

Linking Cost Management Strategies to Financial Sustainability: A Study of NGO Projects in Nairobi City County, Kenya

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Abstract: Non-governmental organizations (NGOs) play an increasingly critical role in economic development, nation-building, and promoting democratic progress. However, many NGO projects face challenges related to financial sustainability, particularly because they rely heavily on donor funding. When donor support is withdrawn, projects that fail to generate sufficient internal revenue often collapse, as operational costs exceed available resources. This underscores the need for effective cost management strategies to ensure that donor-funded projects remain viable beyond external funding. This study examined the effects of budgetary control, income diversification, cost estimation, and expense reduction on the financial sustainability of NGO projects in Nairobi City County, Kenya. The research was guided by the Theory of Project Management and Transaction Cost Theory, among other relevant theoretical frameworks. A descriptive research design was adopted, targeting 13 completed NGO projects in the city. The unit of analysis comprised 26 senior management officers 13 project directors and 13 project managers. A census of all 13 projects was conducted, and data were collected using structured questionnaires. A pilot study involving three NGOs was conducted to assess the reliability and validity of the research instruments, with reliability coefficients calculated to ensure internal consistency. Data analysis employed both descriptive and inferential statistical methods. Pearson correlation coefficients and multiple linear regression analysis were used to evaluate relationships among variables, with significance tested via Analysis of Variance (ANOVA). The study found that budgetary control practices ($\beta = 0.578$, $p = 0.004$), income diversification practices ($\beta = 0.714$, $p = 0.001$), cost estimation practices ($\beta = 0.461$, $p = 0.003$), and expense reduction practices ($\beta = 0.339$, $p = 0.003$) each had a significant positive effect on the financial sustainability of NGO projects. The study concludes that effective budgetary control enhances strategic allocation of resources and fosters financial accountability. Diversifying income sources allows NGOs to manage operational risks and maintain project continuity, while accurate cost estimation improves resource allocation and facilitates access to funding. Expense reduction practices streamline operations and strengthen organizational focus on core activities. The study recommends that NGOs invest in staff training on budgeting and financial management, adopt advanced technologies to improve financial processes, enhance partnerships with local businesses and community stakeholders, and prioritize transparency and accountability in all financial dealings. The findings provide valuable insights for NGO management, donor communities, and academics interested in promoting accountability and sustainable financing in the nonprofit sector.

Keywords: Financial Sustainability, Cost Management Strategies, Budgetary Control, Income Diversification, Cost Estimation.

1. INTRODUCTION

Non-governmental organizations (NGOs) play a critical role in addressing socio-economic challenges, particularly in developing countries where government capacity is often limited. They contribute significantly to poverty alleviation, service delivery, and environmental conservation, thereby complementing public sector efforts (Adebayo, 2021). Despite this importance, many NGOs remain financially vulnerable due to heavy reliance on donor funding, which is often unpredictable and influenced by external economic and political dynamics (Mugambi & Odhiambo, 2022). This dependence constrains their ability to sustain operations, expand programs, and achieve long-term impact.

Financial sustainability has therefore emerged as a central concern within the NGO sector globally. Evidence shows that nearly half of non-profit organizations struggle to maintain consistent funding beyond five years (Kumi, 2023). In Sub-Saharan Africa, over 60% of NGOs face financial distress, with many ceasing operations due to funding shortages, donor fatigue, and weak financial management practices (Mwango & Tshiyoyo, 2022). In Kenya, the situation is equally concerning, with thousands of NGOs deregistered between 2018 and 2023 due to financial instability and non-compliance with regulatory requirements (Wangui & Ouma, 2023). These trends underscore the urgency of strengthening financial management practices to enhance sustainability.

