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Factors Influencing Financial Sustainability of Local Health Non-Governmental Organizations (LHNGOs) in Developing Countries (Case of Zambia)

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Abstract

Although donors are the major funders for most Local Health Non-governmental Organizations (LHNGOs), donor financing has become very stiff to acquire in the recent past and donor contribution has steadily reduced and this has affected the operations of most LHNGOs in Lusaka and in the country at large. While LHNGOs are important development partners to the government of Zambia, there is uncertainty on their future operations because of their over dependence on donor financing. We aimed at determining the bottlenecks to financial sustainability among LHNGOs in Lusaka and inform them on the best way(s) to avoid these bottlenecks if they are to remain sustainable. We sampled 106 LHNGOs from a list 147 using systematic random sampling. Data was collected using a pre-tested questionnaire with open and closed ended questions. All the 106 questionnaires were distributed and all of them were returned. There was a 100% response rate. Primary data was collected from the Directors of the LHNGOs who were purposefully sampled. We utilized quantitative research method. Using SPSS version 26.0, data was analyzed in univariate and multivariate. Multivariate analysis was done using ordinal regression model. Collected data was analyzed using descriptive statistical and Ordinal Regression in order to find out the influence of independent variables on the dependent variables. The hypotheses test results revealed that sound financial management practice, good donor relationship and income diversification have significant positive influence on the financial sustainability among LHNGOs, for every positive change, there is a predicated increase in the dependent variables. Own income generation had no significant influence on financial sustainability among LHNGOs. The study concludes that if LHNGOs are to remain financially sustainable, they need to uphold values of good financial management, and build very strong relationships with donors for them to able to secure adequate funding that would sustain them in the running of their projects and programs, and set up various income sources to strengthen their foundation financially. There is also need to train LHNGOs Managements on various streams of income so that LHNGOs can reduce overreliance on donor fund.

Keywords

Local Health Non-Government Organizations, Sound Financial Management Practice, Income Diversifications, Own Income Generation

1. Introduction

Financial sustainability remains a critical challenge for local Non-Governmental Organizations (NGOs). NGOs face many challenges, including lack of sustainability of their programmes due to funding problems (USAID, 2010; Manyeruke 2012; NANGO, 2013). Most of their funding comes from international donors. In their study on NGO sustainability across 19 Sub-Saharan African countries, USAID (2010: p. 28) concluded that NGOs had strengths in service delivery, but lack of financial sustainability was their main weakness across the continent as they depended on a single source of funding—external donors. While reliance on external aid is reflective of the wider economic context of African countries, if international donors pulled out NGOs would collapse (USAID, 2010).

NGOs play a vital role in the Zambian economy and by helping government to provide public services of high standard, especially in the health sectors (Mwansa, 1995). Many NGOs have come to supplement government effort to solve problems such as poverty, malnutrition, malaria, cholera, and HIV/AIDS, among many others (Mwansa, 1995).

Financial sustainability is also a key piece of the puzzle to empower local organizations to take greater ownership of the development process. There is a tendency among local NGOs to form an overreliance or dependence on international donor funding streams. This puts them in a vulnerable position in instances of donor withdrawal (Sontag-Padilla et al., 2012). Even though NGOs have knowledge on this problem, a multitude of factors inhibit the ability of local organizations to acquire financial support beyond donor aid (Sontag-Padilla et al., 2012). Studies indicate that internal dynamics, such as organizational culture, management capacities, internal governance structures, and financial planning mechanisms can severely impact an organizations' ability to build its financial sustainability (Lewis, 2011; Muriithi, 2014; Omeri, 2015). Recognition of these issues has led to a wide range of studies exploring the various methods NGOs can employ to overcome systemic challenges and improve their financial sustainability. However, different NGOs in different settings experience different challenges in the operations as well as in their efforts to remain financially sustainable.

Abdelkarim (2012) noted that it is only organisations capable of building sound financial systems and attracting or generating steady income flows that will be able to continue to exist. Financial sustainability entails the ability to generate a positive balance sheet so that the NGO can have flexibility to respond to new needs and changes to the operating environment (Leon, 2001).

1.1. Statement of the Problem

In the recent past, Zambia has experienced a massive expansion in the legislation of LHNGOs and Lusaka being the Central Business District (CBD) of Zambia. It is one of the districts that has experienced massive growth in the number of LHNGOs. In Zambia, most of the LHNGOs are financed by Donors from various western countries, substantial amounts of money are being injected in the activities of these organizations with the desire to change the lives of many beneficiaries. Although donors are the major funders for most LHNGOs, the level of donor financing has become very stiff to acquire in the recent past and donor contribution has steadily reduced and this has affected the operations of most LHNGOs in Lusaka and in the country at large. While LHNGOs, are important development partners to the government of Zambia, there is uncertainty on their future operations because of their over dependence on donor financing.

