

Leveraging Collaborative Financing: A Pathway to Sustaining the Social Economy

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Abstract - Social economy organizations (SEOs) operate in the third sector economy squeezed between the private and the public sectors, and focus on fulfilling social missions rather than maximizing profits. The COVID-19 pandemic dramatically disrupted and reshaped the global economic landscape of SEOs, including Agricultural Non-governmental Organizations (A-NGOs). This study sought to assess the effect of collaborative practices on financial sustainability of A-NGOs during Covid19 pandemic. The study was anchored on Collaboration theory which advocates that complex problems are best addressed through the efforts of multiple stakeholders. Data on collaborative practices including partnerships, alliances, community engagement and resource sharing was obtained from forty-two (42) A-NGO's that had fully or partially engaged in activities for at least one year preceding the COVID19 pandemic. The study adopted a mixed method research design to appraise the effect of funding alliances. The study found A-NGOs that adopted collaborative funding alliances as opposed to reliance on traditional funding partners were more sustainable. Specifically, the study found partnerships and alliances, community engagement and resource sharing as significantly essential for maintaining stable support for ongoing operations and thus enhanced their financial sustainability. The study recommended adoption of organizational policies that encourage pooling of resources; and drafting of formal guidelines where already practiced to enhance their financial sustainability.

Index Terms - Collaboration, Financial Sustainability, Funding alliances, Innovative Partnerships, Resource sharing

I. INTRODUCTION

The Social Economy (SE) entities are dedicated to achieving social objectives rather than pursuing profit, and play a key role in supporting rural communities and promoting sustainable economic practices (Avagianou, Gourzis, Pissourios, & Gialis, 2022).

These entities include among others, the Agricultural Non-Governmental Organizations (A-NGOs). Conventionally, the funding of the social economy operate under resource-constrained conditions on a mix of funding sources all drawn from a predictable pool, including government grants, international aid, private donations, and income from social enterprise activities.

The COVID19 pandemic in 2020 induced an economic downturn that resulted in *reduced funding opportunities* for the SE entities that operate in developing countries from the traditional sources such as donors who redirected resources to emergency responses (OECD, 2020). During the pandemic, interventions to support their dependent entities including farming communities and small agribusinesses was instrumental, and among the few viable means of ensuring survival of these entities (Chaves & Campos, 2022). The A-NGO's were at the forefront offering crucial support to vulnerable stakeholders and in some cases, they provided financial and business support to small enterprises, to ensure their survival (OECD, 2022). *The shift prompted in both the funding status and additional expectations demanded a re-evaluation of financial sustainability strategies within the social economy sector, and the need for innovative and robust approaches to counter financial uncertainties.*

Kay, Roy, & Donaldson (2016) presents a compelling paradigm that since the social economy entities are squeezed between the private and the public sectors, the opportunity to utilize innovative paths of financial and economic development can enhance sustainability efforts for a balanced and inclusive economic practices. During the pandemic, and in line with this proposition, many SE organizations had to innovate rapidly. A majority of the SE entities embraced digital

technologies for information campaigns and mobilization of financial resources. The result was the formation of many informal partnerships to help maintain operations (Salamon & Sokolowski, 2020). This was essential for continued operations and services delivery amidst the presence of financial uncertainties (OECD, 2022). Despite well-meaning efforts and initiatives, the A-NGO, like other entities in the economy, faced significant challenges due to the impact of COVID-19. Some organizations succumbed to various pressures, leaving their communities, beneficiaries, and staff- many from vulnerable groups - exposed. Others continue to operate under considerable constraints, while some managed to withstand the crisis and remain resilient in their operations even after the pandemic (OECD, 2022).

The need to evolve, has over time preceded innovations (Aggestam, 2024). With the pandemic, the relevance and ongoing viability of social economy entities was defined by their effectiveness in supporting vulnerable communities (East African Philanthropic Network Report - EAPN, 2022). The Social Economy entities had to innovate rapidly in order to continue delivering essential services amid financial uncertainties (Salamon & Sokolowski, 2020). Financial innovations tilted shift towards blended finance; which enabled SE entities to access more investors for diverse funding and also reduced the financial risk while ensuring long-term sustainability (Aggestam, 2024). Some of the resultant innovations adopted by SE entities were results-based financing, through which financiers demanded sustainable solutions and provided performance-linked, and transparent financial support (Avagianou, Gourzis, Pissourios, & Gialis, 2022). These innovative approaches were geared towards ensuring funds impact, and enhanced financial resilience, which could only be assessed after a period of time (Jessica, & Laura, 2020); and would cause a shift in the contingent definition of financial viability and effectiveness in the medium to long term (Kay, Roy, & Donaldson, 2016; Chaves & Campos, 2012).

