345	.506	.376	12.227	3

[a] Predictors: (Constant), Organisation sustainability practices, Response to sustainability factors, alternative sustainability factors

Table 4.15 Analysis of Variance for the Independent Variables ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	27.992	3	9.331	11.618	.000[b]
	Residual	48.992	61	.803		
	Total	76.985	64			

[a] Dependent Variable: Financial Sustainability
[b] Predictors: (Constant), Organisation sustainability practices, Response to sustainability factors, alternative sustainability factors

Based on the regression Table 4.14 shows that the R-squared is 0.376, indicating that financial sustainability variables explain 37.6 percent of CSO sustainability measures. Because of the iterative order of financial vulnerability and financial sustainability as determinants of each other for profit-based enterprises, the moderate contribution impact agrees with (Lin, (010) who established that revenue diversification does not always help organizations maintain financial sustainability; however, financial sustainability models target revenue diversification as a significant contributor.

The ANOVA table is at 11.618 and has a significance of 0.000, indicating that the samples used can be used to make generalizations about the entire population. Rao (2013) discovered a strong positive relationship between financial sustainability and service diversity while using regression analysis to investigate the effect of funding sources on financial sustainability. Kidzuga (2013) acknowledges, based on a study of CSOs in development, that the performance of such institutions is based on the concepts of outreach and sustainability, which anchor their growth in terms of scope and product or service types.

4.6. Chapter Summary

This chapter has presented the findings of the study through descriptive statistics as well as inferential statistics. The results presented in this section will be explained in detail in the next chapter.

CHAPTER 5

DISCUSSION OF RESULTS

5.0 Introduction

The purpose of this study was to investigate and understand the factors affecting and influencing the financial sustainability of CSOs in Zambia. This section discusses the findings presented in the previous chapter in relation to the objective of the study. The main objectives of the study were to ascertain factors correlated with financial vulnerability of CSOs in Zambia., examine the institutional conditions that enable CSO's to mitigate the impact of a decrease in revenue on programmes and to establish the alternative sources of income available to CSO's in Zambia.

5.1. Objective 1. To ascertain factors correlated with financial vulnerability of CSOs in Zambia

The descriptive statistics of the study revealed that CSO's have the potential and capacity to generate their own income, as evidenced by the various constructs supporting assertions of income generation in table 4.9. These findings show that, individually, none of the variables contribute significantly to sustainability, as indicated by the coefficients 0.375, 0.251, and 0.164, despite the fact that they are critical factors in CSO existence (Cooper and Vargas, 2004). They largely agree with Brass (2010), who claims that while some CSO have experienced exponential growth in terms of number, size, geographical spread, and service diversity, this growth, according to Mbote (2015), has been primarily externally funded and engineered by social rights, protection, and empowerment demands for specific segments of society. However, Hadj Kemeny and Lanahan (2011), Mwansa (1995), and Iyer, Kitson, and Toh (2005) argue that CSOs' sustainability is a function of improved sound financial management, income diversification, and donor management practices. Kinde (2012) discovered that financial sustainability is a product of the extent of income generation capacity, which provides capacity for growth for CSOs with growth projections when investigating the factors affecting financial sustainability of CSOs. Financial management practices, income diversification, donor-recipient relationship management practices, and income generation capacity for growth have all been identified in studies conducted in other countries (Leon, 2001; Devkota, 2010; Lewis, 2011; Ali, 2012; Waiganjo et al., 2012).

Based on the foregoing, it is clear that the Zambian CSO sustainability condition is influenced by both internal and external operational factors as proved by the corelations. The study established that sustainability of CSO's is correlated with factors such as income generation capacity, income diversification, and financial management practices are important in facilitating the productivity of CSOs' already acquired resources, the larger capital outlay on which growth is based has clearly been sourced from external donors rather than internal manipulation of sustainability factors.

5.2. Objective 2. To examine the institutional conditions that enable CSO's to mitigate the impact of a decrease in revenue on programmes?

The coefficient results show a positive and significant relationship between CSO's financial sustainability and institutional conditions for mitigating sustainability (1= 0.543; p=0.001). A unit increase in income generation, income diversification, and financial management practices results in a 0.543, 0.186, and 0.288 increase in CSO sustainability, respectively. These findings are consistent with Mbote (2002), who discovered, while analyzing the operational environment and CSOs constraints, that while some CSOs in Kenya experienced enormous growth, with more than a 100 percent increase by up to 47,000 by 2016, this growth has been on a declining trend. She attributed this to funding, which is a hybrid of internal sustainability factors and external donations. According to Girish and Daniel (2014), while different organizations view growth differently; with such metrics as revenue profits, number of installations, and clientele capacity, greater efficiencies from economies of scale, increased service delivery is dependent on the geographical coverage of the CSOs operations. These findings support Kidzuga's (2013) contention that increasing Income Generation capacity in scope and magnitude as a sustainability factor allows a firm to expand its geographical coverage. Similarly, VanSant (2014) asserts that implementing relevant sustainability functions, such as income generation capacity, income source diversification, and prudent financial management, among other factors, will normally result in regional growth of the CSOs given specific political and social support and government policies.