Even though LHNGOs receive funding from international donors, most of them fail to remain financially sustainable when funding is pulled out. While this scenario presents itself otherwise, it is expected that after receiving support, LHNGOs would be able to remain sustainable when the funding is pulled out. However, the factors that influence the financial sustainability of the LHNGOs in the Lusaka District remain unclearly and documented. Therefore, this study was conducted to investigate factors influencing the financial sustainability faced by LHNGOs in Lusaka-Zambia. If the factors influencing the financial sustainability of LHNGOs are not availed, most LHNGOs will continue to fail and the contribution of LHNGOs to the improvement of the welfare of the local people would be highly compromised and remain unnoticed.

1.2. Conceptual Framework

A conceptual framework based on factors influencing financial sustainability of local health non-governmental organizations was formulated in order to examine the influence of financial sustainability in terms of donor relationship from (stakeholders' theory), income Diversification, Sound financial management practices, Own income generation (from resource-based theory) (**Figure 1**).

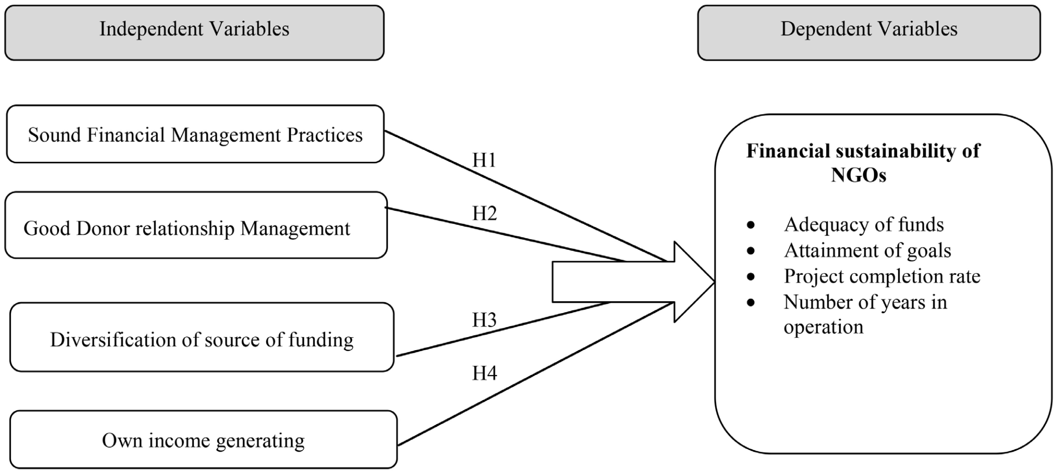

Figure 1. Concept framework for analyzing factors influencing financial sustainability of local health NGOs. Source: Saungweme (2014).

2. Literature Summary

The existing literature reveals that there is limited information on factors which influence financial sustainability among LHNGOs in Zambia. The conditions on those areas may not be the same as in Zambia, the conditions in these countries vary ranging from differences in the geographical, economic, and political environment. However, the literature reviewed at all levels; global, regional, and the national levels has presented no known study done to determine the extent to which financial management practices affect the financial sustainability of LHNGOs in Zambia.

The study will be underpinned by two theories namely resource based and stakeholder theory.

Resource Based theory—The resource-based theory was pioneered by Kay (2005). It is based on the concept of economic rent and the view that a company is a collection of capabilities. This view has a coherence and integrative role that places it well ahead of other mechanisms of strategic decision-making (Kay, 2005). The resource-based view offers critical and fundamental insights into why firms with valuable and well-organized resources may enjoy superior performance (Barney, 1995). The resource-based view uses a firm's internal characteristics to explain its strategy and performance.

This theory is suitable for examining the financial sustainability of the NGOs and will, therefore, be adopted in this research since it focuses on the firms' internal environment. The environment in this case is the ability of NGOs to have diverse sources of funds, have competent staff and prepare strategic plans to ensure financial sustainability of the organization.

Stakeholders' theory—This theory maintains that the interest of the stockholders need not harm stakeholders (Freeman, 2008). It also holds that an organization can enhance the interests of its stakeholders without damaging the interest of its wider stockholders. The management has a responsibility to provide the stakeholders with reports on the operations of the NGOs. The role of the stakeholders is to ensure that the NGOs are financially stable, and all activities are directed towards realizing the goals of the NGO. The management ensures that the NGOs are operating at optimal level in order to maximize shareholders' profits and to ensure their sustainability.

2.1. Empirical Review

The section present empirical review of the four main factors that influence financial sustainability of LHNGOs; sound financial management practices, income diversification, own income generation capacity and good donor relations management.

2.1.1. Good Donor Relationship Management

Lewis (2011) noticed that for NGOs to attain financial sustainability, they should be ready to fabricate great relationships with their donors while looking towards sustained long-term relationships not just present needs. Good donor relationship management involves building and nurturing positive connections with donors. The stronger the relationships an NGOs have with its donors the more financially sustainable it is (Lewis, 2011). NGOs should develop and implement effective practices and systems that yield strong relationships with donors, nonprofits can generate more sustainable and dependable revenue, strengthen grant effectiveness, and, ultimately, achieve better results (Alter, 2007).

