
Financial Management Practices, Financial Environment Regulation and Resource Mobilization by Non-Governmental Organizations in Kenya

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Abstract

The study examined effect of financial management practices that included risk management and investment management on resource mobilization among non-governmental organizations (NGOs) in Kenya, with particular attention to the moderating role of financial environment regulation. Despite growing donor volatility and regulatory pressure, little empirical evidence explains how financial practices influence NGOs' resource mobilization. Guided by a positivist philosophy and an explanatory research design, the study collected primary data using structured questionnaires administered to senior personnel across 299 NGOs. Data was analyzed using SPSS. Findings showed that risk management practices were strongly and positively associated with resource mobilization ($r = 0.525$, $p < 0.01$) and had a significant positive effect in the regression model ($\beta = 0.449$, $p < 0.001$). Investment management also demonstrated a positive correlation with resource mobilization ($r = 0.403$, $p < 0.01$) and a significantly positive effect ($\beta = 0.283$, $p < 0.001$). Combined, the two practices explained 35.0% of the variance in resource mobilization ($R^2 = 0.350$). Moderation analysis revealed that financial environment regulation significantly weakened the relationship between investment management and resource mobilization ($\beta = -0.145$, $p = 0.044$), while its moderating effect on risk management was not statistically significant. The study contributes to nonprofit financial management literature by empirically demonstrating the centrality of risk and investment management in strengthening resource mobilization. Practically, the results underscore the need for NGOs to institutionalize robust risk systems and disciplined investment practices. Policymakers should design regulatory frameworks that enhance accountability without constraining NGOs' financial sustainability.

Keywords: Resource Mobilization, Investment Management, Risk Management Practices, Financial environment regulation

Introduction

Non-governmental organizations operate within complex financial environments characterized by funding volatility, regulatory oversight, and heightened accountability demands. Unlike commercial entities, NGOs depend primarily on external financial support from donors, grants, partnerships, and philanthropic contributions, exposing them to significant financial uncertainty and operational risk (Cazenave & Morales, 2021; Aboramadan, 2018). As donor expectations continue to evolve and competition for funding intensifies, the ability of NGOs to mobilize financial resources increasingly depend not only on fundraising efforts but on how

effectively organizations manage financial risks, deploy investments, and navigate regulatory financial frameworks.

Risk management has emerged as a critical determinant of financial stability and resource mobilization in the nonprofit sector. NGOs face a wide range of financial risks, including funding concentration, delayed disbursements, foreign exchange exposure, compliance risks, and operational disruptions arising from political, economic, or humanitarian shocks (Goldschmidt & Kumar, 2016; El Baz & Ruël, 2021). Without structured mechanisms to identify, assess, and mitigate these risks, NGOs may experience liquidity shortfalls, reputational damage, and erosion of donor confidence, all of which weaken their capacity to mobilize resources. Empirical evidence suggests that organizations with formal risk management frameworks are better positioned to protect financial flows, absorb shocks, and sustain donor relationships during periods of uncertainty (Seddiky et al., 2020; Bikitsha & Amoah, 2022).

Investment management also plays an increasingly important role in supporting NGO resource mobilization. As traditional donor funding becomes more competitive and unpredictable, NGOs are under growing pressure to diversify income streams and supplement grants through prudent investment strategies aligned with their mission objectives (Kotsi et al., 2023; Ramus & Vaccaro, 2017). Effective investment management enables organizations to balance risk and return, preserve capital, and generate predictable income that can stabilize operations and enhance financial credibility. Studies show that NGOs and nonprofit organizations that adopt disciplined investment policies and portfolio diversification are more resilient to funding volatility and better able to sustain program delivery over time (Fonseca et al., 2018; Indangasi, 2023). In this way, investment management strengthens the internal financial base that underpins consistent resource mobilization.

However, the effectiveness of risk management and investment management practices is strongly shaped by the financial environment regulation within which NGOs operate. Regulatory frameworks governing financial reporting, donor disclosures, taxation, and compliance influence both the costs and benefits of financial management practices (Kameri-Mbote, 2023). Supportive and transparent regulatory environments can enhance donor trust, legitimize financial operations, and facilitate access to funding, while restrictive or unpredictable regulations may increase compliance burdens and constrain resource mobilization efforts (Mueller-Hirth, 2019; Uddin & Belal, 2019). In many developing-country contexts, including Kenya, NGOs must balance compliance obligations with operational flexibility, making regulation a critical contextual factor in financial decision-making. Despite the growing recognition of risk management, investment management, and regulation in NGO financing, existing empirical studies have largely examined these elements in isolation. Much of the nonprofit literature focuses on fundraising efficiency, governance, or donor relations, with limited attention to how internal financial management practices interact with external regulatory conditions to shape resource mobilization outcomes. In particular, there remains insufficient empirical evidence on whether and how the financial environment regulation moderates the relationship between financial management practices and resource mobilization, especially in donor-dependent and resource-constrained settings.

