Risk assessment and financial resource management in international non-government organizations (INGOS) in Kenya

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Abstract

This study was conducted among International Non-Governmental organizations (INGOs) in Kakuma Refugee Settlement – Kenya, purposed to assess the effect of risk assessment on financial resource management in INGOs. This was conducted using quantitative research approach, where cross-section, descriptive and correlational designs were deployed in the data collection and analysis of the relationship respectively, between risk assessment and financial resource management in INGOs. Structure self-administered questionnaires were deployed to collect data from a population of 90 respondents who had knowledge of risk assessment and financial resource management. Findings revealed a 0.545 Pearson Correlation between risk assessment and financial resource management. His indicated a moderate positive relation between risk assessment and financial resource management in INGOs operating in Kakuma Refugee Settlement. Further, simple linear regression results revealed an R Square of 0.297. this indicated that 29.7% of the variations in financial resource management was accounted for by risk assessment practices and the remaining 70.3 was accounted for by other factors. Finding of this study align with the previous studies emphasizing the critical role played by effective assessment practices for health financial resource management. Based on this study's finding aligned with previous studies, organizations should improve their risk assessment practices to have better financial resource management outcomes. Organizations should employ advanced analytical technologies to support in risk assessment to enhance an improved financial resource management to ensure organizational sustainability.

Keywords: Risk assessment, Financial resource management, International Non-Governmental organizations (INGOs)

Introduction

The role played by International Non-Governmental organizations (INGOs) in Kenya towards humanitarian assistance cannot be underrated. They have played a pivotal role in providing advocacy services and development programs to Kenya, East Africa and beyond. They have been active in projects among them in education, health, human rights and food security. Irrespective of the contribution that they make, International Non-Governmental Organizations are still faced with a risk of sustainability and effectiveness (Humanitarian Outcomes, 2016). According to Rubasin and Nuradhi (2021) internal controls impacts resource management with regards to performance of organizations. However, in relation to the situation in Kakuma Refugee Camp Settlement where certain humanitarian services are not adequately provided as

indicated by the Multi-sectoral Needs Assessment (2020) where 40% experienced challenges in accessing WASH services, 67% of households experienced food insecurity issues, and 27% faced safety and security challenges.

Risk assessment an indicator of internal control systems plays an important role among INGOs. It is crucial in identification, evaluation and mitigation of threats that may be of harm to financial delivery or management as a resource (Humanitarian Outcomes, 2016; InterAction, 2019). Risk assessment includes identification and arrangement of risks according to their ability or likeliness to occur (Morris, 2011). Thus, through the applicability of risk assessment methods, the organization can manage its resource and finances, but this can be achieved only when the significant statistics is documented in a time suitable for individual workers to undertake their work duties more efficiently and effective.

PricewaterhouseCoopers (2016) explains that risk assessment is a vital process in any given organization because it helps the management to identify preventable risks and unpreventable risks, risks with big impacts and how to address them before they happen. Therefore, risk assessment promotes organization resource management. The role of proper financial resource management among INGOs cannot be underrated, they have to make sure that funds received from donors a well-managed and aligned to the objectives for which they were released in a transparent manner (InterAction, 2019).

Irrespective of the emphasis on the role of risk assessment among INGOS, there still remains a financial resource management gap among the INGOs as they are still faced with less budgeting for risk assessment, inconsistence in financial oversight among many other challenges. This researched purposed to assess the connection between risk assessment and financial resource management among INGOs in Kenya, with Kakuma Refugee Programme, Kenya as the case study.

Literature Review

Allen, Ret al., (2020) study explains that risk assessment is the practice directed in promoting risk documentation and breakdown. The DEA (2013) states that risk assessment comprise of protection of organization resources by the workers. Similarly, risk assessment is a methodological process used by organizations to deal with risks (Mohammad and Nunna's, 2011).