II. STATEMENT OF THE PROBLEM.

The emergence of COVID-19 in early 2020 led to extensive financial disruptions and economic downturn driven by lock-downs and other precautionary measures effected worldwide. The

measures affected both organizational finances and national economies; and the social economy sector itself faced immense funding challenges during the pandemic. Most of the conventional donors redirected resources to emergency responses (OECD, 2022), and as a result, over 89% of philanthropic organizations in East Africa experienced significant funding disruptions and adversely affected their operations (EAPN report, 2022).

The Kenya government implemented various interventions among them implementation of fiscal policies to shield different stakeholders from the adverse financial implications of COVID19 effects. However, the effect of these measures were slow to reach the grassroots, leaving the Social Economy entities operating at the grass-root level almost entirely responsible in mitigating the financial effects. To counter this effect, a majority of the SE entities including A-NGOs implemented innovative and robust approaches under myriad financial uncertainties; with many embracing innovative digital technologies and formation of informal partnerships as an attempt to mobilize financial resources and maintain operations (Salamon & Sokolowski, 2020). Despite the innovations, some of the entities either shut down entirely or significantly struggled to sustain operations; while others successfully navigated the crisis successfully and were resilient and thriving post-COVID-19 (Aggestam, 2024).

Whereas existing literature provides insights into the effect of diversification on financial sustainability, there is paucity of information on how innovative funding alliances and strategies adopted during the COVID19 pandemic supported financial resilience and sustainability of the SE entities operating at the grass-root level. This study sought to establish how innovative funding strategies employed during the COVID19 pandemic influenced financial sustainability of A-NGOs with a view of drawing lessons for the broader community of social economy organizations. The specific objectives were to: assess the extent and effect of partnerships and alliances, resource sharing; and community engagement on financial sustainability of Agricultural Non-Governmental Organizations during Covid19 pandemic.

III. LITERATURE REVIEW.

The study was anchored on the collaboration theory, which is rooted in the understanding that complex problems and tasks are best addressed through the collective efforts of multiple stakeholders, bringing diverse perspectives, skills, and resources to the table. The theory does not have a single, definitive proponent but has been developed through contributions from multiple scholars across various disciplines (Gajda (2004). The theory avers that effective collaboration is achieved by the establishment of shared goals, mutual trust, and a commitment to open communication and joint decision-making processes (Rossignoli and Ricciardi, 2015). Central to the collaboration framework is the concept of interdependence. In the context of SE organizations, the theory puts an emphasis on the dynamics of inter-organizational relations, and postulate that organizations do not succeed, nor neither do they fail by themselves. The theory asserts that organizations are about relationships and networks; and just as no man is an island, no organization is an island by itself (Gesing, Antons, Piening, Rese, & Salge, 2015). The theory also emphasizes the importance of organizational structures and processes that facilitate coordination, such as clarity of roles, and defined responsibilities.

The study also considered the Strategic Alliance Formative Assessment Rubric (SAFAR) concept, which is closely linked to collaboration. The concept captures central principles of collaboration in four steps. In the first stage, networking is done in which organizations create a web of communication, and explore common interests. In addition, there has to be an identified base of support, though the structures are loose and roles and tasks for different stakeholders are not defined (Gajda, 2004). In the second stage, stakeholders initiate cooperation in diverse ways. Organizations at this level either work together to ensure tasks are done, or communally leverage or raise money, adopting common strategies. However, they still maintain separate identities, and their links are mainly advisory (Gesing et al, 2015). The third level of collaboration is partnering, which characterized critical to realize high output. At this level, resources can be shared to address common challenges and to reach mutually agreed goals. Strategies and tasks are developed and assigned to

specific people (Colbry, Hurwitz, & Adair, 2014). Although the leadership of partnering organizations is autonomous, decision making mechanisms are in place and alliance members share equally in decision making. The apex level of collaboration is merging, in which the engagement is long term, and leadership is strong and visible. At this level, there is sharing and delegation of roles and responsibilities, aimed at achieving both to achieve short and long-term outcomes (Gesing et al, 2015). Given the long-term orientation, Leadership capitalizes on the diversity of organizational strengths, and how this is done determines if the collaborating organizations will succeed or fail together (Rossignoli and Ricciardi, 2015).