According to Lewis (2011) there is a strong positive relationship between donor relationship management and financial sustainability of local NGOs. Maintain and managing good relationship will ensure that NGOs become financially sustainable.

2.1.2. Income Diversification

Income diversification of NGOs as the ability of the organization to expand income sources to include many donor sources both locally and internationally. Davis (2013) in his study on financial sustainability and funding diversification as a challenge for Indonesian NGOs found that most of the revenue coming into the NGO sector in Indonesia is from international donor agencies. For NGOs, government (5%) and international donors (15%) were not the main funding sources. This contrasted with NGOs located in provincial capitals, which relied primarily on international donors (45%) or national NGOs for their funding (15%). He concluded that majority of the NGOs in Indonesia do not have limited sources of funding. Nuka (2010) concurred by establishing that 75% of the NGOs in Kosova relied on foreign donors as their only or main financial sources of their projects and activities.

A study by Lewis (2011), recommended employing fund diversification strategies by NGOs which will enable them to be less dependent on one-donor support and will reduce the amount of control a single donor has on their operations and advised to capitalize on local support so that they are not suspiciously viewed by the local communities and governments (Lewis, 2011; Waiganjo et al., 2012). On the same note, Lewis (2011) suggested funding types that NGOs can use to diversify incomes such as general financing, core financing, program financing and project funding. Thus, with the correct mix of funding types, NGOs can attain a great degree of financial sustainability. General funds are mostly short-run and unrestricted as they can be generated from public donations and can complement other sources of funds while project funds are mostly restricted to intended projects and short-run (Lewis, 2011).

2.1.3. Sound Financial Management Practice

Lewis (2011) defined sound financial management practices as taking action on financial matters of NGOs with an outcome of meeting the overall organization objectives. Financial policies and procedures are vital in defining sound financial management practices.

According to Krug & Weinburg (2004) the aim of not-for-profit financial management is to make sure that revenue can be maintained whilst delivering essential services. Gunderson (2011) noted that for financial sustainability to flourish, effective financial management includes funds flow control systems, financial planning, budgeting systems, asset management systems, accounting policies and procedures, internal and external auditing systems, reporting and monitoring systems, information systems, financial analysis, and plan implementation are all indispensable.

It is important to practice sound financial management in NGOs both in the short-run and in the long-run with the goal of achieving the organizations' mission and commitments to both individuals and partners (Lewis, 2011).

Proper and sound financial management practices help to convince donors that the NGOs have financial controls that will ensure that monies donated are used for their intended purposes (Saungweme, 2014; Lewis, 2011). According to Okorley and Nkrumah (2012), there are more calls on NGOs to be more accountable and transparent and instituting sound financial management practice is a major catalyst to achieving full accountability and transparency.

2.1.4. Own Income Generation

Financial freedom is attainable if an organization is able to generate its own income that it can use without restrictions. According to (Leon, 2001), own income is a most important support for nonprofit organization, and it gives donors confidence in dealing with such projects. Some of the ways in which NGOs can generate income are from subscriptions from members, trust or endowment fund, sale of goods, fundraising ventures, and alliances among others. Having own income generating activities enable the organization to be financially sustainable, it is the actual diversification of NGO's financial position and became independence from donors.

Lewis (2011) noted that an organisation become more financially sustainable if it raised own income (unrestricted funds) that gave it the freedom to implement projects the organisation wanted, even those which local and international donors were reluctant to fund. Raising own income enabled an NGO to build reserve funds that are normally shown separately in the annual financial statements and can be used for unexpected events and help reduce donor-dependence and cash-flow shortages as well as strengthening the NGO's ability to withstand external financial shocks (Lewis, 2011).

Numerous research (Leon, 2001; Lewis, 2011; Manyeruke, 2012; USAID, 2010) have established that local NGOs could become more financially sustainable if they raised their own income.

Saungweme (2014) argues that NGOs that try to raise their own funds face the challenge of identity crisis where there are being accused of losing focus and becoming profit oriented. Lewis (2011) on the other hand reported that the lack of capacity of NGOs to do business that will help them generate own revenue. Studies like Ali (2012) and Lewis (2011) argued that privileges like tax exemption enjoyed by NGOs could be revoked ones they are seen to be engaged in any profitable venture.

3. Research Methodology

We conducted a cross section study on LHNGOs. The study population consisted of all the directors of LHNGOs in Lusaka-Zambia. We sampled 106 LHNGOs from a list 147 using systematic random sampling. Data was collected using a pre-tested questionnaire with open and closed ended questions. All the 106 questionnaires were distributed and all of them were returned. There was a 100% response rate. Primary data was collected from the Directors of the LHNGOs who were purposefully sampled. To ensure the validity of the data, we employed qualified research assistants with degrees; with experience in social science research and training was provided to them in order to equip them with the techniques that befitted the field work for the study. Using SPSS version 26.0, data was analyzed at three levels; univariate, bivariate and multivariate. To determine the influence of good financial management practices, good donor relationship management diversification of source of funding, and own income generation on the financial sustainability of LHNGOs. Multivariate analysis was done by the use of ordinal regression. The resulting effects of the predictor variables on financial sustainability were explained by their one-unit change (+/−) or status in terms of Log Odds (See Ordinal Regression Model). Log Odds of being finically sustainable were modelled as linear combinations of the predictor variables. Ordinal regression was chosen in this study, as opposed to other regression because the outcome variable was scaled on a Likert of 1 - 5 (Jindal et al., 2017). This study adopted the Mugenda and Mugenda (2003) formula that applies in research when the target population is of less than 10,000 respondents. The sample size was calculated based on the target population of 147 LHNGOs. The formula that was employed as indicated below.