In addition, (Council for Scientific and Industrial Research, 2012) risk assessment involves information collection, organization, analysis, interpretation and communication of possible risks based on how frequency, magnitude, and nature of the risks. It is important to understand the organization dynamics, functions and environment in order to be able to achieve effective and efficiency in risk assessment (Khorwatt, 2015). Risk assessment helps the organization to identify how big or small risks are before they occur and affect the organization functions and resources (Curtis & Carey, 2012). Furthermore, risk assessment is very vital in the process of risk anticipation as this helps to minimize risks and their impacts in an organization.

Similarly (Health and Safety Executive, 2016) helps in coming up with suitable measures to identify and deal with risks in an organization. With clear risk assessment, the organization is able to state how certain risks can impact the performance and achievement of the organizations' objectives.

Also, with the national example derived in South Africa, code of good practice govern None Profit Organizations with the ability to assess risks, anticipate them and effectively respond to the risks (Social Development, 2012), and this is achievable because organizations set higher principles guided by good norms and conducts of the organization staff members in protecting and achieving the organization objectives to provide humanitarian services to affected persons without cases of resource mismanagement and theft, hence having an effective risk assessment is important in promoting the performance of

any organization in terms of resource management. This is also supported by an empirical study of Msomi (2018) in South Africa on how NGO through a case study approach Crowe, et al., (2011) revealed that risk assessment promotes organization performance, while Deloitte Global Risk Review (2014) and Roberts et al. (2016) and Bilich (2016) also agrees that risk assessment risk assessment has influence on organization performance and resource management.

Further, according to the Public Risk Management Association, (2010), the process of risk assessment is very vital in terms of organization resource management and utilization because the process helps in the identification of risks which require management attention and gives the management the opportunity to identify suitable action to address the present or possible risk in the organization. This is also supported by Mancuso (2012), who explains that lack of expertise to address risks in an organization is dangerous because the process of risk assessment helps in coming up with suitable measures to address such risk and in case there are no people to do such jobs, then the organization is more likely to lose or experience resource mismanagement. In so doing, it is advisable and vital for any organization to invest time, expertise and funds in the process of risk assessment in order to achieve positive performance and resource management.

Methodology

Research Approach

This study adopted a quantitative research approach to achieve its objective. The quantitative research approach was used systematically to help collect and analyze numerical data. It aimed to quantify variables and uncover patterns, relationships, and trends through statistical methods. This type of approach was used, make predictions, and generalize findings to a larger population.

Quantitative approach emphasized a systematic approach to investigating social or human problems by testing theories composed of variables measured with numbers. The data collected was analyzed using statistical procedures to determine if the predictive generalizations of the theory hold true. Variables were typically measured on instruments to ensure objective and quantifiable data. Quantitative research often aims to establish relationships between variables, determining how one variable affects another. This approach allows researchers to make predictions, test hypotheses, and generalize findings to larger populations, ensuring rigor and reliability in social sciences research (Creswell, 2014).

Research Design

A research design is a comprehensive plan or strategy that outlines how a research study will be conducted, serving as a blueprint for the entire research process. It guides researchers in collecting, analyzing, and interpreting data. Key components include clearly defined research objectives, the approach (qualitative, quantitative, or mixed methods), sampling methods, data collection techniques (such as surveys, interviews, or experiments), and data analysis procedures. A well-structured research design ensures that the study is systematic, rigorous, and capable of effectively addressing the research questions (Amin Martin Efuetngu, 2005; Creswell, 2014; Tampubolon, 2021).

This study utilized a cross-sectional, descriptive and correlational research design. As noted by Asenahabi (2019), a cross-sectional design is a type where a researcher or the investigator measures both the outcome and the exposures in participants simultaneously and data is collected at one point in time. Additionally, the descriptive research design depicted the situation as it existed at the time of the study, following Amin's (2005) recommendations. A correlational research design was also be employed to describe the relationship between the risk assessment and financial resource management among INGOs operating in Kakuma refugee settlement, Kenya.