Gajda (2004) describes the key benefit of partnerships as achieving common goals more efficiently. Colbry, Hurwitz, and Adair (2014) highlight the role of coalitions in driving policy changes and accessing larger funding pools. The study affirms that organizations should prioritize joining networks to leverage collective strength for advocacy and resource mobilization. Further, community engagement which involves involving community members in planning and implementation ensures programs meet local needs and gain community support (Bryson & Edwards 2017). The community involvement thus ensures that sustainable outcome is achieved.

In conducting this study, Cited literature underscored the benefits of knowledge sharing, resource pooling, and collective action in addressing complex sustainability issues. Smith et al., (2021) examined factors influencing successful collaboration, including trust, communication, and shared vision. Other studies have explored different collaboration models, from informal digital networks to formal partnerships, illustrating their effectiveness in achieving common objectives (Jessica & Laura, 2020; EAPN, 2022). In a Kenyan study, Kariuki & Omondi (2017), provides evidence for the lessons and challenges in collaborative governance in community-based forest management initiatives in Kenya. However, challenges such as power imbalances, competition for funding, and divergent priorities can hinder collaboration efforts (Garcia & Martinez, 2018). Overall, literature points to the critical role of collaboration among NGOs in advancing

sustainability agendas, and this study sought to establish effectiveness in this practice in enhancing financial sustainability among responding firms during Covid19. In the context of this study, collaboration theory provides a crucial lens for evaluating how the financial challenges experienced during the pandemic led to the hunt for strategic and innovative alliances and influenced the financial sustainability of Agricultural Non-Governmental Organizations (NGOs). By focusing on the innovative collaborative efforts, the theory helped to elucidate how shared goals, mutual trust, and coordinated financial strategies contributed to organizational resilience in the A-NGOs that were able to navigate the financial disruptions and challenges posed by the COVID19 pandemic.

IV. RESEARCH DESIGN.

The study adopted a mixed-methods research approach which combined both qualitative and quantitative techniques. This was in order to provide a comprehensive understanding of how innovative funding strategies employed during the COVID19 pandemic influenced financial sustainability of Agricultural Non-Governmental Organizations during the COVID19 pandemic (Dawadi, Shrestha, & Giri, R. A. 2021).

The research was conducted as a census study targeting finance officers in A-NGOs in Kirinyaga County, Central Kenya. Finance officers in all the forty-two (42) A-NGO's that had fully or partially engaged in agricultural activities for at least one year preceding the COVID19 pandemic were included in the study, regardless of the level of success in the operations of the respective A-NGOs. The entity's collaborative practices were assessed through both the questionnaire and follow-up interviews. The questionnaire included items related to the frequency and nature of collaborations with other public private entities, other communities, and assessed the effectiveness and challenges of these collaborations. The dependent variable, Financial sustainability was assessed using a 5-point likert scale on statements examining if the organization had a well-diversified funding base to reduce reliance on a single donor or funding stream; if it maintained financial reserves sufficient to cover at least three months of operating expenses; whether the entity had a clear and regularly

updated financial sustainability strategy aligned with its long-term mission; if the entity had strong internal controls to ensure efficient resource utilization; and if the entity generated a portion of its income through self-sustaining activities. Responses on the independent variable were analyzed using descriptive statistics, inferential analysis, and an analysis of the responses received from the follow-up interviews to enrich the discussions.

V. RESULTS

A. Response rate

Thirty seven (37) questionnaires were filled out comprising 88.1% response rate. The response was rated as adequate for data analysis as it was above the 50% threshold (Epstein & Buhovac, 2017).

B. Financial Sustainability

Respondents were presented with statements to rate their perceived financial strength and asked to rate them on a scale of 1-5. Findings (Table 1), yielded a perceived financial sustainability index of 0.61% on sustainability. Eleven out of the 37 respondents (29.7%) were however adversely affected by the pandemic and had either shut down or had put a majority of their operations on halt.