Among the key drivers of financial vulnerability are weak cost management strategies, inadequate financial planning, and limited income diversification (Musoke & Owuor, 2022). Ineffective budgeting systems and poor resource allocation further exacerbate financial instability, particularly in contexts where donor funding is constrained. Globally, NGOs operate under similar pressures, with many in regions such as South Asia and Africa experiencing funding uncertainties, governance challenges, and operational inefficiencies that threaten their sustainability (Acharya, 2019; Tshiyoyo, 2023). In Kenya, NGOs make substantial contributions to national development, injecting billions into the economy and supporting sectors such as health, education, and economic empowerment (Kenya Vision 2030, 2020). However, a significant proportion continue to experience budget deficits and operational cutbacks due to unstable funding streams (Mutua & Wanyama, 2023). This suggests that beyond funding constraints, internal financial practices—particularly cost management—play a crucial role in determining organizational sustainability.

Cost management strategies, including budgetary control, income diversification, cost estimation, and expense reduction, are essential for ensuring efficient resource utilization and long-term financial stability (Schwalbe & Augsburg, 2012; Hassan & Guyo, 2017). Effective implementation of these practices enables organizations to align expenditures with available resources, minimize wastage, and enhance operational efficiency. Nevertheless, the extent to which these strategies influence the financial sustainability of NGO projects, particularly within the Kenyan context, remains insufficiently explored.

Existing studies have largely focused on general financial management practices or sector-specific applications, with limited attention to the integrated role of cost management strategies in enhancing sustainability of NGO projects. Moreover, much of the available evidence is either descriptive or drawn from non-NGO contexts, leaving conceptual, methodological, and contextual gaps (Ahn et al., 2020; Shivairo & Were, 2018; Karuga, Mutuku & Sang, 2024). This study therefore seeks to bridge this gap by examining the link between cost management strategies and financial sustainability of NGO projects in Nairobi City County, Kenya.

2. THEORETICAL REVIEW

The theoretical foundation of this study is anchored on two complementary theories that collectively explain the relationship between cost management strategies and the financial sustainability of NGO projects. The Theory of Project Management (Howell et al., 2002) underscores the importance of planning, coordination, and control in achieving project objectives. Central to the theory are the dispatching model, which focuses on effective task allocation, and the thermostat model, which emphasizes continuous monitoring and corrective feedback. The theory assumes that projects can be decomposed into manageable tasks and executed according to predefined plans. While this structured approach enhances efficiency, accountability, and timely delivery within budget constraints, it has been criticized for its rigidity and limited responsiveness to complex, uncertain, and dynamic environments. Nevertheless, the theory provides a valuable lens for understanding how structured planning and monitoring mechanisms contribute to efficient resource utilization in NGO projects. The Transaction Cost Theory (TCT) (Williamson, 1979) explains how organizations structure transactions to minimize costs and enhance efficiency. The theory suggests that organizations can reduce uncertainty and inefficiencies by internalizing transactions rather than relying on external markets. Within the context of this study, TCT highlights the importance of cost control, contractual efficiency, and optimal resource allocation in enhancing financial sustainability (Khan et al., 2023; Akintoye & Obasaju, 2022). Despite its strengths, the theory has been critiqued for its narrow focus on economic rationality, often overlooking social and institutional dimensions such as trust, relationships, and governance structures (Santos et al., 2021). Nonetheless, it provides a robust framework for analyzing cost minimization strategies within NGOs.

2.1 Empirical Review

Empirical literature provides substantial evidence on the relationship between cost management strategies and financial sustainability, although findings remain fragmented across different contexts and variables. With regard to budgetary control, studies consistently demonstrate that effective budgeting practices—such as stakeholder participation, compliance

mechanisms, and periodic reviews—positively influence project performance and financial outcomes (Mwaguni, Mbugua & Rambo, 2020; Khairullah et al., 2020). Similarly, Onyebuchi (2022) and Chaudhary (2022) report that robust budgetary control systems enhance financial stability, operational efficiency, and institutional performance. However, some studies do not explicitly establish causal relationships between budgeting practices and long-term financial sustainability, thereby necessitating further empirical inquiry. With reference to income diversification, evidence indicates that diversified revenue streams reduce overreliance on donor funding and enhance organizational resilience (Nalivata et al., 2022; Githaika, 2022). Empirical findings from both NGO and financial sector studies affirm that income diversification improves financial performance and sustainability outcomes (Ashraf & Nazir, 2023). Nonetheless, limited research has explored the interaction between income diversification and other cost management strategies, particularly within NGO project contexts.