$$nf = n/\left[1+\left(n/N\right)\right],$$

nf = Desired sample size (when the population is less than 10,000);

n = Desired sample size (when the population is more than 10,000) = 384;

N = the estimate of the population;

nf = 384/[1 + (384/147)] = 106.

Therefore, the sample size was 106.

Ordinal Regression Model

The multiple regression equation was estimated as follows:

$$\text{Logit}\left(P\right) = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + \cdots + b_pX_p + E$$

P: the probability of the LHNGO being financially sustainable.

b_0: the outcome when all independent variables are constant.

$b_1, \cdots, b_p$: the coefficients of the independent variables.

$X_1, \cdots, X_p$: the independent variables (Jindal et al., 2017).

4. Results and Discussion

This chapter presents the findings of the study at univariate, and multivariate levels of analysis. Findings are presented as guided by the specific study objectives. The results were interpreted using SPSS and were then presented in charts, graphs and frequency tables. Descriptive statistics including regression model were used to analyses data and as bases of presentation and discussion of the findings.

4.1. Background Information of Respondents and LHNGOs

Figure 2 shows that 62% of the respondents were male while 38% were female.

Figure 3 shows that 36% had 36 to 45 years, 30% had 46 - 45 years, 19% had 25 to 35 years, 8% were 56 years and above and 6% had not obtained 25 years of age.

Figure 4 shows the education level of Respondents indicating that 61% had first degree, 20% had Master of degree and above, 10% had Diploma while only 3% had certificates.

Figure 5 indicates that 43% had been in operational for 5 - 10 years, 33% had been in operational for less than 5 years, 12% had been in operational for 11 - 15 years and 16 years above respectively.

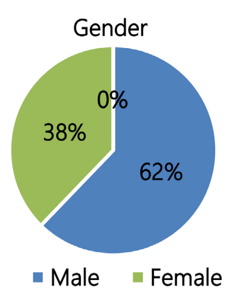

Figure 2. Gender distribution of the respondents. Source: Field data.

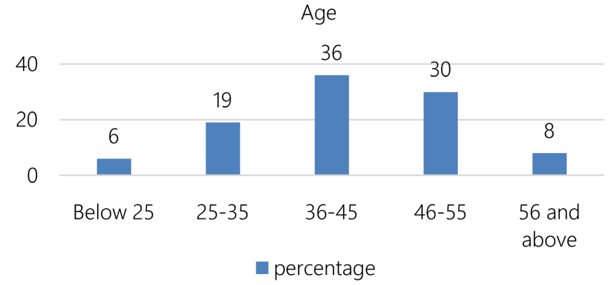

Figure 3. Age of the respondents. Source: Field data.

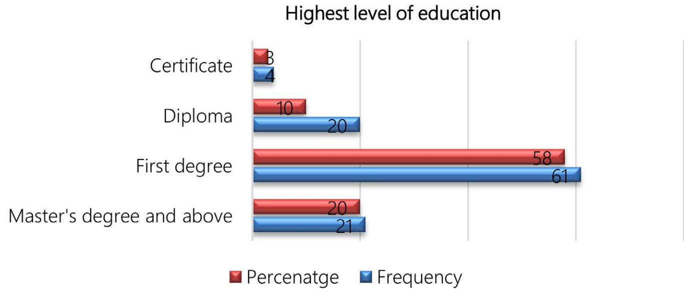

Figure 4. Respondents highest level of education. Source: Field data.

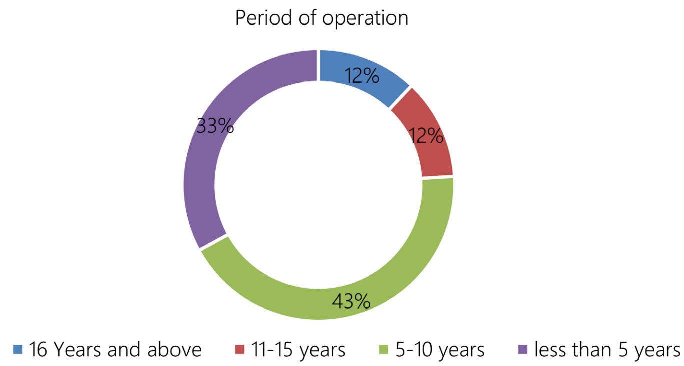

Figure 5. Period of operation. Source: Field data.