Table 1: Perceived Financial Sustainability

Statement on financial sustainability	Mean Rating	SD
<i>The organization had a well-diversified funding base to reduce reliance on a single donor or funding stream.</i>	3.15	3.474
<i>The entity maintained financial reserves sufficient to cover at least three months of operating expenses.</i>	3.34	5.163
<i>The entity had a clear and regularly updated financial sustainability strategy aligned with its long-term mission.</i>	2.5	1.117
<i>The entity had strong internal controls to ensure efficient resource utilization.</i>	3.46	2.348
<i>The entity generated a portion of its income through self-sustaining activities.</i>	2.67	2.390

Collaborative Practices

The study sought to establish if the responding entities collaborated with other entities in the region engaged in similar activities; and if such collaboration enhanced resource optimization and sustainability. Findings (Table 2) show that collaboration increasingly emerged as strategy of enhancing financial sustainability.

Table 2: Collaborative Practices

Collaborative Practice	Observed activity(s)	Sustainability	Observed Benefits
Partnerships & Alliances	Agri- business Partnerships	Moderate	Enhanced visibility
	Alliances with cooperatives	High	Community networks
Resource / Knowledge sharing	Government Programs, Training/ capacity building	High	Enhanced entrepreneurial skills;& financial literacy
	Grant for research	Low	Not significant
Community-based	Shared infrastructure	High	Resource pool
	Crowd funding	High	Resource pool Project ownership

The study found 65% of A-NGOs engaged in partnerships with entities that support sustainable initiatives. This enhanced visibility within the industry. Additionally, 72% of respondents reported forming alliances with local cooperatives for initiatives which facilitated knowledge sharing and strengthened community networks, enlarging the possible funding networks (Nkirote, 2020). At the time of the research, 22 respondents (59.4%) were collaborating with government departments in training and capacity building diverse respondents. The training aimed equipping respondents with

entrepreneurial skills. The study also found and 20 of the A-NGOs (55%) were directly or indirectly engaged in some form of joint ventures including infrastructure development 9 (24%), or business value chain projects 11 (31%). The findings underscored the importance of collaborative practices in fostering resilience and sustainability in A-NGOs (Edwards & Fowler, 2021), and consistent with the assertion that participation in coalitions is as important as having diversified projects, and is a viable approach for operational stability in uncertain environments (Kinyua & Bwisa, 2016).

C. Regression analysis and Hypothesis testing

The research hypothesis was stated as “Strategic collaborative practices had no statistically significant effect on financial sustainability of A-NGOs during the COVID-19 pandemic”. Findings are presented and discussed as per the results in tables 3,4,5 and 6

Table 3: Model summary - Collaborative Practices

Model	R	R-Square	Adjusted R-Square	Std. Error of Estimate
1	.812	.659 ^a	.630	0.512

The model results yielded $R^2 = .659$, indicating that approximately 65.9% of the variation in financial sustainability is explained by the independent variable(Col) in the model, implying a good fit. The adjusted R-square = 0.630 supported the explanatory power, and model’s significance. Consistent with the model summary findings, ANOVA results (Table 4) yielded P-value = 0.000, affirming that collaborative practices highly explain variations in financial sustainability.

Table 4: ANOVA- Strategic Collaborative Practices

Model	Source	Sum of Squares (SS)	df	Mean Square (MS)	F	P-value
1	Explained Variance	24.305	3	8.102	30.933	.000
	Unexplained Variance	12.604	33	0.382		
	Total	36.909	36			

The high unexplained variance (df=33) suggested the independent variable did not account all variations in financial sustainability; meaning that other unobserved predictors of collaboration could be fundamental. However, regression output (Table 5)

suggested a similar effect on each of the drivers; Partnerships & Alliances, community engagement, and resource sharing as all yielded p-values <.005

Table 5: Regression Output -Drivers of Collaborative Practices

Predictor	Unstandardized Coefficient (β)	Standardized Coefficient	Standard Error	t-value	p-value
Constant	1.482	0.498	-	2.975	0.006
Partnerships & Alliances	0.417	0.133	0.488	3.135	0.004
Community engagement	0.295	0.114	0.347	2.588	0.015
Resource sharing	0.212	0.096	0.254	2.208	0.034

The overall regression output of collaborative practices as a single predictor of financial sustainability is as shown in Table 6.

