FUNDRAISING FROM INDIVIDUALS: CHALLENGES FACED BY NON-GOVERNMENTAL ORGANIZATIONS IN KENYA

Hashim Shuria
Doctor of Business Administration Student, United States International University, Kenya


ABSTRACT

The purpose of the study was to provide an analysis of the fundraising challenges faced by NGOs when sourcing funds from individuals in Kenya. While NGOs are increasingly diversifying their revenues from different sources, fundraising becomes core feature in the survival of this organizations. NGOs in Kenya fundraise from different donors but the extent of fundraising from individual donors is not visible among many of these organizations. The study adopted descriptive research method. The population consisted of all NGOs registered with NGO Coordination Board that were physically located in Westlands District of Nairobi County. The data was collected using structured questionnaires and the analysis was done using SPSS and Excel as tool of analysis. The response rate for the study was 70% out of which 60% of the respondents were International NGOs whereas 40% of the respondents were local NGOs. Findings show that 83% of the organizations have less than 30% of their total funds generated from individuals. The findings revealed that organizations used different methods of fundraising. Organizations have identified NGO Act and income tax Act as laws affecting fundraising while most of the organizations do not have tax exemption certificates. Majority of the organizations lacked professional fundraising staffs and rarely engaged fundraising consultants or volunteers in their fundraising activities. It’s recommended that the NGOs must adopt the culture of being proactive and constantly reading global trends even as they set their fundraising strategies, methods and communication with the stakeholders in promoting the organization and maintaining constant relationship. Strengthening the existing laws or introducing proper laws governing fundraising and resource mobilizations so as to systematically regulate fundraising is also recommended. NGOs should consider strengthening their capacity in fundraising through engaging qualified fundraising staffs, volunteers and the board members to link the organizations to different stakeholders.

Key Words: Fundraising, Non-Governmental Organizations, Kenya
Introduction

During the past twenty years, the field of philanthropy has advanced in its knowledge base, knowledge sharing, and sophistication in reaching out to and cultivating donors and volunteers (Slyke, Ashley and Johnson, 2007). Over time, this has led to many organizations changing their ways of soliciting funds from donors. While NGOs are increasingly diversifying their revenue generation from sources such as membership fees, government contracts, the sale of goods and services, commercial ventures, and partnerships with business, revenue from fundraising remained a core feature and form of support for organizations around the world (Higgins and Lauzon, 2002). Fundraising is extremely important component in any organizations success. According to Norton (1998), fundraising is important for the survival of the organization, expansion and development, reducing dependency, building a constituency and creating a viable and sustainable organization.

Today, the NGO sector plays an increasingly important role in the provision of vital services in many fields such as health, social services, and education (Frumkin and Kim, 2001). In Kenya, the operations of NGOs is governed by the NGO Co-ordination Board, which is a Semi-Autonomous Government Agency established under the Non-Governmental Organizations Co-ordination Act, 1990. The roots of NGOs in Kenya may be traced to philanthropy mainly in the colonial times. During this early period, the Activities of NGOs largely focused on welfare (Ngondi, 2008). These activities later changed and developed to cover not only the provision of services but also political action and advocacy (Kimeri, 2002). NGOs’ activities are now spread in every corner of Kenya and cover almost every aspect of the economy. NGOs in Kenya are major contributors to employment economic growth and gross domestic product (Ngondi, 2008). It is estimated that the annual income of NGOs of over $1 billion, accounting for about 3 percent of Kenya’s GDP (Kanani, 2007).

In the wake of the recent economic recession and increase in the number of local and other organizations competing for funds for their different causes from international donors, there is an urgent need to re-evaluate fundraising tactics and fundraising strategies and methods used. Organizations are now looking for support at home and seeking to become less dependent on oversees aid (Chikati, 2008). Raising funds locally means that NGOs will have a greater independence to continue carrying out long-term programmes.