4.2. Descriptive Statistics

Variable	Mean	Median	Mode	Standard deviation	minimum	maximum
Respondents' Age-Single Years	37.97	37	37	10.89	24	61
Organizations' operation period	8.84	7	7	5.98	2	20

Descriptive results show that the average age of respondents is approximately 38 years, with the median age being 37 years. This indicates that the distribution of ages is relatively symmetrical, with half of the individuals being younger than 37 and half being older. The mode age is 37, which means that 37 is the most frequently occurring age among the respondents. This suggests that there might be a concentration of individuals around this age. The standard deviation for age is 10.89, indicating that the ages vary from the mean by about 10.89 years on average. This suggests that there is some variability in the ages of the individuals, with some being closer to the mean age and others being farther away. Furthermore, the average number of years of operation is 8.84, with the median being 7 years. This suggests that the distribution of years of operation is slightly positively skewed, with more organizations having fewer years of operation. The mode years of operation is 7, indicating that 7 years is the most common number of years of operation among LHNGOs. The standard deviation for years of operation is 5.98, suggesting that the years of operation vary from the mean by about 5.98 years on average. This indicates that there is some variability in the number of years of operation, with some organizations having fewer years of operation and others having more.

4.3. Factors Influencing Financial Sustainability

Financial Management Practices and Financial Sustainability

Respondents' views were collected on the influence of financial management practices on the financial sustainability of local NGOs in Zambia. Figure 6 shows that majority of the respondents [(92): (86.8%)] indicated that compliance to donor conditions influences the financial sustainability to a greater extent, while the minority, [(60): (56.6%)] indicated that maintenance of accounting records affected the financial sustainability of their organizations.

4.4. Sources of Funds for LHNGOs

Respondents' views were collected on the sources of funds for their organizations. Figure 7 shows that majority of the respondents [(100): (94.3%)] indicated

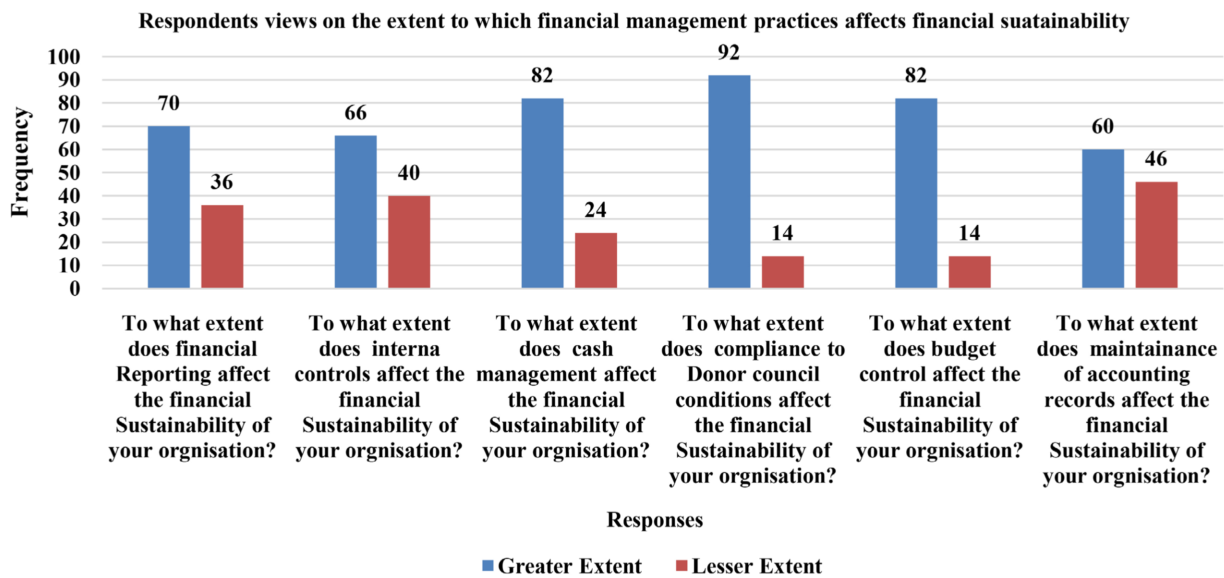

Figure 6. Respondents' views on the extent to which financial management practices affects financial sustainability. Source: Field data.