This study therefore examined the effect of risk management practices and investment management on resource mobilization among non-governmental organizations in Kenya, while assessing the moderating role of the financial environment regulation. By integrating internal financial practices with external regulatory conditions, the study provides empirical evidence on how NGOs can strengthen financial resilience, protect funding flows, and enhance their

capacity to mobilize resources sustainably.

NGOs in Kenya continue to face persistent challenges in mobilizing stable and predictable financial resources despite their expanding role in delivering health, education, and social development services. Although the number of registered NGOs has increased, many still experience funding interruptions, delayed program implementation, and operational instability, reflecting continued financial vulnerability across the sector (NGO Coordination Board, 2023). This vulnerability is largely linked to dependence on external donor funding, which exposes NGOs to sudden shifts in donor priorities and broader global economic conditions, thereby weakening long term financial sustainability (Kameri-Mbote, 2023). The persistence of these challenges suggests that resource mobilization remains a critical problem for NGOs in Kenya.

Evidence shows that financial vulnerability in NGOs is not only a result of inadequate funding, but also of weak financial decision-making under uncertainty. Studies indicate that many NGOs struggle to anticipate financial shocks, manage uncertainty, and sustain funding during crises, especially where structured financial risk responses are lacking (Uddin & Belal, 2019). Research further shows that weak strategic deployment of financial resources, including poor allocation decisions and limited diversification, increases income volatility and reduces organizational resilience (Fonseca et al., 2018). Although investment-oriented financial strategies have improved financial outcomes in related sectors, their relevance within NGOs operating under donor restrictions remain insufficiently examined (Ogotu et al., 2021). Consequently, many NGOs continue to operate with limited financial buffers, reinforcing dependency and financial fragility.

The regulatory environment further complicates this problem by shaping how NGOs plan, allocate, and mobilize financial resources through compliance requirements intended to promote transparency and accountability (Hall & O'Dwyer, 2017). While regulation may strengthen donor confidence, strict compliance obligations may also reduce financial flexibility and responsiveness (Chaudhry, 2022). Most existing studies have however, examined regulation mainly as a governance issue, with limited attention to how it interacts with financial management practices to influence resource mobilization. Despite growing scholarship on nonprofit financial management, there remains limited empirical evidence on how modern financial management practices and the regulatory environment jointly affect resource mobilization among NGOs in Kenya.

The general objective of this study was to examine the effect of select financial management practices on resource mobilization and moderating role of the financial environment regulation in Non-Governmental Organizations in Kenya.

Literature Review

Empirical Review

A growing body of nonprofit and organizational finance research has shown that risk-oriented management approaches are closely tied to how organizations stabilize funding flows and maintain resource mobilization in uncertain environments. This evidence is particularly relevant for NGOs whose revenue depends on donor behavior, compliance expectations, and crisis responsiveness. Across contexts, the literature suggests that organizations that invest in structured risk processes are more likely to preserve donor confidence, reduce disruption-related losses, and secure emergency and renewal funding when shocks occur. El Baz and Ruël (2021) demonstrated this effect in their mixed-methods study conducted during the COVID-19 disruption, combining semi-structured interviews with performance reviews. They found that organizations integrating structured risk assessment within operational planning achieved an estimated 14% improvement in funding continuity and resource access during the crisis

period. Their study attributed this to anticipatory decision-making and the ability to signal preparedness to stakeholders, although the private-sector orientation of the sample created a context gap that nonprofit research continues to address.

Evidence from the NGO sector itself reinforces the same logic. Seddiky et al. (2020), studying 60 NGOs involved in disaster risk reduction in Bangladesh through survey methods supplemented by interviews, reported that NGOs with formalized risk systems secured approximately 22% more emergency-related funding during disaster periods than those with weaker risk systems. The authors linked this advantage to donor perceptions of readiness and accountability, which encouraged quicker disbursement approvals. Similarly, Domanski (2016) surveyed 100 NGOs in Poland and found that those with structured risk mitigation approaches achieved a 12% increase in funding stability and experienced significantly fewer liquidity disruptions, suggesting that risk routines reduce the probability that operational shocks translate into financial instability. However, the relative macro stability of many European NGO environments limits direct transferability, especially to contexts where volatility is persistent rather than episodic.