The findings show that income generation capacity and financial management practices have significant coefficients, but income diversification has an insignificant effect on CSO sustainability. This essentially means that CSOs' development and utilization of Income Generation Capacity contributes significantly to their long-term viability. Sound financial management practices play an important role, but their effectiveness appears to be dependent on other factors. Income Diversification activities, on the other hand, are revealed to be insignificant to the CSOs' ability to sustain themselves.

5.3. Objective 3. To establish the alternative sustainability practices CSOs in Zambia.

There was a negative relationship between alternative sustainability practices and CSO sustainability, with an increase in financial management practices resulting in a $r = 0.188$ ($p = 0.133$) decrease in sustainability. Despite CSOs' operational focus on sustainability, evidence of related growth in their coverage and number of products they provide is scarce, according to Okorley and Nkrumah (2012)'s analysis of organizational factors influencing the sustainability of local non-governmental organizations. While analyzing Democracy and distribution of CSOs promoting Renewable Energy in Africa, Maclean, Brass, Carley, El- Arini, and Breen (2015) clearly show that the expanded scope of CSOs and multiplicity of their services as they evolve from their critical mandates are important parameters of CSO growth.

Santarossa (2003) discovered that factors influencing long-term sustainability of a sample of Scottish firms, modeled along a series of financial indicators for assessing financial health of each firm and future viability of each enterprise, determined findings indicating that firm sustainability factors set its ability to diversify in the number of goods and services that it offers as potential opportunistic that firm’s sustainability factors set its ability to diversify in the number of goods and services that it offers as potential outcome and causal to further operational actions. Ibrahim, Ayayi, and Sene (2010) investigate the factors influencing the financial sustainability of microfinance institutions (MFIs) using 217 MFIs from 110 countries distributed by region and type of MFI. The study discovered that client outreach of microfinance programs and the age of MFIs have a positive impact on financial sustainability. Kituku (2010) sought to ascertain how financially sustainable income-generating activity projects are, as well as the factors that influence financial sustainability. The study concludes that sustainability is achieved through improved management of financial systems and funding aspects, allowing a firm to achieve optimality.

5.4. Chapter Summary

The penultimate chapter has presented a thorough discussion of the results of the study. From the analysis in this chapter a conclusion of the study will be made in the next chapter.

CHAPTER 6

SUMMARY, CONCLUSION AND RECOMMENDATIONS

6.0 Introduction

The final chapter of the study presents the overall summary of the dissertation. The purpose of this study was to investigate and understand the factors affecting and influencing the financial sustainability of CSOs in Zambia. The specific objectives of the study were to ascertain factors correlated with financial vulnerability of CSOs in Zambia, to examine the institutional conditions that enable CSO's to mitigate the impact of a decrease in revenue on programmes and to establish the alternative sources of income available to CSOs in Zambia.

6.1. Summary

The findings show CSO's aim to reduce financial vulnerability and financial sustainability have significant coefficients while alternative sustainability practices have an insignificant effect on CSO Financial sustainability. This essentially means that the organizational actions to mitigate financial vulnerability contributes significantly to their long-term viability. Although alternative sustainability practices are important, their effectiveness appears to be dependent on other factors. However, alternative sustainability practices are revealed to be insignificant to CSOs' ability to sustain themselves.

6.2. Conclusion

Based on the study's purpose and objectives, the following conclusions can be drawn from the study's findings and existing literature. The data demonstrate that CSOs' goals of reducing financial vulnerability and financial sustainability have significant coefficients, however alternative sustainability strategies have no effect on CSO financial sustainability. This simply suggests that the steps taken by organizations to reduce their financial susceptibility contribute greatly to their long-term viability. Although alternative sustainability practices are important, the effectiveness of these practices appears to be dependent on other factors. Alternative sustainability strategies, on the other hand, are proven to be inconsequential to CSOs' ability to sustain themselves. While the study concludes that the majority of CSOs use financial sustainability practices, alternative sustainability practices used by CSOs have a negligible relationship with sustainability and contribute only 16.4 percent to CSOs' growth. In comparison to the other predictors for the study, sound financial management practices contribute up to 28.8 percent to growth and sustainability as opposed to income generation capacity and income diversification.