In relation to cost estimation, studies highlight its critical role in strengthening financial planning, enhancing donor confidence, and minimizing financial risks such as cost overruns and resource misallocation (Oketch & Mugambi, 2021; Ibrahim & Bello, 2022). Evidence from across Africa further suggests that organizations with robust cost estimation practices achieve improved project viability and financial stability (Nkosi & Mofokeng, 2021; Nshimiye & Habimana, 2024). Despite this, cost estimation is often examined in isolation, with limited integration into broader financial sustainability frameworks. Regarding expense reduction, empirical findings show that cost-cutting strategies including procurement optimization, outsourcing, and adoption of digital financial systems enhance financial sustainability by reducing waste and improving efficiency (Wambugu & Kamau, 2020; Nansubuga & Bukenya, 2023; Moyo & Sibanda, 2022). However, excessive emphasis on cost reduction may compromise service quality and staff motivation, underscoring the need for balanced and strategic implementation. Generally, while existing studies affirm the importance of individual cost management practices, there remains a lack of integrated analysis examining how these strategies collectively influence the financial sustainability of NGO projects, particularly within the Kenyan context.

3. RESEARCH METHODOLOGY

This study employed a descriptive research design to investigate factors influencing the financial sustainability of NGO projects in Nairobi City County. Descriptive research was appropriate as it allows systematic collection and documentation of data to identify relationships between variables and characterize population features without manipulating any factors, ensuring the authenticity and reliability of findings. The target population comprised 13 NGO projects that had been implemented and completed within Nairobi City County. The study focused on senior management officers; project directors and project managers totaling 26 respondents. These key decision-makers were selected due to their in-depth knowledge of financial management, project operations, and sustainability strategies, ensuring that both strategic and operational perspectives were captured. A census approach was employed, as recommended by Mugenda and Mugenda (2013), to include all 26 respondents. Data collection was conducted using structured questionnaires, with prior permission and clear explanations provided to participants regarding the study objectives. Questionnaires were left for self-administration and retrieved within five days to accommodate the respondents' busy schedules while maintaining data quality. A pilot study was conducted with three NGO projects to assess the feasibility, clarity, and reliability of the research instruments (Lewis et al., 2021). Feedback from this exercise informed adjustments to questionnaire design, question sequencing, and wording, ensuring practical relevance and clarity for the main study. Validity was ensured through careful design of items grounded in the theoretical framework, complemented by expert review and guidance from the research supervisor (Harper & Thompson, 2021). These steps ensured that the instruments accurately captured the intended constructs. Reliability was tested using Cronbach's alpha to measure internal consistency, with values above 0.7 indicating acceptable reliability for social science research (Creswell, 2014). Descriptive and inferential statistical techniques, including tables, charts, and graphs, were used to present findings clearly. Multivariate regression analysis was employed to test the study hypotheses.

4. RESEARCH FINDINGS AND DISCUSSION

4.1 Descriptive Statistics Results

Descriptive statistics were used to assess respondents' perceptions of factors influencing the financial sustainability of NGO projects. The results are presented using percentages, mean scores, and standard deviations to summarize the level of agreement on each study variable.

4.1.1 Budgetary Control Practices

Respondents highlighted the critical role of budgetary control practices in ensuring project sustainability. The majority emphasized that frequent monitoring, check-ins, and updates help align financial processes with project objectives,

promoting accountability and ensuring that all team members work toward a common goal. Additionally, respondents noted the importance of **flexible budgeting processes** that allow timely adjustments in response to changing project demands, empowering staff to manage uncertainties without compromising financial stability.

Quantitative analysis further supported these observations. Respondents rated specific statements regarding budgetary control, and the results were summarized using percentages, mean scores, and standard deviations, demonstrating overall agreement that effective budgetary controls positively influence the financial sustainability of NGO projects in Nairobi City County.