Statement of the Problem

In Kenya, NGOs have faced a lot of problems in the past, which they continue to face in the present, that impede their efforts to raise funds for their operations including administrative and programmes. As these NGOs expand, the need for money to run their operations becomes more critical. Much of these funding comes from third party funding organizations and individuals within and outside the country (Chikati, 2009). Fluctuating financial resources have also greatly affected the operations of these organizations in Kenya due to global economic recession. The most visible effect of this has been collapse of weak NGOs as well as reduction in service provision in terms of scope and/or quality.

An NGO that wants to broaden its funding base must develop a strategy that will maximize its chances of being attractive to the potential funding partners. As most individual donations provide a major source of funding for nonprofit Organizations (Hughes and Luksetich, 2007), few NGOs in Kenya have engaged sourcing funds from individuals. Although sourcing funds
from individuals do not need vigorous procedures, but still these NGOs face numerous fundraising challenges when sourcing funds from individual donors. These include; inappropriate fundraising strategies, methods and techniques, lack of organizational and human capacity, the cost of fundraising compared to the donation received from individuals and the knowledge of the existing laws and regulation that affect individual giving among them. There is also evidence that many individual would like to give to charity but they lack proper knowledge of infrastructure through which they can give (Ngondi, 2008).

Many studies have been done on specific and overall challenges of fundraising all over the world over period of time. These include; Sargeant and Hudson (2008) on fundraising events; Webber (2003), challenges of donor retention; Harrow (2006) on challenges of self-regulation charity fundraising; Ngondi (2008), a case for tax reforms for NGOs in Kenya among many. This shows that there many studies that have been done on specific or general issues of fundraising on different locations. However, there are no studies on fundraising from individual donors in Kenya that are visible in the literatures. It is in this context that this study was conducted primarily to address the research gaps in local fundraising and contribute to better understanding of individual fundraising within Kenya context.

**Purpose of the Study**

The purpose of the study was to provide an analysis of the fundraising challenges faced by NGOs when sourcing funds from individuals.

**Research Questions**

The study was guided by the following research questions:

1. What are the fundraising methods used by the NGOs when fundraising from Individuals?
2. What are the laws and regulations that affect fundraising when sourcing funds from individuals?
3. To what extent do organizational capacities in NGOs impact on their fundraising from Individual donors?

**Literature Review**

The research looked at methods of fundraising and challenges, laws and regulations affecting individual fundraising and organizational capacities for fundraising. The literature review was obtained from the secondary data. This was from journals, published books and articles papers.

**Fundraising Methods Used on Individual Donors**

Donors have attracted the interest of several researchers due to the important role they play in fundraising and many researches focused on the methods and techniques that nonprofits use (Tsiotsou, 2006). Nonprofits have engaged in a variety of different techniques to raise funds from members of the public (Sargeant and Hudson, 2008). The process of attracting resources can be a very complex issue when incompatible interest of different donors are addressed and this are evident in organizations, which are held accountable by different stakeholders (Macedo and Pinho, 2004). Slyke et al., (2007) suggested strategies designed to assist
nonprofits in segmenting donors along socio-economic and demographic characteristics, charitable motivations, and the nonprofit sub sectors to which individuals give. Creative fundraising events are one of the most innovative elements of fundraising that helps organizations to reach their goals. Fundraising events open up streams of income that other fundraising methods may not, even though fundraising events are one of the least successful and productive methods for a charity to generate income (Webber, 2003). The use of physical activity events as fundraising opportunities is becoming increasingly popular. It’s estimated in USA that about 50 per cent of social service agencies rely on income from special events (Higgins and Lauzon, 2002).

Direct mail is the largest source of new charity donors in the United States and the primary fundraising method used by nonprofit organizations as well as other parts of the developed world (Berger and Smith, 1997). According to Berger and Smith (1997) direct mail fundraising gives nonprofit organizations the ability to solicit support from a wide cross-section of potential donors and can be the most exciting and rewarding way to keep in touch with the present donors and to reach new ones. Door to door fundraising continues to be one of the most effective ways for charities to recruit new committed supporters in United Kingdom According a study by Sargeant and Hudson, (2008) in United Kingdom, charities employ agencies to co-ordinate these activities and it has been estimated about 700,000 new supporters were recruited in 2002 with an estimation of £240 million to be contributed over the subsequent 5-year period.