African evidence offers further insight into how risk systems shape funding outcomes under donor-dependent realities. Mutua and Ibembe (2020), using surveys and interviews across NGOs in Kitui County, found that NGOs reporting stronger risk management routines experienced about a 15% improvement in resource mobilization outcomes, largely linked to greater donor confidence and improved continuity of implementation during disruptions. While the study was geographically narrow, it aligned with broader regional findings that risk preparedness shapes credibility, and credibility in turn shapes resource inflows. Taken together, these studies indicate that risk management is not merely a compliance activity; it is a credibility signal and a continuity mechanism that can measurably shape resource mobilization in nonprofit funding environments.

Investment-oriented practices have increasingly been treated as a strategic financial capability for mission-driven organizations, particularly where donor funding is volatile or restricted. Across empirical studies, disciplined investment decision-making tends to strengthen resource mobilization through three recurring pathways: creating supplementary income, stabilizing cash availability during donor delays, and improving perceived financial stewardship among donors and partners. Masters et al. (2017), in a meta-analysis of 52 public health investment evaluations, reported a median return on investment of 14.3:1 and a cost–benefit ratio of 8.3, demonstrating that structured investment decisions can expand the resource base available for service delivery. Although their focus was on health interventions rather than NGOs' internal finance systems, the findings illustrate that investment discipline can yield substantial resource expansion when consistently applied.

Nonprofit-focused studies provide more direct evidence on the stabilizing effect of diversification and structured investment decision-making. Crisan and Dan (2017), using a mixed-methods design with quantitative survey results and qualitative organizational cases among Romanian NGOs, found that organizations using diversified income and investment structures were significantly less exposed to funding shocks and displayed more consistent inflows over time. In sub-Saharan Africa, Despard et al. (2017) analyzed NGO financial vulnerability and showed that organizations with multiple income sources were 14% less likely to experience financial distress, while those heavily dependent on a single donor stream were substantially more exposed to disruption risk. This finding is particularly relevant in donor-concentrated environments, where investment-related diversification plays a stabilizing role even when direct market investment is limited.

Local institutional evidence in Kenya also supports the relevance of disciplined investment

governance in strengthening financial outcomes. Ogutu et al., (2021), using regression models within Kenyan institutions, found that investment management practices explained 39.3% of the variance in financial sustainability outcomes, showing that structured decision frameworks and governance around investment are statistically meaningful predictors of stability. Although the study was not conducted purely within NGOs, it provides contextually relevant evidence that disciplined investment practices can significantly shape financial capacity in Kenya's operating environment. Collectively, these studies suggest that investment management can function as a resource mobilization strategy by strengthening predictability, reducing vulnerability to donor cycles, and expanding internal financial buffers that support program continuity and credibility.

While internal financial practices matter, the broader regulatory and policy context often determines whether these practices translate into improved resource mobilization outcomes. Cross-national evidence shows that where regulation is predictable and compliance requirements are transparent, donors tend to interpret compliance as a credibility signal, strengthening access to funding; where regulation is restrictive or ambiguous, even financially disciplined NGOs may face reduced resource inflows. Pagliari and Young (2016), in a comparative multi-country analysis using policy review and interviews, found that NGOs operating in structured compliance environments achieved roughly an 18% higher grant approval rate, largely because donors perceived such organizations as lower-risk partners due to clarity in reporting, registration, and oversight structures.

Conversely, restrictive policy environments have been shown to erode resource mobilization even when NGOs maintain strong internal controls. Dupuy et al. (2015), examining Ethiopia's NGO legal restrictions through interviews and policy analysis, found that foreign funding declined by approximately 35–40% following the introduction of stringent regulatory constraints, forcing many NGOs to scale down and restructure. This evidence highlights a critical moderating logic: the same internal financial strengths may yield weaker funding outcomes under restrictive regulation because external compliance costs rise, program flexibility falls, and donor confidence shifts. Crack (2018) further showed that accountability and transparency regimes influence donor trust. In evaluating the INGO Accountability Charter through report analysis and interviews, the study estimated that improved accountability and transparency practices were associated with about a 15% improvement in funding stability, though voluntary participation limited consistency across organizations.

Fiscal and regulatory incentives also shape the effectiveness of financial practices by lowering operational burdens and signaling legitimacy. Tadesse (2017), using panel data from 120 Ethiopian NGOs, found that organizations benefiting from fiscal incentives and regulatory support were 21% more likely to secure long-term grants, suggesting that enabling regulatory frameworks amplify the benefits of sound financial governance. Taken together, prior studies suggest that regulatory environments do not only constrain organizations; they condition the returns to internal financial capability. In other words, internal financial discipline and governance translate into stronger resource mobilization when external regulatory regimes are coherent, enabling, and aligned with donor expectations, but these returns weaken when regulation is restrictive, inconsistent, or unpredictable.