Table 4.4: Budgetary Control Practices

Statements	M	St.Dev
Use of past data obtained from similar projects in budgetary control enables the management in decision making.	4.56	0.507
The budgeting process of our projects starts by setting clear goals, mission and objectives	4.52	0.586
Budgetary control enables the management to mobilise resources required for its ongoing concern after completion	4.48	0.653
Setting clear goals in the budgetary control ensures that the projects has defined service/product that it intent to offer to the community.	4.56	0.510
Having a long-term budget plan enables the project managers to have reference point at any point in the life cycles of the project.	4.36	0.490
The viability of the projects is determined during the budgeting stage	4.28	0.614
Overall score	4.46	0.560

Source: Research Data (2025)

The findings presented in Table 4.4 indicate an overall mean of 4.46 with a standard deviation of 0.560, suggesting strong agreement among respondents regarding the impact of budgetary control practices on the financial sustainability of NGO projects in Nairobi City County, Kenya. Notably, 96.7% of participants expressed agreement with the statements, while only 3.3% remained neutral. These results indicate that respondents perceived budgetary control practices as playing a significant role in enhancing project sustainability. This finding aligns with the study by Mwanguni, Mbugua, and Rambo (2020), which examined the influence of budgeting on research project success in public universities along Kenya’s coast. Their study concluded that structured and well-defined budget components had the greatest effect on project outcomes, followed by compliance, review processes, and stakeholder involvement, with budgetary controls contributing notably to overall project performance.

4.1.1 Income Diversification Practices

The respondents were asked to indicate whether there were income diversifications in project and majority (80.0%) of the respondents agreed and 20.0% disagreed as shown in Figure 4.4.

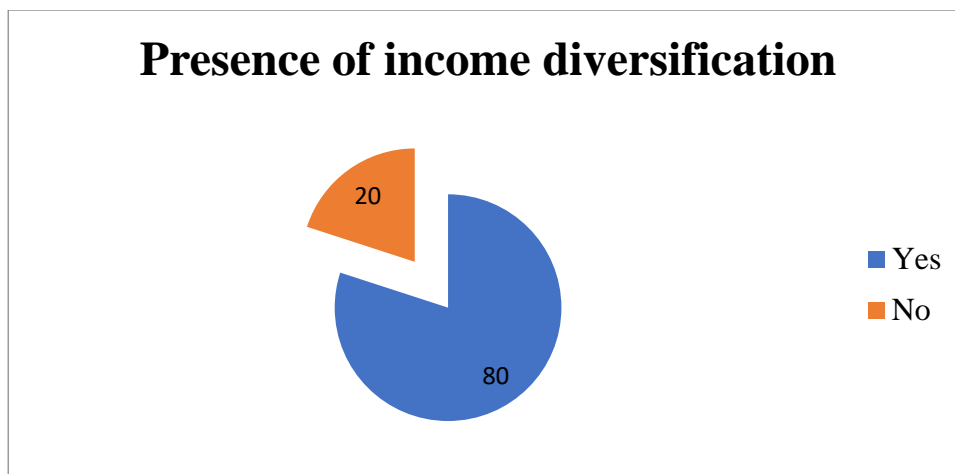


Figure 4.4: Presence of Income Diversification

Source: Research Data (2025)

Respondents who disagreed with certain statements regarding income diversification suggested strategies that management could adopt to enhance financial sustainability. These included exploring new markets, forming partnerships and collaborations with other stakeholders, diversifying service provision, and leveraging technology. When asked about other forms of income diversification for project sustainability, respondents identified extending product lines, offering training programs, applying for grants, and utilizing crowdfunding initiatives. Additionally, participants were provided with a series of statements to indicate their level of agreement on the influence of income diversification practices on the financial sustainability of NGO projects in Nairobi City County, Kenya. The results were analyzed and presented using percentages, mean scores (M), and standard deviations (SD) to provide a clear quantitative assessment of respondent perceptions.