Technological advances are currently creating new developments in fundraising such as the spread of direct marketing, telephone fundraising and better tracking of donors, due to the growth and accessibility of specific charity fundraising databases in the developed countries (Gugerty, 2009). According to Water (2007), some of the large and well known organizations such as the American Cancer Society managed to reduce their fundraising expenditures giving donors the opportunity to donate to the organization through their own internet servers. In Kenya, M-Pesa; a mobile-phone based money transfer service introduced by Safaricom Company is becoming another fundraising method among NGOs. Some organizations like African Medical and Research Foundation (AMREF) in Kenya have begun using mobiles for fundraising by setting up short codes. Funds are transferred from donors’ mobile phone account to a specific account created by the organization.

Just as the nonprofit sector is heterogeneous, individual donors are also heterogeneous in their motivations for charitable donations, solicitation methods, and their desire from the outcomes of the organizations activities (Slyke et al., 2007). These help the organizations to adopt different strategies, method and techniques to effectively fundraise, attract and retain individual donors.

**Laws and Regulations Affecting Fundraising**

The growth of nongovernmental organizations (NGOs) in scale and scope around the world has been accompanied by growing governance and regulatory challenges for governments, NGOs and donors. The challenges of governance and accountability to NGO are particularly acute in Africa, a region often characterized by less democratic governance and weak mechanisms of regulatory oversight (Gugerty, 2009). NGOs in Africa do not attract funds locally; the bulk of their funding comes from international donors and NGOs. Therefore
many laws are leaned towards bigger picture and not local fundraising regulations. For instance, Kenya’s first NGOs regulating legislation “NGO coordination Act” was passed in 1990. This Act established the NGO coordination board to regulate the NGOs activities in Kenya. This is a Government arm that comes under the office of the president.

Many western countries have clear laws and regulatory bodies that regulate the charities and their activities specially fundraising. For instance, The Charity Commission of the United Kingdom is regulatory body that oversees the management of the charity organizations. It ensures that charities are able to maximize their potential within an effective governance, accounting and legal framework with the scope of their operations. To a great extent the laws of Kenya lags behind in regulation of NGO diversity and its operations in Kenya. This raises problems due to the negative attitude of the law toward control and management of NGOs, restrictive laws relating to political activism, fundraising and the general absence of laws in certain areas (Kimeri, 2000).

Sometimes organizations take part in highly commercialized and intrusive unsolicited fundraising practices which do not adhere to regulations of fundraising activities (Lee, 2003). However, Lee (2003) argued that the same sources and methods of fundraising are seen as promoting nuisance, abuse, malpractice in the fundraising process. The need for ethical standards and bodies to regulate fundraising among fundraising community is enviable. In order to establish fundraising standards among fundraising professionals and communities, many professional associations emerged in western countries from 2000. The setting and regulating of ethical standards and principles in fundraising was a milestone in their formation. This include: The Swedish Fundraising Council (SFC), the German Fundraising Association (DFV), the Dutch Society of Fundraisers (NGF), the Norwegian Fundraising Association (FIO) the Polish Fundraising Association (PFA). Currently in Kenya, Kenya association of fundraising professionals (KAFP) was formed promote high ethical standards of practice in fundraising but is still in its cradle stag (Fundraising Europe, 2007).

A good understanding of the responsiveness of individual giving to changes in the tax exemption can thus play an important role in helping policy makers refine tax policies so as to encourage individual giving to charities (Chua and Wong, 1999). Many donors are not aware of the requirement that, to be tax deductible, a donation must be made to a qualifying charitable organization in the laws that are governing those (Lee, 2003). International experience shows a high correlation between individual giving and tax benefits (Ngondi, 2008). However, there are contradictory findings regarding the role tax deductions in playing a motivating role mainly because of frequent changes in tax laws. It has been argued that tax deductions do not affect giving but only the time and the form of contribution that is made (Tsiotsou, 2006).