Conceptual Framework

The conceptual framework illustrated the relationships examined between selected financial management practices and resource mobilization among non-governmental organizations in Kenya. Conceptual frameworks provide a structured representation of how key constructs interact within a given context and guide empirical analysis (Mugenda & Mugenda, 2011). In

this study, the framework focused on risk management practices and investment management practices as the core financial management mechanisms influencing resource mobilization, with the financial environment regulation acting as a moderating factor.

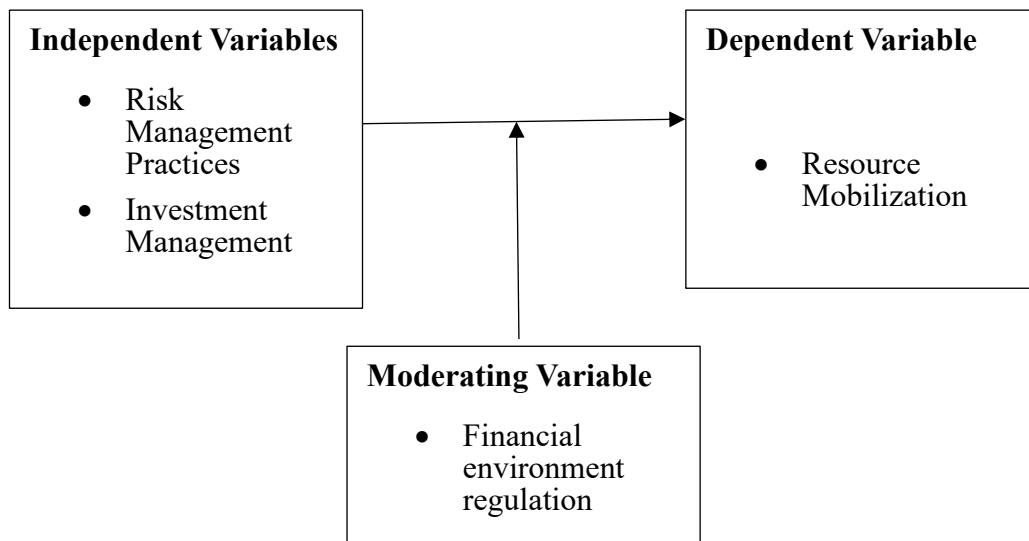


Figure 1

Conceptual Framework

The framework assumed that effective internal financial management strengthened NGOs' ability to secure and sustain financial resources. Risk management practices were expected to enhance organizational resilience by reducing exposure to funding volatility, operational disruptions, and external shocks, thereby supporting more stable resource mobilization. Investment management practices were expected to improve financial stability by supplementing donor funding and reducing dependence on single revenue sources. Together, these practices were viewed as critical in strengthening financial predictability and donor confidence.

The financial environment regulation was incorporated as a moderating variable shaping how internal financial practices translated into mobilization outcomes. Compliance with regulatory requirements and alignment with policy expectations enhanced organizational legitimacy and accountability, which in turn influenced donor trust and funding continuity (Meyer & Rowan, 1977; Scott, 2014). The framework therefore recognized that the effectiveness of financial management practices depended not only on internal capacity but also on the broader regulatory context within which NGOs operated.

Methodology

The study adopted a positivist philosophy and an explanatory research design to examine the effect of risk management practices and investment management on resource mobilization among non-governmental organizations in Kenya, while assessing the moderating role of the financial environment regulation. The positivist approach was appropriate because the study relied on objective measurement, hypothesis testing, and statistical analysis using standardized instruments (Saunders et al., 2009; Creswell, 2014).

The target population comprised 1,188 active NGOs in Kenya that reported revenues or expenditures above KES 1 million and had submitted audited IFRS-compliant financial statements (NGO Coordination Board, 2023). Using Yamane's (1967) formula at a 5% margin of error, a sample of 299 NGOs was selected through proportionate stratified random sampling

across the eight administrative regions to ensure representativeness (Kothari, 2009). Data was collected using structured questionnaires administered through a hybrid approach combining online distribution and the drop-and-pick method. Respondents were senior staff responsible for financial oversight and resource mobilization. Follow-up communication was used to enhance response rates (Sekaran & Bougie, 2013).

Data was cleaned, coded, and analyzed using SPSS. Descriptive statistics, including means and standard deviations, were used to summarize organizational characteristics and financial practice patterns (Pallant, 2020). Inferential analysis employed multiple linear regression using the Ordinary Least Squares method to examine hypothesized relationships.