Table 4.5: Income diversification Practices

Statements	M	St.Dev
Income diversification reduces dependency on a single donor, enhancing financial sustainability.	3.68	1.389
NGOs with diversified income streams are better equipped to withstand donor funding fluctuations.	4.00	1.000
Lack of income diversification increases administrative complexity, negatively impacting implementation.	3.96	1.040
Diversifying income sources improves an NGO's ability to respond to emergencies.	4.24	0.723
NGOs with multiple income streams are more likely to achieve long-term financial stability.	4.64	0.569
Lack of diversified income sources often lead to mission drift.	4.52	0.510
Overall score	4.17	0.872

Source: Research Data (2025)

The findings presented in Table 4.5 reveal that the overall mean value is 4.17, accompanied by a standard deviation of 0.872. This suggests that the participants largely concurred with all the statements regarding how income diversification practices had affected the financial sustainability of non-government organizations projects in Nairobi City County, Kenya. This conclusion is further substantiated by an average agreement rate of 87.3% among the respondents, 6.7% indicated neutral and while 8.0% expressed disagreement. The findings show that income diversification had contributed to enhanced projects sustainability as indicated by the respondents. The finding agrees with Muli, and Nyamongo (2022) who sought to determine the factors influencing financial sustainability in nonprofit organizations. A significant p-value for budgetary practices indicated that budgeting plays a crucial role in sustaining financial health.

4.1.2 Cost Estimation Practices

The respondents were given a list of methods used to estimate costs and all the respondents indicated that they used standard project forecasting, volume of materials needed, predicting quantity of resources and cost variance. The respondents were further asked to indicate the extent to which cost estimation had influenced sustainability of your project. The results obtained are presented in Figure 4.5.

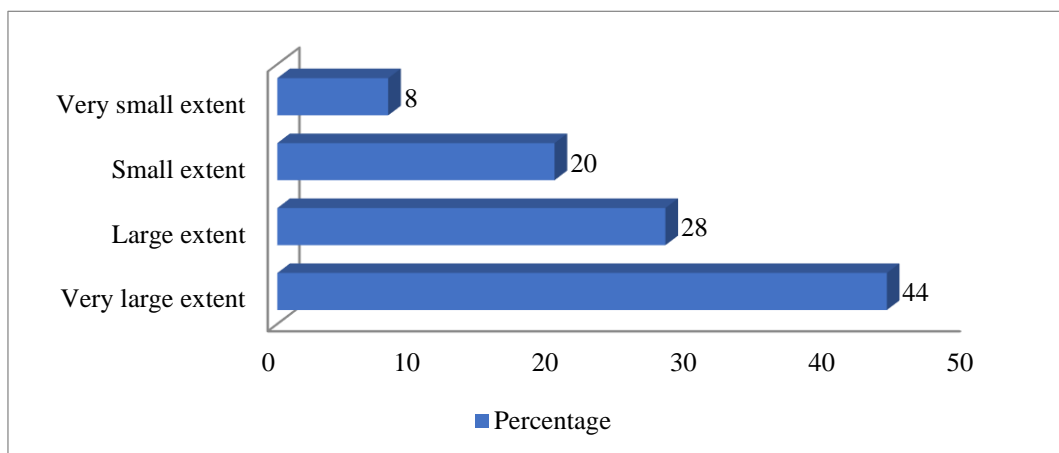


Figure 4.5: Influence of cost estimation of project sustainability

Source: Research Data (2025)

The results as presented in Figure 4.5 shows that majority (44.0%) of the respondents indicated that the cost estimation has influenced the sustainability of the projects to a very large extent, 28.0% large extent, 20.0% small extent and 8.0% very small extent.

The respondents were given a list of statements to indicate their level of agreement on how cost estimation practices had affected the financial sustainability of non-government organizations projects in Nairobi City County, Kenya. The results were presented using percentages (%), Mean (M) and Standard Deviation (SD).

Table 4.6: Cost Estimation Practices

Statements	M	St.Dev
Applying multiple estimation models enhances the accuracy of overall project cost projections.	4.36	0.569
Professionals are consulted to assess the quantity of materials necessary for project completion.	4.40	0.645
Forecasts developed during the project serve as a basis for managerial decision-making.	4.40	0.577
Estimating resource needs helps prevent project cost overruns.	3.04	1.428
Cost estimations contribute to transparency allowing to monitoring and control.	2.48	1.475
Cost estimation minimizes risk of project overrun and scope creep	4.52	0.586
Overall score	3.87	0.880