Individual tax incentives are available in a substantial number of countries (David, 2005). It is evident that with greater incentives and clear and simple infrastructure within which to give, individuals Kenyans would engage more in philanthropy (Ngondi, 2008). In his research, he argued that NGOs identify taxation exempt benefits as one of the main incentives and facilitating element in their efforts to seek alternative sources of resources for their work. According to Ngondi (2008) individuals asserted that they would continue to give with or without tax benefits. Some however indicated that if they were tax benefits, this would have motivated them more than they currently did.
One of the biggest impediments to philanthropy is Kenya’s legal environment. Before 2007 individuals and corporations are offered no incentives at all to make charitable contribution (Ngondi, 2008). In 2007, the government of Kenya amended the income tax Act to allow persons and corporate who make donations to claim tax refund from the government (Income Tax Act 2008). The intention was to give incentives to individuals and corporate donors to donate to charity organization. But do individual donors know the existence and procedures of the new law? According to the Act, the donor must proof the donation made to the charitable organization by issuance of Receipt, exemption certificate and declaration from the donator that the donation should be used exclusively for the project of the charity (Income Tax Act, 2008).

Organizational Capacities and Fundraising
In simple terms, an organization’s capacity is its potential to perform. It’s the ability to successfully apply its skills and resources to accomplish its goals and satisfy its stakeholders’ expectations (Ker, 2003). The aim of capacity development is to improve the potential performance of the organization as reflected in its resources and its management. Many of these organizations may lack or misappropriate the knowledge or resources to raise the funds to maintain and expand their services. People are key factor in successful fundraising. Fundraising is only really effective when people are dedicated to a fundraising role. The ability of the organization to reach its fundraising target depend on fundraising capacity such as the people you have available, fundraising resources and the management of the organization. Organization need to make fundraising in their strategic planning process and be part of the organizations culture since it’s the most activity for the organizations survival (Neil, 2008).

Many western NGOs use fundraising professionals and Volunteers who are fully engaged in the fundraising activity. Volunteerism is the giving of skills, energy and time to a recipient voluntarily according to an individual’s free will, for non-financial gains, to benefit the intended recipient or society as a whole (Ngondi, 2008). An effective volunteer program can help an organization increase the size of its staff without increasing its payroll. Recruiting and training individuals while providing ongoing support, feedback, and recognition are all part of effective volunteer management (Weaver, 1998).

On a daily basis, many nonprofit managers are confronted with many organizational challenges, including staff turnover, unreliable volunteers, and demanding funders (Frumkin and Kim, 2001). Maintaining fully paid fundraising staffs is challenging for many organizations. The presence of paid fundraising staff is generally related to size of the organizations and they are more likely to be positively associated with fundraising performance and are present in a small number of nonprofits (Hager, Rooney and Polack, 2002). Organizations may not have resources at its disposal which can be employed for fundraising activities which include: fundraising software; publications; venues and or equipment useful for fundraising activities; fundraising materials such as collection boxes, badges and money counters thus limiting their capacity to engage donors (Neil, 2008).

Successful fundraising is characterized by ability to cultivate and manage relationships with your donors. Fundraising is a practical rather than an academic activity (Gugerty, 2009) and to be effective; fundraising programs must be planned well in advance so that publicity can
help ensure and sustain success of the organization (Silverman, 2009). Nonprofit making organizations are required to adopt a much different attitude in relation to their funding sources and their organizational strategies. In other words, they have to find ways of managing their resources more efficiently in order to accomplish their goals (Macedo and Pinho, 2007). This largely depends on the capability to attract and retain institutional and individual donors.

The organizations capacity to create a better relationship and retain individual donors is inevitable. Once an individual has taken a decision to make his or her first-time over donation to a charity there is a high probability that the person will give again (Sargeant and Woodliffe, 2007). Retaining donors or supporters to contribute to the organization more than one time is vital in any fundraising. However, little is known about the factors that contribute to the timing and level of a follow-up donation, or the likelihood that the second gift will be made to a charity that is different to the organization that recruited the donor in the first place (Bennett and Choudhury, 2009). The Choice of donors to donate continuously will depend significantly on the organization’s image and reputation (Bennett and Choudhury, 2009).