The conclusion reached in this investigation is congruent with the literature evaluated in this study. The growing significance of CSO's in development, as well as the increased attention they receive from funders, makes them vital in the current economic climate in Zambia, and in the study area in particular. The growth in levels of underdevelopment indicators such as dropping educational standards, poor agricultural production, poverty, diseases, and the state's shrinking role in service provision will continue to increase the number of CSOs to fill development gaps caused by the current trend. As a result, there is an urgent need to re-examine how CSOs usually operate with sustainability in mind in order to eradicate those tendencies that stymie success in the execution of their initiatives. Far more essential is the growing realization of the intricate network of interconnected environmental elements that will determine whether CSO-led interventions succeed or fail. CSOs can, in fact, be successful agents of long-term development. Participatory development must be the framework and operational focus to improve the design and implementation of interventions at all levels for them to remain legitimate in contemporary developmental discourse. They should flatten their organizational structures in order to assure flexibility and creativity in response to the growing developmental changes in their sustainability strategies.

6.3. Recommendation

The study's findings highlighted a number of difficulties affecting the sustainability of CSO-led development activities. The outcomes of the study also revealed insights that could help increase the sustainability of initiatives. The findings have influenced the recommendations that follow.

6.3.1. To begin, in order for CSOs to ascertain factors correlated with financial vulnerability of CSOs in Zambia, they should continue to focus on providing interventions that expand access to water, healthcare, agricultural extension, employable skills, and finance as a result of inadequate delivery of these services by local governments. To improve the sustainability of these services, a Community-CSO-Donor network should be established during the design and execution of interventions. This should be accomplished by implementing participatory management approaches at the organizational and beneficiary levels to ensure greater local participation and ensure that these interventions broadly reflect the needs of beneficiaries in order for them to be sustainable enough to bring about the necessary benefits to make beneficiaries non-dependent. Based on the magnitude and association of the predictor variables, CSO should invest more in income generation capacity and income diversification.

6.3.2. Furthermore, for CSOs' to examine the institutional conditions that enable CSO's to mitigate the impact of a decrease in revenue on programmes, there is need for them to do an internal capacity building that ensures that they have the capability to raise funds on their own in an event that donor funds delays in coming. There should be development platforms (fora) within the district's that improve CSO-NGO and NGO-State interface or partnership, ensuring mutual understanding between partners with a clear understanding on the requirements and ideals of the partnership based on the belief that both players are limited in resources and must pool these scarce resources for the development goal. Because financial management practices used by CSOs do not appear to contribute significantly in comparison to other types of business operations, CSOs must find alternative ways to survive in the face of competition based on financial management strategies and models.

6.3.3. Civil society organizations must devise methods for determining variability in the contexts of donor aid and profit-seeking firms so as to establish the alternative sources of income available to CSO's in Zambia. Significantly, cost-effective interventions must be provided to ensure that maintenance and operating costs do not discourage beneficiaries from continuing to receive assistance. This means that CSO's should introduce interventions that are consistent with local technology and within the capabilities of local artisans, so that maintenance and operating costs are within the reach of beneficiaries, ensuring that they continue to reap maximum benefits from interventions.

6.3.4. Furthermore, CSOs should focus on their core competencies in order to properly position themselves in the delivery of interventions that suit the needs of beneficiaries. These functional qualities will increase CSOs' credibility in sourcing money in that intervention area over time, rather than amassing a succession of interventions without any specialty, which may result in the delivery of unsustainable interventions. Nonetheless, CSOs should hire independent assessors to analyze specific initiatives and their specific sustainability difficulties in order to provide them with opportunity to address the specific sustainability concerns of each intervention for long-term growth.

6.4. Limitations of the Study

The study was limited to Lusaka district, while the operations of Civil Society Organizations respond differently to each different environmental dynamic. As a result, the study period was also limited to the most recent time period, which is from 2020 to 2021, leaving out earlier growth periods for Zambian non-governmental organizations, whose historical impact sustainability factors would be of interest. The covid-19 pandemic also negatively impacted access to the target NGO’s and access to information (access to key personnel and their response time).

6.5. Suggestions for further studies

While the influence of financial sustainability factors such as income generating capacity and income diversification has a positive relationship with sustainability, more research on financial management practices with growth is needed because there are still conflicting results when this study output is mapped against the existing literature. Similarly, a larger geographical area and longer time period study should be conducted to confirm the findings of this study.