To test the direct effects, the study estimated the following regression model:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Where:

Y = Resource mobilization

X_1 = Risk management practices

X_2 = Investment management

β_0 = Intercept

β_1, β_2 = Regression coefficients

ε = Error term

To test the moderating effect of the financial environment regulation, the study applied Hierarchical Moderated Multiple Regression (HMMR), following the procedure outlined by Baron and Kenny (1986) in Hayes (2018). The moderation analysis was conducted in three steps. First, the direct effects of risk management practices and investment management on resource mobilization were estimated. Second, the financial environment regulation was introduced into the model to assess its main effect. Third, interaction terms between each independent variable and the financial environment regulation were added to determine whether the strength of the relationships varied across regulatory conditions.

The full moderation model was specified as:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 M + \beta_4 (X_1 \times M) + \beta_5 (X_2 \times M) + \varepsilon$$

Where:

M = Financial environment regulation

$X_1 \times M$ = Interaction between risk management practices and the regulatory environment

$X_2 \times M$ = Interaction between investment management and the regulatory environment

Moderation was supported where the interaction terms (β_4 and β_5) were statistically significant and where the inclusion of interaction terms resulted in a significant change in R^2 , assessed using the F-test for ΔR^2 . Statistical significance was evaluated at the 5% level.

Results

Descriptive statistics were computed to summarize the central tendency and dispersion of the study variables. Table 1 presents the means and standard deviations for risk management practices, investment management, the financial environment regulation, and resource mobilization among NGOs in Kenya.

Table 1

Descriptive Statistics

| Variable | N | Mean | Std. Deviation |
|----------------------------------|----------|-------------|-----------------------|
| Risk Management Practices | 511 | 3.5354 | 0.53982 |
| Investment Management | 511 | 3.4537 | 0.51373 |
| Financial environment regulation | 511 | 3.5551 | 0.48969 |
| Resource Mobilization | 511 | 3.5677 | 0.50396 |

Overall, the descriptive results indicate that NGOs in Kenya reported moderately strong adoption of the key financial management practices examined in this study. Resource mobilization recorded the highest mean score ($M = 3.57$, $SD = 0.50$), suggesting that, on average, NGOs perceived themselves as reasonably effective in attracting and managing financial resources. The relatively moderate standard deviation indicates some variation across organizations, reflecting differences in scale, donor exposure, and operational capacity.

Risk management practices also showed a strong mean score ($M = 3.54$, $SD = 0.54$), implying that many NGOs had established mechanisms to anticipate and manage financial and operational risks. However, the dispersion around the mean suggests uneven implementation across the sector, with some organizations demonstrating more structured risk approaches than others. This variation reflects the diverse operating environments in which NGOs function, characterized by funding volatility, policy uncertainty, and differing exposure to external shocks.

Investment management recorded a slightly lower mean ($M = 3.45$, $SD = 0.51$), indicating that while NGOs had begun to engage in investment-related decision-making to support sustainability, this practice was less developed compared to risk management and resource mobilization. The moderate standard deviation suggests that some organizations had embraced investment practices more fully, while others remained cautious, possibly due to regulatory constraints, limited investment literacy, or mission-related concerns.

The financial environment regulation recorded a relatively high mean score ($M = 3.56$, $SD = 0.49$), suggesting that NGOs generally perceived the regulatory and policy framework as moderately supportive of their financial operations. The comparatively lower dispersion indicates a shared experience among NGOs regarding regulatory requirements, compliance expectations, and fiscal conditions. Nonetheless, the presence of variability points to differences in how organizations interpret, navigate, and adapt to regulatory demands.

Correlation Analysis

Pearson correlation analysis was conducted to examine the strength and direction of relationships between risk management practices, investment management, the financial environment regulation, and resource mobilization among NGOs. The results presented in Table 2 indicate that all the study variables were positively and statistically showed a significant association with resource mobilization at the 0.01 significance level.

Table 2

Correlation Matrix

| Variables | | Risk Management Practices | Investment Management | Financial environment regulation | Resource Mobilization |
|----------------------------------|---------------------|---------------------------|-----------------------|----------------------------------|-----------------------|
| Risk Management Practices | Pearson Correlation | 1 | | | |
| | Sig. (2-tailed) | | | | |
| Investment Management | Pearson Correlation | .267** | 1 | | |
| | Sig. (2-tailed) | .000 | | | |
| Financial environment regulation | Pearson Correlation | .310** | .374** | 1 | |
| | Sig. (2-tailed) | .000 | .000 | | |
| Resource Mobilization | Pearson Correlation | .525** | .403** | .409** | 1 |
| | Sig. (2-tailed) | .000 | .000 | .000 | |
| | N | 511 | 511 | 511 | 511 |

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

Risk management practices exhibited a strong positive relationship with resource mobilization ($r = 0.53$, $p < 0.01$). This suggests that NGOs that systematically identify financial risks, implement mitigation measures, and prepare for crises tend to mobilize higher levels of resources. Effective risk management appears to enhance donor confidence and organizational resilience, thereby strengthening the ability of NGOs to attract and sustain funding.