Research Methodology
Research Design
Descriptive survey was used to obtain information on the current status of the population, in this case the NGOs fundraising from individuals. Descriptive survey is concerned primarily with addressing the particular characteristics of a specific population of subjects, either at a fixed point in time or at varying times for comparative purposes (Gill and Johnson, 2006). The particular characteristic sought by this study was the challenges faced when fundraising from individuals by NGOs.

Population and Sampling Design
The population consisted of all NGOs registered with NGO Coordination Board that were located in Westlands. The selection of Westlands district was because the researcher had determined from Obiro, (2006) that it had a comparatively high number of NGOs operating in close proximity which are inclusive of local and international NGOs working on different sectors. According to the NGO board (2010), a total of 270 NGOs were located in Westlands district.

Probability sampling was adopted; specifically simple random sampling technique was used in selecting the sample units from the sampling frame. According to Mugenda and Mugenda (2003), for descriptive research study, 10 percent of the accessible population is enough. In this research 30 percent of the population was selected from the target population. Eighty one organizations which is equivalent of 30 percent of the population were selected as the sample size for this research.

Data Collection and Analysis Methods
Structured questionnaires were administered on the selected NGOs which were administered in person or via Email. The questionnaires were composed of mixture of closed and open questions and the structure of the questionnaires derived from the research questions. The questionnaire was pretested to a small sample of five selected NGOs. This was to ensure that
the clarity and understandability of the questions by the respondents. The study targeted organizations’ Chief Executive Officers (CEOs), fundraising managers and other senior managers. The data was analyzed using SPSS and Excel.

Results and Discussions

This chapter explains the results and findings which are presented in accordance to the research questions of the study. The data is presented in tables, charts and figures. Seventy percent of the target population responded to this study. The study targeted all NGOs with local and international status. This was important because it determines whether all types of NGOs participated in the study. The distribution of the organizations by their status is presented in table 1 below.

Table 1: Status of Organizations

<table>
<thead>
<tr>
<th>NGO Status</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>National</td>
<td>23</td>
</tr>
<tr>
<td>International</td>
<td>34</td>
</tr>
<tr>
<td>Total</td>
<td>57</td>
</tr>
</tbody>
</table>

Sources of Funds for NGOs

The study only focused on the organizations that had a component of individual donors as their sources of funding.

Table 2: Sources of Funds

<table>
<thead>
<tr>
<th>Sources of Funds</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Individual donors only</td>
<td>4</td>
</tr>
<tr>
<td>Individual and Institutional donors</td>
<td>26</td>
</tr>
<tr>
<td>Individual and self-generating revenues</td>
<td>2</td>
</tr>
<tr>
<td>Individual, Institutional donors and self-generating revenues</td>
<td>14</td>
</tr>
<tr>
<td>Institutional donors only</td>
<td>3</td>
</tr>
<tr>
<td>Institutional donors and self-generating revenues</td>
<td>2</td>
</tr>
<tr>
<td>Self-Generating revenues only</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>57</td>
</tr>
</tbody>
</table>

This statistics reveals that 46% of the organizations source funds from Individual and Institutional donors while 23% from Individual, institutional donors and self-generating revenues combined. Two percent fundraise from Individual and self-generating revenues whereas 7% source from Institutional donors and self-generating revenues. Other sources are comprised of individual donors only (7%), Institutional donors only (5%) and self-generating revenues only (7%).
The Level of Individual Donations
Forty four percent of the organizations had individual donations forming less than 10% of their total funds whereas 39% reported 10% to 30% of their total funds were sourced from individual donors. Individual donations are composed between 31% to 50% of the total funds for 11% of the organization responded while 4% and 2% of the organizations indicated 51% to 70% and 71% to 100% of level of individual donations respectively. This indicates that 83% of the organizations have less than 30% of their total funds coming from individuals as illustrated in table 3.