Source: Research Data (2025)

The findings presented in Table 4.6 show an overall mean value of 3.87 with a standard deviation of 0.880, indicating that respondents generally agreed with the statements regarding the influence of cost estimation practices on the financial sustainability of NGO projects in Nairobi City County, Kenya. This conclusion is further supported by an average agreement rate of 88.7%, while 11.3% of respondents remained neutral. These results suggest that respondents recognized the significant role of cost estimation practices in enhancing project sustainability. The finding aligns with the study by Oketch and Mugambi (2021), which highlighted that accurate cost estimation and well-prepared budgets in Kenyan NGOs foster donor confidence and contribute to continuity in funding, ultimately supporting financial planning and long-term project viability

4.1.3 Expense Reduction Practices

The respondents were asked to indicate the expenses that the NGO incur as they run their project. All the respondents indicated that NGOs incur expenses linked to salaries and wages, water and electricity, transport costs and repairs and maintenance.

The respondents were given a list of statements to indicate their level of agreement on how expense reduction practices had affected the financial sustainability of non-government organizations projects in Nairobi City County, Kenya. The results were presented using percentages (%), Mean (M) and Standard Deviation (SD).

Table 4.7: Expense Reduction Practices

Statements	M	St.Dev
Eliminating redundant roles and centralisation of functions will reduce cost	4.44	0.583
Striking balance between expenses reduction and service delivery is essential for overall viability	4.24	0.779
Automated expense monitoring tools enables real time decision making and resource reallocation.	4.40	0.645
Does expense reduction increase revenue and improve efficiency	4.36	0.569
Reduced imported resources and lowering transport expenses strengthen community engagement and reduce financial risks	4.24	0.663
Overall score	3.87	0.880

Source: Research Data (2025)

The findings presented in Table 4.7 indicate an overall mean value of 3.87 with a standard deviation of 0.880, suggesting that respondents generally agreed with the statements regarding the impact of expense reduction practices on the financial sustainability of NGO projects in Nairobi City County, Kenya. This conclusion is further supported by an average agreement

rate of 88.7%, with 11.3% of respondents expressing neutrality. These results indicate that respondents recognized the significant contribution of expense reduction strategies implemented by NGOs in enhancing project sustainability. The finding aligns with the study by Wambugu and Kamau (2020), which demonstrated that cost-cutting measures—such as eliminating redundant roles and centralizing procurement—positively influence the financial stability of community-based NGOs in Kenya.

4.5 Financial Sustainability of NGO Projects

The respondents were asked to indicate how long their projects had been in existence and majority (64.0%) indicated that their projects had existed 3 to 4 years and 36.0% indicated between 1 and 2 years as shown in Figure 4.6.

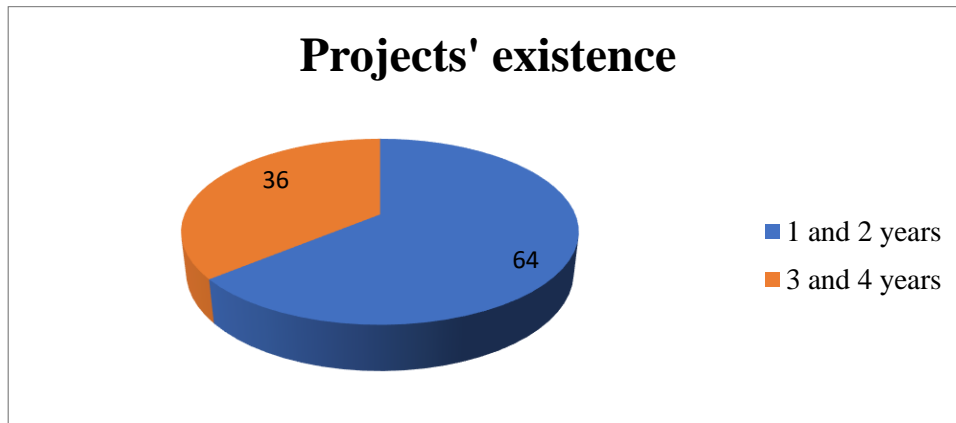


Figure 4.6: Projects' Existence

Source: Research Data (2025)

The respondents were asked to rank budgetary control, income diversification, cost estimation and expense reduction in relation to effect in financial sustainability of their projects. All the respondents indicated that budgetary control, income diversification, cost estimation and expense reduction practices were most important to financial sustainability of their projects. The study also identified that all the respondents indicated that long term viability, cost estimation, revenue growth and cash flow sustainability were below range.