In a nutshell, a cross-sectional research design involved collecting data from a population at a

single point in time, providing a snapshot of the variables of interest and allowing the researcher to observe and analyze the prevalence of certain characteristics or conditions within the population. Descriptive research design aimed to systematically describe a population, situation, or phenomenon by focusing on answering the "what," "where," "when," and "how" questions rather than the "why," using methods such as surveys, observations, and case studies to gather detailed information. Correlational research design examined the relationship between the variables, measuring the strength and direction of the association, which can be positive, negative, or zero, and helped identify patterns and relationships using a regression model.

Population and Sample Size

Kakuma Refugee Settlement hosts more than 201,000 refugees, many of whom are from South Sudan and Somalia. The camp is served by a significant number of NGOs. However, this study targeted employees working in NGOs in Kakuma Refugee Settlement. Ten INGOs were purposely be selected. The INGOs had been in operation in the area for more than 10 years and this gave them the necessary experience regarding risk assessment practices they apply and financial resource management. According to the HR records of the organizations, the total number of employees in finance strategic levels total up to 90. Since the population was small and accessible, a census was applied and all the population participated in the study without restricting to the sample size.

the study applied purposive sampling technique in order to gather data only from employees of the selected INGOs and simple random sampling technique in order to give each and every employee in the 10 purposely selected INGOs equal opportunity in the study.

Research Instruments

Creswell (2014) states that there are many instruments of data collection which are used to collect data from the field to answer study objectives. Research tools are essential instruments or techniques used to collect, measure, and analyze data in a study. Common tools include surveys and questionnaires for structured data collection, interviews for detailed information, observations for recording behaviors, experiments for testing hypotheses, focus groups for diverse perspectives, case studies for in-depth analysis, secondary data analysis for using existing data, content analysis for identifying patterns in text or media, and field notes for detailed observations. According to Creswell (2014), it is appropriate to use a questionnaire for data collection because it is time and cost effective. Creswell (2014) further states that there are many instruments of data collection which are used to collect data from the field to answer study objectives. In this study therefore, a self-administered questionnaire was used to gather quantitative data.

Findings

Under this section, this study presents the finding on the effect of Risk Assessment on Financial Resource Management in INGOs in Kakuma Refugee settlement, Kenya. For this to be achieved effectively, the study established whether there was a relationship between Risk Assessment and Financial Resource Management in INGOs in Kakuma Refugee settlement, Kenya. Pearson linear coefficient correlation was done for risk assessment and financial resource management before a regression analysis could be conducted and results are presented in tables 1 and 2 in the next sections:

Table 1: Pearson Linear Coefficient Correlation for Risk Assessment and Financial Resource Management

Correlations			
		Risk Assessment	Financial Resource Management
Risk Assessment	Pearson Correlation	1	.545**

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	Sig. (2-tailed)		.000
	N	90	90
Financial Resource Management	Pearson Correlation	.545**	1
	Sig. (2-tailed)	.000	
	N	90	90

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

Source: Primary Data

Results in Table 1 revealed that the Pearson correlation coefficient between risk assessment and financial resource management is **0.545.** This value is positive, indicating a moderate positive correlation. In other words, better risk assessment practices are associated with better financial management results.

The significance level (Sig.) for this correlation is **0.000**, which is well below the commonly accepted threshold of 0.01. This shows that the correlation between risk assessment and financial resource management is statistically significant at the 0.01 level. Accordingly, there is a very low probability (less than 1%) that this observed correlation occurred by chance.

To summarize this, obtaining a moderate and statistically significant positive relationship between risk assessment and financial resource management shows the major influence of functional and effective risk assessment mechanisms in fostering better financial management practices. Having established that risk assessment and financial resource management were related significantly, the study moved to test for the effect by applying a simple linear regression model as per the results presented in Table 2.