Table 3: The Percentage of Individual Donations

<table>
<thead>
<tr>
<th>Level of individual donations</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Less than 10%</td>
<td>20</td>
</tr>
<tr>
<td>10% to 30%</td>
<td>18</td>
</tr>
<tr>
<td>31% to 50%</td>
<td>5</td>
</tr>
<tr>
<td>51% to 70%</td>
<td>2</td>
</tr>
<tr>
<td>71% to 100%</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>46</td>
</tr>
</tbody>
</table>

Fundraising Methods
According to the findings, majority of the organizations use the major fundraising methods that were used across the world. NGOs use variety of fundraising methods depending on the objective of the fundraising and the target groups. This study sought to explore the fundraising methods these organizations used when fundraising from Individual donors. Majority of the organizations special events, annual giving and advertising for support. MPESA (mobile phone fund transfer) fundraising is becoming a popular method of fundraising. Other than for raising funds, the respondents indicated that they used these methods for networking, profiling and popularizing the organization vision to the public and thanking current supporters of the organization.

Internet and mobile phones methods of fundraising are not popular methods in Kenya as it is for the rest of the world. Forty one and thirty five percent of the respondents used internet and M-pesa respectively, but, were also ranked as least successful methods. M-pesa which is mobile phone banking system is currently used by few organizations and it’s mostly used during disaster events like floods and fire tragedies. This method must be complemented by other methods like advertisements for support through Televisions and Radios or the website of the organization. This is because M-pesa donations number must be communicated through other communications methods.

Laws and Regulations Affecting Fundraising
Different countries have different laws governing the activities of nonprofit organizations working in their territories. The majority respondents identified NGO Act, Donor sanctions and Income tax Act as laws affecting fundraising. Fifty four percent of the organizations do not have tax exemption certificate. According to the Income Tax Act (2008), to proof
donations, individuals must produce; receipts for donations, exemption certificate and declaration from the donator that the donations should be used exclusively for the project of the charity (Income Tax act, 2008). While acknowledgement the receipt and tax exemption certificates are very important for individual donors to claim tax exemptions, only 19% of the organizations provide the donors with copy of tax exemption certificate, acknowledgment receipt and thank you letter. In addition, majority of the Organization thought that tax exemption cannot be an incentive for donors to donate more. Sixty four (64%) percent of the organizations felt that there are no adequate laws and regulations governing fundraising and hence the need for proper laws to regulate fundraising.

Organizational Capacities and Fundraising
Forty two (91%) of the respondents indicated that the fundraising as part of strategic planning process in their organizations. Many organizations do not have the resources at their disposal in order to engage successfully fundraising activities. It was also found out that the organizations that do not have fundraising departments engage teams from different departments and top managers in their fundraising activities. However, organizations use teams from different departments while some use only managers for fundraising. The presence of fully paid fundraising staffs is generally associated with the size of the organization which has the capacity to pay them. It was found that most of the organizations use volunteers and board members while few use external consultants during fundraising.

Conclusions
The type of fundraising method to be used depends on the nature of the fundraising, the target group and the expected outcome of the fundraising activity. The traditional methods of direct Mail, fundraising events, annual giving are major methods used my majority of the organizations. The NGOs must adopt the culture of being proactive and constantly reading global trends even as they set their fundraising strategies and methods. NGOs should innovatively engage in new and modern techniques of engaging donors of different characteristics.

Laws and regulations are important in almost all situations. The current laws governing NGOs are inadequate or may not address fundraising. Currently, in Kenya there are no specific laws that regulate fundraising, neither fundraising regulatory body. The tax law that governs tax exemptions has complicated applications of procedures that create problems for individuals to claim tax exemptions. The government of Kenya should consider strengthening the existing laws or introduce proper laws governing fundraising and resource mobilizations so as to systematically regulate fundraising.

Organizations face challenges in terms of their capacity in engaging fundraising activities. There is lack of dedicated fundraising staffs for the majorities of the organizations due to lack of financial resources to maintain them. Many of the organizations do not engage in fundraising volunteers who are financially manageable compared to full time employed fundraising staffs. NGOs should consider strengthening their capacity in fundraising through engaging qualified fundraising staffs. The NGOs should also invest on regular trainings of their staffs on fundraising and resource mobilizations to enhance their skills.
This study targeted NGOs of all status whether international or national status. These organizations might not face the same challenges of the same magnitude. Further research is recommended to ascertain the extent of this challenges for local and international NGOs separately. Further research to find out the challenges faced by the individual donors when donating to these organizations is recommended.

References