The respondents were given a list of statements to indicate their level of agreement on the financial sustainability of non-government organizations projects in Nairobi City County, Kenya. The results were presented using percentages (%), Mean (M) and Standard Deviation (SD).

Table 4.8: Financial Sustainability of NGO Projects

Statements	M	St.Dev
The NGO has reliable source of finance to run the donor funded project for the benefit of the community.	4.48	0.586
Our projects are able to generate enough revenues to sustain themselves.	4.40	0.645
Our NGO is funded by the proceeds obtained from the community projects	4.40	0.577
Our donor funded projects have been able to achieve the missions and objectives they were intended to achieve during their inception	4.48	0.586
The community are satisfied by the quality of the services/products offered	4.36	0.638
Overall score	3.67	0.505

Source: Research Data (2025)

The findings presented in Table 4.8 show an overall mean value of 3.67 with a standard deviation of 0.505, indicating that participants generally agreed with the statements regarding the financial sustainability of NGO projects in Nairobi City County, Kenya. This is further supported by an average agreement rate of 78.7%, with 4.7% of respondents expressing neutrality. These results suggest that the majority of respondents held a positive view of the financial sustainability of NGO projects. The finding aligns with Pratt (2018), who emphasized that financial sustainability involves maintaining adequate resources to pursue opportunities, address challenges, and sustain organizational activities over the long term.

4.2 Multiple Regression Analysis Results

The influence of one variable on another was evaluated using multiple linear regression analysis in terms of the model summary, Analysis of Variance (ANOVA), and coefficient analysis as follows;

Table 4.12: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.909	0.826	0.795	0.974

Source: Research Data (2025)

The results presented in Table 4.12 demonstrate that the adjusted R square value was 0.795 which illustrates that the budgetary control practices, income diversification practices, cost estimation practices and expense reduction practices had caused a variation of 79.5% on the financial sustainability of non-government organizations projects in Nairobi City County, Kenya. Therefore, the remaining percentage (20.5%) signifies other variables that have not been analyzed.

Table 4.13: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	36.785	4	9.196	16.487	0.003
	Residual	11.156	20	0.5578		
	Total	47.941	24			

Source: Research Data (2025)

The findings presented in Table 4.11 demonstrate that the significance value is less than 0.05, specifically at 0.003. Additionally, the statistical F value is recorded at 16.487, exceeding the statistical mean value of 9.196. Based on this finding, the model is significant.

Table 4.14: Coefficient of Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.518	0.201		2.577	0.003
	Budgetary control practices	0.709	0.119	0.578	5.958	0.004
	Income diversification practices	0.803	0.227	0.714	3.537	0.001
	Cost estimation practices	0.779	0.306	0.461	2.546	0.002
	Expense reduction practices	0.714	0.297	0.339	2.404	0.003

Source: Research Data (2025)

The results of the multivariate regression analysis, presented in Table 4.12, indicate that the constant value of 0.518 represents the baseline level of financial sustainability for donor-funded projects at Catholic Relief Services Kenya, assuming that budgetary control, income diversification, cost estimation, and expense reduction practices remain unchanged. The regression equation derived from the study is as follows: Project Sustainability = 0.518 + 0.578(Budgetary Control) + 0.714(Income Diversification) + 0.461(Cost Estimation) + 0.339(Expense Reduction)

The findings reveal that budgetary control practices have a significant positive effect on financial sustainability ($\beta = 0.578$, $p = 0.004$). This suggests that NGOs in Nairobi City County that closely monitor and manage their budgets are more likely to achieve financially sustainable projects. These results are consistent with Eyibio and Daniel (2020), who found that resource-based budgeting significantly enhances organizational performance by ensuring resources are directed where they are most needed. Similarly, income diversification practices show a strong positive effect on financial sustainability ($\beta =$