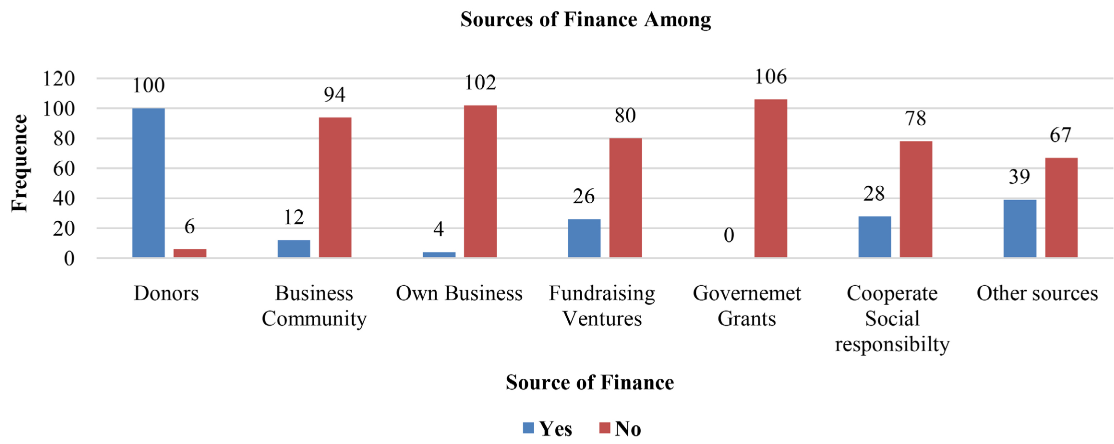

Figure 7. Sources of funds for local health NGOs. Source: Field data.

that they source their funds from donors while the minority, [(4): (3.77%)] indicated that they source funds from their own businesses.

4.5. Multivariate Analysis

At this level of analysis, an ordinal regression model was fitted on the data to determine the influence of Sound Financial Management practices, Donor relationship Management, Own income generation and Diversification of source of funding on the financial sustainability of LHNGOs in Lusaka. The outcome influence was explained in terms of Log Odds all the observations were done at $p < 0.05$. The coefficients, estimated beta (β) are used to represent the relationship between the independent variables and the Log Odds of the outcome variable.

Table 1 indicates that, in this study, sound financial management practices have significant positive influence on financial sustainability of LHNGOs. This to imply that, for every positive status change in the financial management practices, there is a predicted increase in the financial sustainability 0.559 in the Log Odds of a LHNGO being in a higher (as opposed to low) category of the being financially sustainable. Therefore, the research hypothesis (H1) was accepted. Table 1 further indicates that, good donor management has a significant positive influence on financial sustainability among LHNGOs. Therefore, for every positive status change in donor relationship management, there is a predicted increase in the financial sustainability 1.161 in the Log Odds of a LHNGO being in a higher (as opposed to low) category of being financially sustainable. Therefore, the research hypothesis (H1) was accepted. Own income generation had no significant influence on financial sustainability among LHNGOs. Table 1 further illustrates that diversification of sources of funding had a significant positive predictor influence financial sustainability. For every positive status change in income diversification, there is a predicted increase in the in the financial sustainability by 0.762 in the Log Odds of a LHNGO being in a higher (as opposed to low) category of being financially sustainable. Therefore, the research hypothesis (H1) was accepted.

Model Goodness of Fit

From the analysis, the model illustrated 96.4%, accuracy of data prediction. The model indicates that variations of 9.4% (Cox & Snell R^2: 0.094), (Financial Sustainability) were explained by the model. Hosmer and Lemeshow goodness of fit model of [0.584, ($p > 0.05$)], showed that the model estimates were acceptable and the −2 Log Likelihood value of 1523.26, gave an indication of a good model fit on the data.

Summary of the hypothesis indicates that financial management, donor relationship, income diversification have positive influence on the financial sustainability with p-value of 0.05, 0.005 and 0.005 respectively which is less than 0.05, resulting in the null hypothesis being rejected (**Table 2**). While the own income generating activities does not influence financial sustainability with p-value of 0.287 which is more than 0.05, therefore we failed to reject the null hypothesis.

Table 1. Ordinal logistic regression model.

		Estimate	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Threshold	[Financial Sustainability 1]	−0.362	0.546	0.419	−3.239	2.516
	[Financial Sustainability 1]	0.414	0.889	0.355	−0.462	7.290
Location	Sound Financial Management practices	0.559*	0.345	0.005	−0.203	5.321
Threshold	[Financial Sustainability 1]	0.962	0.672	0.008	0.247	1.678
	[Financial Sustainability = 2]	1.759	0.424	0.000	1.023	2.496
Location	Good Donor relationship Management	1.161*	0.521	0.000	0.595	1.727
Threshold	[Financial Sustainability = 1]	−0.304	0.345	0.416	−1.037	0.429
	[Financial Sustainability = 2]	0.830	0.567	0.028	0.091	1.569
Location	Own income generation	0.324	0.723	0.287	−0.272	0.919
Threshold	[Financial Sustainability = 1]	0.604	0.452	0.210	−0.341	1.550
	[Financial Sustainability = 2]	1.210	0.562	0.013	0.257	2.164
Location	Diversification of source of funding	0.762*	0.456	0.000	−0.091	8.614

Source: Field data.

Table 2. Decisions summary on the tested hypothesis.

No	Hypothesis	p-value	Decision
1	H1: There is a relationship between financial management and financial sustainability of LHNGOs.	0.005 ($p < 0.05$)	Accepted
2	H1: There is a relationship between donor relationship and financial sustainability of LHNGOs.	0.000 ($p < 0.05$)	Accepted
3	H1: There is no relationship between own income generating activities and financial sustainability of LHNGOs	0.287 ($p > 0.05$)	Rejected
4	H1: There is a relationship between diversification of sources of funds and financial sustainability of LHNGOs.	0.000 ($p < 0.05$)	Accepted

Source: Current study data analysis.