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APPENDIX

QUESTIONNAIRE

Dear respondent,

I am carrying out a study Investigating the financial sustainability challenges facing Civil Society Organisations in Zambia. This study is purely for academic purposes only and all the information so obtained shall be used strictly for academic purposes and shall also be treated with strict confidentiality. Thank you for your cooperation.

SECTION A: GENERAL INFORMATION

Instructions

Fill in the blank spaces

1. What is your Gender? Male [ ] Female [ ]
2. Which is your age bracket? 18 – 25 [ ] 26 – 30 [ ] 31 – 35 [ ] .>35 years [ ]
3. What is your designation in the NGO? …………………………………..
4. Years of Service. Below 1 year [ ] 2-4 years [ ] 5 – 7 years [ ] > 7 years [ ]
5. Highest level of education attained

   Professional certificate [ ] Professional diploma [ ] Bachelors degree [ ] Master's degree [ ]
6. Registration status of your NGO (*tick appropriate option):*

   FBO [ ] CSO ☐ TRUST ☐ , If other specify

   ……………………………………………………………………………
7. How many external/internal donors were funding your activities in between 2015 and 2020?

Year	2015	2016	2017	2018	2019	2020
Number of external donors						
Number of local donors						

SECTION B:

HOW CSO'S ENSURE ORGANIZATIONAL SUSTAINABILITY?

8. Indicate the extent to which your NGO has addressed itself to the organisational sustainability constructs as listed in the table below; defining the importance your organisation attaches to the elements for the forecasted period between 2015 to 2020 on a scale of 1 to 5; with the values having the following weights: Using a scale of 1-5, rate your level of agreement with each statement with respect to your organization. **1- Strongly Disagree; 2-Disagree; 3-Uncertain; 4-Agree; 5-Strongly Agree.**

	Organisational sustainability	**Scale**				
		1	**2**	**3**	**4**	**5**
1	General Needs analysis					
2	Charging fees for services e.g. training, consultancies and admin					
3	Asking beneficiary contributions					
4	Trust/endowment funds					
5	Public material contributions					
6	Membership fees					
7	Getting credit felicities from other institutions					
8	Renting out assets e.g. office space					
9	Response to purpose					
10	Adherence to project implementation Plan					

HOW CSO'S RESPOND TO FINANCIAL SUSTAINABILITY CHALLENGES

9 Based on your NGO's involvement in financial sustainability processes, indicate the extent to which the NGO has responded to the financial sustainability component functions, on a scale of 1 to 5; where **1** represents **Strongly Disagree, 2** represents **Disagree, 3** represents **Uncertain, 4** represents **Agree** and **5** represents **Strongly Agree.**

	Drivers or motivation for income financial sustainability	**Scale**				
		1	**2**	**3**	**4**	**5**

1	Avoiding pressure for own contribution from supporting donors					
2	Through source chain determination activities					
3	Enacting policies which lessen donor dependence					
4	By demonstrate capacity to generate own income through income generating activities					
5	Mitigating/hedging against drop in funding through savings					
6	Mitigating against political risks (avoiding partners from high-risk countries).					
7	By diversification of own financial resources					
8	Through borrowing					
9	Setting up Social enterprises					
10	Reducing overhead costs and other expenses not met by donors					

ALTERNATIVE SOURCES OF INCOME AVAILABLE TO CSO'S IN ZAMBIA

10. Based on your NGO's involvement in financial sustainability processes, indicate your level of agreement with your firm's association with the below alternative sources of income available to your organisation, on a scale of 1 to 5; where **1** represents **Strongly Disagree, 2** represents **Disagree, 3** represents **Uncertain, 4** represents **Agree** and **5** represents **Strongly Agree.**

	Alternative sources of income	**1**	**2**	**3**	**4**	**5**
1	Social enterprising					
2	Asset liquidation					
3	Billing for services					
4	Investing in private ventures					
5	Lobbying for budget support					
6	Partnering with funding agencies					
7	Entering into sub-grantee partnerships					
8	Organising fund raising events					
9	Offering consultancy services					
10	None					

11. What financial statements does your organization prepare and how often are they reviewed? *(Please mark appropriate):*

Type of financial statements	**Frequency with which the statements are being reviewed within the organization**							
Balance Sheet	Statement does not exist	Not reviewed	Weekly	Monthly	Quarterly	Bi-annually	Annually	As and when need arises
Income / expenditure statement								
Cash flow								
Audit reports								
Inventory control								
investments								
Financing								
Budget								
Budget verification								

Thank You