Investment management was also positively and significantly related to resource mobilization ($r = 0.40$, $p < 0.01$). This implies that NGOs with structured investment policies, diversified portfolios, and mission-aligned investment decisions were more successful in stabilizing and expanding their resource base. Sound investment management practices therefore play a supportive role in strengthening financial sustainability and funding capacity.

The financial environment regulation showed a moderate positive association with resource mobilization ($r = 0.41$, $p < 0.01$), indicating that NGOs operating within supportive and predictable regulatory frameworks were better positioned to mobilize resources. Compliance requirements, policy clarity, and fiscal incentives appear to enhance credibility with donors and reduce operational uncertainty, thereby facilitating funding inflows.

The correlations among the independent variables ranged from $r = 0.27$ to $r = 0.37$, indicating moderate relationships that were not excessively high. This confirms that risk management practices, investment management, and the financial environment regulation are related but conceptually distinct constructs, making them suitable for simultaneous inclusion in regression and moderation analyses.

Regression Analysis

To determine the combined effect of risk management practices and investment management on resource mobilization among NGOs, a multiple linear regression analysis was conducted. The model summary presented in Table 3 shows an R value of 0.59, indicating a moderately strong positive relationship between the two financial management practices and resource mobilization. The R^2 value of 0.35 indicates that 35.0% of the variation in resource

mobilization was jointly explained by risk management practices and investment management. The adjusted R² of 0.35 further confirms the stability of the model after adjusting for the number of predictors.

Table 3

Model Summary

| Model | R | R Square | Adjusted Square | R | Std. Error of the Estimate |
|-------|-------------------|----------|-----------------|---|----------------------------|
| 1 | .592 ^a | .350 | .348 | | .40707 |

a. Predictors: (Constant), Investment Management, Risk Management Practices

The analysis of variance results in Table 4 show that the regression model was statistically significant (F = 136.83, p < 0.001). This indicates that risk management practices and investment management jointly explained a significant proportion of differences in resource mobilization among NGOs. The results confirm that these financial management practices are not only theoretically relevant but also possess strong explanatory power in explaining variations in NGOs' ability to mobilize resources.

Table 4

Analysis of Variance Results

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|-------|------------|----------------|-----|-------------|---------|-------------------|
| 1 | Regression | 45.349 | 2 | 22.674 | 136.834 | .000 ^b |
| | Residual | 84.179 | 508 | .166 | | |
| | Total | 129.528 | 510 | | | |

a. Dependent Variable: Resource Mobilization

b. Predictors: (Constant), Investment Management, Risk Management Practices

The regression coefficients presented in Table 5 indicate that both predictors made positive and statistically significant contributions to resource mobilization. Risk management practices had the strongest effect ($\beta = 0.45$, p < 0.001), indicating that NGOs that actively identify, assess, and mitigate financial risks, while maintaining crisis preparedness, were significantly better positioned to mobilize resources. Investment management also exerted a significant positive effect on resource mobilization ($\beta = 0.28$, p < 0.001), suggesting that NGOs with structured investment policies, diversified portfolios, and mission-aligned investment decisions were more successful in strengthening and sustaining their resource base.

Table 5

Regression Coefficients

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|---------------------------|-----------------------------|------------|---------------------------|--------|------|
| | | B | Std. Error | | | |
| 1 | (Constant) | 1.125 | .151 | | 7.434 | .000 |
| | Risk Management Practices | .419 | .035 | .449 | 12.103 | .000 |
| | Investment Management | .278 | .036 | .283 | 7.631 | .000 |

a. Dependent Variable: Resource Mobilization

The regression equation was expressed as:

$$\text{Resource Mobilization} = 1.125 + 0.419 (\text{Risk Management Practices}) + 0.278 (\text{Investment Management})$$

This equation demonstrates that risk management practices were the dominant driver of resource mobilization, while investment management played an important complementary role. Collectively, these findings indicate that NGOs that proactively manage financial risks and adopt sound investment strategies are more effective in attracting, securing, and sustaining financial resources. These results provide a strong empirical foundation for examining whether the financial environment regulation further conditions or moderates these relationships in the subsequent analysis.