Table 2 Regression Results for Risk Assessment and Financial Resource Management in Kakuma Refugee Settlement, Kenya

Using simple linear regression analysis model, three tables were extracted, that is Model Summary, Analysis of Variance (ANOVA) and Coefficients table as presented below.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.545[a]	.297	.289	.43213	2.036

a. Predictors: (Constant), Risk Assessment

b. Dependent Variable: Financial Resource Management

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6.942	1	6.942	37.175	.000[b]
	Residual	16.433	88	.187		
	Total	23.375	89			

a. Dependent Variable: Financial Resource Management

b. Predictors: (Constant), Risk Assessment

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.536	.210		16.854	.000
	Risk Assessment	.340	.056	.545	6.097	.000

a. Dependent Variable: Financial Resource Management

Source: Primary Data

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In the Model Summary table, an R^2 **value of 0.297 was obtained. This implied** that around **29.7%** of the changes in financial resource management in INGOs operating in Kakuma Refugee Settlement was accounted for by the INGO's risk assessment practices. Whereas, this percentage if important, it is also important to note that the remaining **70.3%** of the change in financial resource management was accounted for by other factors that were not capture by this study, they may be other internal control factor among many other reasons. This implies that other factors that influence financial resource management cannot be underrated despite the major role that risk assessment plays in shaping an organization's financial resource management.

The **F-statistic value of 37.175 in the ANOVA table** revealed a better fit than a model with no independent variables. This Sig. Value of **0.000**, is well below the threshold of 0.01, which implies that the probability that the observed F-statistic value occurred by chance is less than 0.1%. this level of significance shows how largely risk assessment influences financial resource management.

In the table for coefficients, under un standardized coefficients, the Beta value is .340. accordingly, this implies that, if there is a unit increase in risk assessment, it will lead to a .340 increase in financial resource management in INGOs in Kakuma Refugee settlement. Obtaining a positive Beta value indicates that risk assessment positively affects financial resource management as per this study's findings.

The findings in Table 2 above affirm the positive role played by risk assessment practices in improving the financial resource management in organization. The results are a testament that if organizations improve their risk assessment practices, hey will subsequently witness an improvement as far as financial management is concerned. Nonetheless, the role played by other factors should not be undermined. Combining risk assessment practices and other factors that have not been studied in this study, will help the organization realize health and stable finances. These finding are in agreement with other findings; like a study by Kaur and Sharma (2016), it stresses the importance that risk assessment practices play in reducing financial challenges faced by companies also, according to Pakhchanyan (2016), the study advocates for better risk assessment practices to save companies from losses to ensure health financial resource management in companies and organizations.

Conclusions

Based on this study's findings, this study concludes that there is a strong relationship between risk assessment and financial resource management in INGOs in Kakuma Refugee Settlement, Kenya. Risk Assessment accounts for a substantial change in financial resource management. Thus, an improvement in risk assessment practices, for-example employing modern technologies and models will have a significant effect of financial resource management of an organization. Organizations which invest in effective risk management practices will stand a better change to enjoy healthy financial resource management outputs, compared to the ones that do not invest appropriately in risk assessment practices.

Finding of this study are not any different from the other previous studies that were conducted in different context from those of Kakuma Refugee Settlement. They all agree to the fact that, risk assessment methods have a strong effect and influence on financial resource management results in organizations. Implying that the better the risk assessment practices, the higher the chances of improved financial resource management and performance of the organization.

Thus, this study recommends that organizations should invest wisely in risk assessment practices and mechanisms to have stable and healthy financial resource management outputs. Companies should invest heavily in new and modern risk assessment tools, training and retooling of the employees in risk assessment department. With such innovations, companies will benefit heavily interms of financial resource management

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which are crucial for the progress and sustainability of an organization. However, the role played by other factors like control environment, internal control systems, government policy and regulations should as well be studies to establish to what extent they influence financial resource management and how they can all be applied to ensure health and stable financial resource management outcomes.

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