5. Discussion

We found that the majority of the respondents in this study were male 62% and female 38%. The findings also revealed that total of 36 respondents, out of 101 Valid responses were aged between 36 - 45, 30 respondents were aged between 46 - 50. In addition it was found that 61% of the respondents had a first degree. We further established that 43% on Local Health Nongovernmental organization have been in operational for 5 - 10 years.

Furthermore, we found that compliance to donor conditions influences the financial sustainability to a greater extent 86.8%, while Minority 56.6% indicate that maintenance of accounting records affects the financial sustainability of the organization. Consequently, the ordinal logistic regression was done in order to test the hypothesis on sound financial management practices, the results revealed that the p value was 0.005 which resulted in the null hypothesis being rejected. This indicate that sound financial management practice has a positive influence on financial sustainability, for very positive status changes in the financial management practices, there is predicated increase in the financial sustainability. The possible explanation this could be that good practices of financial management promote good resource management. There is less misuse of resources and as such, resources could mostly be used appropriately, and this builds donor confidence. The study recommends that organisations should implement financial policies that address periodic costs and productivity while maximizing marketing efforts simultaneously. In addition, Ali (2012) established a positive relationship between financial management practices and financial sustainability of the NGOs.

Additionally, we found that the majority of the respondents 47.2% affect financial sustainability of their organization to a great extent while the minority of the respondents 2.8% indicates that donor relationship does not influence financial sustainability for the greater extent. Furthermore, the finding on the Donor relationship which was done in order to test the hypothesis, the results revealed that the p value was 0.000 which resulted in the null hypothesis being rejected. This indicates that Donor relationship management has a positive influence on financial sustainability. Therefore, for every positive status changes in the donor relationship management, there is a predicated increase in financial sustainability. The possible explanation to this situation could be that good donor relationship builds trust in the donors and they feel highly appreciated for the support they would provide to LHNGOs. As such, it becomes much easier for LHNGOs to sale their project ideas and request for funding. In similar studies, Lewis (2011) it was established that for NGOs to be able to attain the financial sustainability status, they need to develop a good relationship with their donors with a view to having a sustained long-term relationship. This process involves building and nurturing positive connections with donors. The stronger the relationships an NGO would have with its donors the more financially sustainable it may be (Lewis, 2011).

The finding indicated that 56.60% of the respondents agreed that own income generating influence 2 financial substantiality among LHNGOs while 10.3% disagreed that own income generation influences the financial sustainability of their organizations The ordinal logistic regression was done in order to test the hypothesis on the revealed that the *p* value of was 0.287, we failed to reject null hypothesis. However, even though majority of the respondents agreed that own income generation influences the financial sustainability of their organizations, results from the ordinal logistic regression model indicated that own income generation does not influence the financial sustainability of an organization. Some scholars have argued that own income generation is an important support for nonprofit organization, and it gives donors confidence and that, having own income generating activities enable organizations to be financially sustainable. Notably, an organization become more financially sustainable if it raised own income that gave it the freedom to implement projects of choice (Leon, 2001; Lewis, 2011). Even though these scholars indicated the importance of own income generation on the financial sustainability of the LHNGOs, they didn't realize that own income generations goes well with proper resources management for it to fully contribute to the financial sustainability of any firm.

The findings revealed the majority of the respondents 56.60% stated that income diversification influences the financial sustainability of their organization to the greater extent and the minority of the respondents 3.77%. The ordinal logistic regression was done in order to test the hypothesis on income Diversification, the results indicated that the *p* value of the organization was 0.000 which resulted in the null hypothesis being rejected. Results from the ordinal regression model indicate that income diversification is a positive predictor of financial sustainability. The possible reason to this could be that having many sources of income, including, largely the donor, makes the LHNGOs more sustainable financially. Donor funding is restricted with the NGO using the resources only for the specified purpose. Therefore, in addition to donor funding, LHNGOs need to diversify their sources of finances. LHNGOs do not need to depend on donor funding only if they are to remain sustainable. Alymkulova and Seipulnik (2005) argued that NGOs must not depend so much on a particular income source if they want to be sustainable. According to Leon (2001), organisations whose 60 percent of their income is generated by a minimum of five sources are income diverse. In addition, Davis (2013) found that most of the revenue coming into the NGO sector in Indonesia was from international donor agencies. For NGOs, government (5%) and international donors (15%) were not the main funding sources. This contrasted with NGOs located in provincial capitals, which relied primarily on international donors (45%) or national NGOs for their funding (15%). He concluded that majority of the NGOs in Indonesia do not have limited sources of funding. Nuka (2010) agreed to this by indicating that 75% of the NGOs in Kosova depended much on external donors and this made very difficult to remain financially sustainable.