Moderation Analysis

Following the estimation of the direct effects of risk management practices and investment management on resource mobilization, a hierarchical moderated multiple regression (HMMR) analysis was conducted to determine whether the financial environment regulation moderated these relationships. The moderation test followed a stepwise hierarchical procedure in which predictors were entered into the model in successive blocks to assess changes in explanatory power attributable to the moderator and interaction terms.

In the first step, risk management practices and investment management were entered to establish the baseline direct effects model. In the second step, the financial environment regulation was introduced to test its direct contribution to resource mobilization. In the final step, interaction terms between the financial environment regulation and each financial management practice (X_1M and X_2M) were added to test for moderation effects. Moderation was confirmed where the interaction terms were statistically significant.

The model summary presented in Table 6 reflects the final hierarchical model incorporating the main effects and interaction terms. The model recorded an R value of 0.624, indicating a strong positive relationship between the predictors and resource mobilization. The R Square value of 0.389 shows that 38.9% of the variation in resource mobilization was explained after introducing the moderator and interaction terms. The adjusted R Square of 0.383 confirms that the inclusion of the moderator improved the model without inflating error due to additional predictors. The standard error of estimate (0.39588) indicates acceptable model fit.

Table 6
Hierarchical Moderated Regression Model Summary

| Model | R | R Square | Adjusted Square | R | Std. Error of the Estimate |
|--------------|-------------------|-----------------|------------------------|----------|-----------------------------------|
| 1 | .624 ^a | .389 | .383 | | .39588 |

a. Predictors: (Constant), (Constant), x2m, Risk Management Practices, Financial environment regulation, Investment Management, x1m

The ANOVA results shown in Table 7 indicate that the final hierarchical model was statistically significant ($F = 64.294$, $p < 0.001$). This confirms that the combined inclusion of risk management practices, investment management, the financial environment regulation, and their interaction terms significantly improved the explanatory power of the model. The results demonstrate that the hierarchical model explained meaningful variation in NGO resource mobilization.

Table 7

ANOVA Results for Hierarchical Moderated Regression

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|-------|------------|----------------|-----|-------------|--------|-------------------|
| 1 | Regression | 50.382 | 5 | 10.076 | 64.294 | .000 ^b |
| | Residual | 79.145 | 505 | .157 | | |
| | Total | 129.528 | 510 | | | |

a. Dependent Variable: Resource Mobilization
 b. Predictors: (Constant), x2m, Risk Management Practices, Financial environment regulation, Investment Management, x1m

The regression coefficients in Table 8 present the effects of the predictors after controlling for the moderating influence of the financial environment regulation. Investment management remained a statistically significant positive predictor of resource mobilization ($\beta = 0.743$, $p = 0.005$), indicating that stronger investment practices were associated with higher levels of resource mobilization even after accounting for regulatory conditions. The financial environment regulation also exhibited a statistically significant positive main effect ($\beta = 0.687$, $p = 0.012$), suggesting that NGOs operating within more supportive, predictable, and compliant regulatory environments mobilized more resources than those operating under weaker regulatory conditions.

Risk management practices retained a positive coefficient but were not statistically significant in the final hierarchical model ($p = 0.131$), indicating that their effect on resource mobilization was attenuated after the introduction of the moderator and interaction terms. The interaction term between investment management and the financial environment regulation (x2m) was statistically significant and negative ($\beta = -0.831$, $p = 0.044$). This confirms a moderating effect, showing that the strength of the relationship between investment management and resource mobilization varied depending on the financial environment regulation. Specifically, stricter or more demanding regulatory conditions weakened the positive influence of investment management on resource mobilization.

In contrast, the interaction term between risk management practices and the financial environment regulation (x1m) was not statistically significant ($p = 0.970$). This indicates that the regulatory environment did not significantly alter the relationship between risk management practices and resource mobilization.

Table 8

Hierarchical Moderated Regression Coefficients

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|----------------------------------|-----------------------------|------------|---------------------------|--------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -.997 | .985 | | -1.012 | .312 |
| | Risk Management | .385 | .255 | .413 | 1.514 | .131 |
| | Investment Management | .729 | .258 | .743 | 2.826 | .005 |
| | Financial environment regulation | .707 | .281 | .687 | 2.511 | .012 |
| | (Risk × Regulation) | -.003 | .072 | -.016 | -.038 | .970 |
| | (Investment × Regulation) | -.145 | .072 | -.831 | -2.015 | .044 |

a. Dependent Variable: Resource Mobilization

The hierarchical moderated regression analysis confirms that the financial environment regulation partially moderated the relationship between financial management practices and resource mobilization. The moderation effect was evident for investment management but not for risk management practices. This implies that investment-based resource mobilization strategies are sensitive to regulatory conditions, whereas risk management practices contribute to resource mobilization in a more stable manner across varying regulatory environments.