Table 6 : Collaborative Practices Regression Output

Predictor	Unstandardized Coefficient (β)	Standardized Coefficient	Standard Error	t-value	p-value
Constant (Intercept)	0.931	0.371	-	2.510	0.018
Collaborative Practices	0.658	0.527	0.101	5.181	0.000

The coefficients in the regression output, supported by a significant p value = 0.000 <0.05 suggested that collaborative practices is critical for financial sustainability. The null hypothesis stated “Strategic collaborative practices had no statistically significant effect on financial sustainability of A-NGOs during the COVID-19 pandemic” was thus rejected.

VI. DISCUSSION

The study results underscore the essential role of collaborative practices (COL) in strengthening the

sustainability of A-NGOs. The findings indicated that all the predictors of collaboration were significant. The study found that collaboration is key for sustainability, with all the 11 responding entities (29.7%) that had either shut down or scaled down operations not having any significant collaboration arrangements. The findings support the observed fact that collaboration facilitated resource sharing which resulted in cost reduction; consistent with assertions by Bryson (2018), on survival means of adapting to external shocks while maintaining mission-driven activities.

The study also found Partnerships enabled the responding organizations to pool expertise and funding, with 32(86.4%) of the entities affirming that partnerships and alliances led to more efficient financial management, and helped to foster innovation by integrating diverse perspectives. The findings mirror propositions in the SAFAR rubric that at the second level, stakeholders initiate cooperation by either working together to ensure tasks are done, or communally leveraging on common strategies adopted; provide mutual advisory roles although they still maintain their separate identities (Gesing et al, 2015).

Besides using joint projects to address shared community challenges occasioned by the COVID19 pandemic, Collaboration was useful in forming strategic alliances with government agencies for the much needed efficiency in humanitarian service delivery. Although this was beyond their mainstream business of supporting sustainable ventures, it was however a viable channel that also led to partnerships and formation of consortium to pool resources, knowledge, and best practices from other corporate entities for funding and CSR initiatives within the larger community. The findings revealed no much research collaborations were present during the pandemic period with only 3 responding entities (8.1%) having ongoing collaborations with academic or research institutions.

Although the study concluded that collaboration builds a resilient financial foundation for long-term success, the unexplained variance in the model (12.604; df=33) suggested other factors may also significantly impact collaborative outcomes. The possible influence of other factors that affect collaboration not in the model was hinted in the open

ended interviews. as affecting the dynamics of collaboration. Internal elements such as organizational culture, leadership style, and past partnership experiences; as well as external factors including community trust were all mentioned in the open ended interviews as affecting the dynamics of collaboration. These variables, though critical were omitted due existing research constraints including challenges in quantifying qualitative influences in a mixed study.

VII. SUMMARY

Partnerships, community engagement, and resource sharing, emerged as practices that significantly bolster NGO sustainability by enhancing resource efficiency and fostering legitimacy. Alliances with other entities operating within the region allowed the A-NGOs to pool resources, share expertise, thereby creating synergies ensuring that programs are locally relevant, building trust and support. Resource sharing, such as joint use of experts and technology increased operational flexibility, enabling NGOs to adapt to changing circumstances while maintaining service delivery (Munro & Connolly, 2019). Collectively, these practices were found to align NGOs with the communities they serve, enhancing both their operational capacity and long-term sustainability.

VIII. CONCLUSION

The influence of collaborative practices was explored in the study. The study concluded that collaboration is key to financial sustainability as it enables organizations to share resources, expertise, and risks. The study also found that collaboration led to innovative funding strategies and diversified revenue streams. The study thus recommends that SE entities adopt a collaborative approach in order to secure additional support and build a resilient financial foundation that underpins long-term financial stability and growth. However, the study acknowledges the possible effect of other factors mentioned during the survey but not adequately measured including internal elements as organizational culture, leadership style, and past partnership experiences, as well as external factors including regulatory environments, socio-political contexts, and community trust. The study therefore recommends further research and model refinement to

uncover and integrate these additional predictors for a more comprehensive understanding of collaboration.

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