6. Conclusion

This study intended to investigate the factors that influence financial sustainability among LHNGOs in Lusaka-Zambia. The study has established that good financial management, good donor relationship and income diversification are positive predictors of financial sustainability among LHNGOs in Lusaka District. While the majority of the respondents agreed that own income generation influences the financial sustainability of their organizations, results from the ordinal logistic regression model indicated that own income generation does not influence the financial sustainability of an organization. LHNGOs need to uphold values of good financial management if they are to remain financially sustainable. Therefore, LHNGOs need to build very strong relationships with donors for them to be able to secure adequate funding that would sustain them in the running of their projects and programs. LHNGOs need to diversify their income sources. They do not need to depend on donor funding alone. Setting up various income sources would strengthen their foundation financially and in an event that a donor pulls out, they would still remain in operation. There is need to train LHNGO Management on veracious streams of income so that LHNGOs can reduce overreliance on donors to be able to implement their programs without being hindered.

7. Recommendations

Based on the data that has been collected during the study, the researcher was able to formulate recommendations that may be useful to management to Local Health non-government organizational order to ensure that non-governmental organization remain financially sustainable.

7.1. Sound Financial Management Practice

The research revealed that Sound financial management practices influence financial sustainability of LHNGOs. The study recommends that NGOs should strengthen their financial reporting structures to ensure effective management of their financial resources. The financial reporting structures should provide for the oversight role of auditors and boards in all financial dealings of the organizations as an accountability measure, this will give confidence to the donor and other stakeholders.

Additionally, LHNGOs should prepare strategic and financial planning and periodically review them to ensure that organisations activities are in accordance to the plans and requirements of donors and ensure key staff in the organisation participate in the planning, this will ensure that financial needs of the organizations for a particular period are identified. Therefore, LHNGOs need to uphold values of good financial management if they are to remain financially sustainable.

7.2. Good Donor Relationship Management

The research revealed that good donor relationship management influence financial sustainability of LHNGOs. Good donor relationship management leads to donors making funds available for programmers and on longer terms, which will greatly enhance the financial sustainability of LHNGOs.

LHNGOs need to build very strong relationships with donors for them to be able to secure adequate funding that would sustain them in the running of their projects and programs, they need to train NGO how to maintain good donor relationship with donors.

With good donor relationship, LHNGOs should advocate external donors for supplementary funding that are not restricted that can be used to start business and social entrepreneurship activities as ways to enhance financial sustainability.

7.3. Diversification of Income

The research revealed that while income diversification is one of the key factors that influence financial sustainability of LHNGOs, the literature review in (chapter 2) indicate that most organisation had not diversified income. LHNGOs in Zambia need to strengthen their fundraising and membership fees.

The LHGO needs to engage in social enterprises, business, and other profit-making activities whose returns are invested back to the programmers of the organisations. Strengthening strategies of raising funds such as charging consultancy fees, provide training for unique services that LHNGOs can render to other organisations as the methods the organisations can adopt to diversify their income bases. Key to social entrepreneurship is also hiring staff who are experienced in running profit-making businesses to run the social entrepreneurship activities of LHNGOs as suggested by C.I. (2011). Setting up various income sources would strengthen their foundation financially and in the event that a donor pulls out, they would remain in operation.

7.4. Own Income Generation

The research revealed that very few organisations were generating own income. Our finding further indicated that own income generating does not influence financial sustainability, this contradicted the report by Lewis (2011), which reported that raising own income enabled an NGO to build reserve funds that are normally shown separately in the annual financial statements and can be used for unexpected events and help reduce donor-dependence and cash-flow shortages as well as strengthening the NGO's ability to withstand external financial shocks.

Own income, as noted by Leon (2001) and Lewis (2011) allows an NGO to have the independence to even implement activities donors would not fund but fall within the mission of the organisation. LHNGOs should consider raising social entrepreneurship and running small business activities alongside the charity work of their organisations that would enable them to generate own income. There is a need for LHNGOs to hire staff that has business know-how and mentality to generate own incomes and run profit-making activities in a non-profit organisation.

There is need to train LHNGO Management on veracious streams of income so that LHNGOs can reduce overreliance on donors to be able to implement their programs without being hindered by donors from outside.

8. Future Research Recommendations

Since this study explored the factors that influence financial sustainability for LHNGOs. The study was limited to LHNGOs, therefore, future studies can be conducted in other organization sectors in Zambia in order to validate the findings of this study.

There is also a need for further studies on models that the Zambian government can use to fund LHNGOs and ensure that these organisations are financially sustainable. LHNGO supplement government effort and work in partnership with the government. Lessons can be learnt from countries such South Africa where the government gives financial support to LHNGOs.

Since this study has found that many LHNGOs are largely dependent on foreign donations, there is a need to undertake further studies to find out the best ways LHNGOs can financially sustain their activities without necessarily depending on foreign donors. This would aid in making general recommendations that would ensure the efficiency in financial performance of organisations.

9. Study Limitations

1) The results of this study cannot be generalized to all the local LHNGOs, more so, to general local NGOs because the sample for the study only consisted of Lusaka based LHNGOs.

2) While there are a number of factors that can influence the financial sustainability of local LHNGOs, this study only investigated the influence of four factors, on the financial sustainability of LHNGOs.

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Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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