Hypotheses Testing

This section presents the hypothesis testing results based on the Pearson correlation analysis, multiple regression analysis, and hierarchical moderated multiple regression analysis.

H₀₁: Risk management practices have no statistically significant effect on resource mobilization in non-governmental organizations.

Correlation analysis showed that risk management practices were positively and statistically significantly associated with resource mobilization ($r = 0.525$, $p < 0.01$). This indicates that NGOs that systematically manage financial risks, apply mitigation strategies, and prepare for crises tend to mobilize higher levels of financial resources. The multiple regression results further confirmed this relationship. Risk management practices had a positive and statistically significant effect on resource mobilization ($\beta = 0.449$, $p < 0.001$). Based on these findings, the null hypothesis was rejected.

H₀₂: Investment management has no statistically significant effect on resource mobilization in non-governmental organizations.

Investment management was found to be positively and significantly correlated with resource mobilization ($r = 0.403$, $p < 0.01$). This suggests that NGOs with clearer investment policies, diversified investment approaches, and alignment between investment decisions and organizational mission were more effective in mobilizing financial resources. Regression analysis reinforced this result, showing that investment management had a positive and statistically significant effect on resource mobilization ($\beta = 0.283$, $p < 0.001$). The null hypothesis was therefore rejected.

H₀₃: The financial environment regulation has no statistically significant moderating effect on the relationship between risk management practices, investment management, and resource mobilization in non-governmental organizations.

The moderating effect of the financial environment regulation was tested using hierarchical moderated multiple regression analysis. The results showed that the interaction term between investment management and the financial environment regulation was statistically significant ($\beta = -0.831$, $p = 0.044$), indicating that the regulatory context significantly influenced the strength of the relationship between investment management and resource mobilization. Specifically, more restrictive regulatory conditions weakened the positive effect of investment management on resource mobilization. However, the interaction term between risk management practices and the financial environment regulation was not statistically significant ($\beta = -0.016$, $p = 0.970$), suggesting that the effect of risk management practices on resource mobilization was stable across different regulatory environments.

Overall, the findings provide partial support for moderation. The financial environment regulation significantly moderated the relationship between investment management and resource mobilization but did not moderate the relationship between risk management practices and resource mobilization. The null hypothesis was therefore partially rejected.

Conclusion

This study established that financial management practices related to risk management and investment management played a significant role in shaping the resource mobilization outcomes of non-governmental organizations in Kenya. The empirical findings showed that both practices were positively and statistically significantly associated with resource mobilization, confirming that NGOs that actively managed financial risks and adopted deliberate investment strategies were better positioned to attract, secure, and sustain financial resources. Together, risk management practices and investment management explained a substantial share of the variation in resource mobilization, demonstrating that beyond operational efficiency, strategic financial positioning is central to NGO financial sustainability. Investment management emerged as the stronger predictor of resource mobilization, indicating that NGOs that structured investments carefully and leveraged them to support organizational objectives achieved superior funding outcomes.

Risk management practices also contributed meaningfully, suggesting that organizations that proactively anticipated and mitigated financial uncertainty were better able to maintain donor confidence and funding continuity. The moderation analysis further revealed that the financial environment regulation significantly conditioned the relationship between investment management and resource mobilization, weakening its effect under more restrictive regulatory conditions. However, the relationship between risk management practices and resource mobilization remained stable across regulatory contexts. These findings suggest that while internal financial discipline is critical, the broader regulatory environment shapes how effectively NGOs can translate investment decisions into sustainable resource flows.

Recommendations

The need for policymakers and regulators to adopt regulatory frameworks that balance accountability with financial flexibility for NGOs is recommended. While regulation is essential for transparency and governance, overly restrictive financial controls may limit the effectiveness of investment management strategies that support long-term sustainability is necessary. Regulatory agencies may consider proportionate compliance requirements that allow NGOs to pursue prudent investments without undermining their resource mobilization capacity. Additionally, donors and sector support institutions should also place greater emphasis on strengthening investment governance and financial risk management capabilities within NGOs. Policy-driven capacity-building initiatives aimed at supporting NGOs in developing investment oversight mechanisms, scenario planning, and financial risk assessment processes are considered necessary. Such interventions would not only enhance financial resilience but also improve donor confidence by demonstrating that NGOs are capable of managing funds responsibly in complex and uncertain environments.

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