0.714, $p = 0.001$). NGOs that reduce reliance on a single source of funding experience improved financial resilience and project sustainability. This finding aligns with Ashraf and Nazir (2023), who observed that diversifying income sources enhances financial stability in Pakistani banks, underscoring the importance of spreading revenue streams for long-term organizational health. Cost estimation practices were also found to positively and significantly influence project sustainability ($\beta = 0.461$, $p = 0.003$). This indicates that precise forecasting of project costs enables NGOs to align activities with available resources, enhancing project viability. The finding corroborates the research of Tsegaye and Mekonnen (2023) in Ethiopia, which highlighted that detailed cost estimation improves the efficiency and effectiveness of donor-funded community health projects. Expense reduction practices exhibited a significant positive impact on financial sustainability ($\beta = 0.339$, $p = 0.003$). NGOs that implement cost-cutting measures and minimize waste are more likely to maintain sustainable operations. This result agrees with Moyo and Sibanda (2022), who demonstrated in Zimbabwe that careful expense tracking and elimination of unnecessary costs contribute directly to financial stability in donor-funded organizations. The regression results indicate that all four cost management strategies budgetary control, income diversification, cost estimation, and expense reduction positively and significantly influence the financial sustainability of NGO projects in Nairobi City County. Among these, income diversification emerged as the most influential factor, highlighting the critical role of diversified funding in sustaining NGO operations.

5. CONCLUSIONS AND RECOMMENDATIONS

The study concludes that budgetary control practices play a pivotal role in enhancing the financial sustainability of NGO projects. NGOs with well-structured budgets are able to strategically allocate financial resources across various projects, develop long-term financial strategies based on realistic forecasts, and implement financing models effectively. This structured approach empowers employees to make informed decisions and fosters a culture of financial literacy and accountability within the organization. By ensuring that resources are directed to areas of greatest need, budgetary controls enhance both operational efficiency and project outcomes. Income diversification was also found to be a significant determinant of financial sustainability. NGOs that rely on multiple sources of funding are better able to manage risks, reduce dependency on a single donor, and minimize potential disruptions to project implementation. Diversifying income sources allows organizations to allocate resources more flexibly, aligning project activities with community needs. However, adopting multiple funding sources requires considerable time and investment, which can present challenges in balancing fundraising efforts with the execution of project objectives.

The findings further highlight the importance of cost estimation practices in ensuring project sustainability. Accurate estimation of project costs enables NGOs to secure external financing more effectively, allocate resources efficiently, and respond to unforeseen challenges in the project environment. Proper cost estimation strengthens donor confidence and fosters transparency, ensuring that resources are appropriately aligned with planned activities. This practice not only supports project viability but also contributes to the organization's overall financial resilience.

In addition, expense reduction practices were observed to positively influence financial sustainability. By streamlining operations and focusing on core activities, NGOs can minimize waste, optimize resource utilization, and enhance the quality of project delivery. Careful monitoring of expenditures allows organizations to identify areas for savings without compromising critical project outcomes, ensuring that limited resources are used in the most effective and impactful manner. Based on these conclusions, the study recommends that NGOs invest in the capacity-building of staff to strengthen budgeting, financial management, and cost estimation skills. Effective communication and collaboration within the organization should be encouraged to promote transparency and accountability in financial processes. Adoption of advanced financial technologies and software can further enhance efficiency and accuracy in planning, forecasting, and resource allocation.

Moreover, NGOs should actively seek to diversify their income sources by forging partnerships with local businesses, community stakeholders, and other funding agencies. Such collaborations not only open access to new financing opportunities but also foster knowledge sharing and best practices that support sustainable project implementation. Transparent cost estimation, strategic expense reduction, and comprehensive financial planning should be standard practices to ensure the organization can respond effectively to emerging challenges while maintaining high standards in service delivery. By implementing these strategies, NGOs in Nairobi City County can enhance their financial sustainability, improve operational efficiency, and ensure that their projects continue to deliver long-term, meaningful impact to the communities they serve.

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