Financial management practices and financial sustainability of non- government organisations in Uganda: A case of Faraja Africa Foundation

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DECLARATION

I, Basemera Elsa hereby declare that this dissertation is my original work and has never been submitted for any academic award or publication in any institution or University. There has been acknowledgement made for the work of others in this report, through quotation and references.

Signed..........................

Date..01/08/2023.

APPROVAL

This is to certify that this dissertation has been done under the appointed research supervisor and is now ready for submission to the School of Business at Uganda Christian University.

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NGOs	Non-Governmental Organizations
USAID	United States Agency for International Development
CSOs	Civil Society Organizations
DGF	Democratic Governance Facility
KMTC	Kenya Medical Training College

ABSTRACT

Non-Governmental Organizations being so crucial in developing countries for instance Uganda, their financial sustainability is a challenge since most of them rely on donor funding and the donors expectations need to be met. The purpose of the study was to determine the effect of financial management practices on financial sustainability of Non-Governmental Organizations in Uganda. The study mainly examined the effects of financial management practices on financial sustainability of Non-Governmental Organizations. The theory of budgeting, contingency management theory and sustainability theory were used to underpin this study. The study used a cross-sectional study design. The target population was forty-three comprising of senior account managers, Program managers, finance managers and administrators. Questionnaires were used as the main data collection instrument which the study relied on to collect data and was later analyzed by use of descriptive statistics in form of frequencies, mean, standard deviation and analysis such as Pearson correlation and regression analysis. The findings revealed that the financial management practices which were financial reporting, budgeting control and internal controls have a positive effect on the financial sustainability of NGOs. The study recommends that NGOs should emphasize and monitor financial management practices such as financial reporting, budgeting control and internal controls due to their significant influence on the financial sustainability of NGOs.

CHAPTER ONE
INTRODUCTION

1.1 Introduction

This chapter provides a background, theoretical and contextual aspects of the study. The chapter also provides the problem statement, the purpose, objectives, research questions, significance, justification and the scope of the study.

1.2 Background

NGOs are institutions that advance development which consists of a variety of functional, geographic, membership, and organizational groupings (Nzimakwe, 2008). For non-profit making organizations, financial management practices strengthen the sustainability of the financial status of NGOs to enable management to achieve the set objective (Rajni & Preeti, 2011).

Financial sustainability has for a long time been a major constraint in running various donor funded projects by civil society organizations around the world (USAID, 2018).According to USAID, despite there being a variety of different toolkits and research papers done on investigation of different financial sustainability approaches and strategies, many CSOs continue to struggle in developing and maintaining various resources needed to run their projects and also carry out their respective missions.

Financial sustainability has affected many NGOs, creating financial sustainability for an NGO rotates around all stakeholders in the environment where it operates (Bell, 2010).This critical challenge continues to limit the autonomy of organizations across Uganda by obstructing their durable planning and being flexible in running various organizational affairs. Financial sustainability has become a very popular topic in the NGO world given the fact that there is "donor fatigue" in rich nations. For example, the suspension of DGF in Uganda and the recent economic recession has dramatically influenced trends in donations, particularly from individuals, as Americans have less disposable income to continue the funding to non-profit organizations at the levels and volumes that they had in previous years.

Non-profit organizations are struggling financially, particularly those that rely on government funding with 61 percent of nonprofits reporting cuts in government funding- as well as those that rely solely on foundations for monetary contributions with 48 percent of nonprofits reporting cuts in foundation funding (Renz et al., 2010).

According to a study conducted by Kusemererwa and Kibuye (2019), many local NGOs face financial sustainability issues, hindering their ability to achieve their missions effectively. In Uganda, local NGOs heavily rely on donor funding, making them vulnerable to changes in funding priorities and donor priorities (Batanda, 2019). Additionally, inadequate financial planning, weak financial controls, and inefficient practices can contribute to financial instability and hinder the financial sustainability of local NGOs. Therefore, understanding the effect of financial management practices on the financial sustainability of NGOs is crucial for their long-term viability and success.

The study found that poor financial management practices, including inadequate financial reporting, inadequate budgeting controls and inadequate internal controls, and were significant barriers to financial sustainability among local NGOs.

1.3 Problem statement

Financial sustainability is important to non-government organizations for stability and improvement of growth.

It is important that NGOs develop diverse resource bases so as to continue institutional structure and production of benefits to the client population after the cessation of donor financial support (Bowman, 2011). Local NGOs that depend on donor funding face a challenge of sustaining their projects due to the financial and accounting procedures set by the donors. NGOs in Uganda and internationally have experienced a significant withdraw of major donor funding or budget cuts, a challenge leading to the collapse of many NGOs due to lack of resources required to implement the NGOs mandate.

The DGF, the largest pool of donor funding to non-government organizations in Uganda terminated funding to four local non-government organizations, when a forensic audit unearthed widespread rot and corruption. There where unsupported expenditures, absolute theft, inappropriate procurements and use of same documents to account to different donors. These were some of the issues exposed. Some of the non-government organizations provided receipts dated before events had taken place, or for fuel consumption tagged to license number plates that turned out to belong to heavy-duty diesel trucks, which did not belong to the non-government organization's fleet. (DGF Annual Report 2019).

Most NGOs closed offices with many of them left with no funding for projects, and some Kampala based larger NGOs are still managing the project on a restricted budget. This situation came with serious financial and operational problems for NGOs during and after the COVID-19 pandemic. With many NGOs at the risk of losing their funding sources and grants because of the COVID-19 pandemic. (Uhuru, 2020)

Many NGOs face challenges in managing their financial resources effectively, leading to financial instability and organizational inefficiencies. Limited resources, lack of financial planning, weak internal controls, and inadequate financial literacy among staff can all contribute to financial sustainability issues (Kibirige & Musinguzi, 2020).Therefore, it is due to this predicament, that the study seeks to examine the effect of financial management practices on the Financial sustainability of non-government organizations.

1.4 The main objective of the study

To analyze the effect of financial management practices on the financial sustainability of Non-Governmental Organizations in Uganda: A case study of Faraja Africa Foundation.

1.5 Specific objectives of the study

I. To examine the influence of financial reporting tools on financial sustainability of Faraja Africa Foundation.

II. To assess the effect of budgeting controls on financial sustainability of Faraja Africa Foundation.

III. To examine the effect of internal controls on financial sustainability of Faraja Africa Foundation.

1.6 Research questions

I. How do financial reporting tools affect the financial sustainability of Faraja Africa Foundation?

II. How do budgeting control affect financial sustainability of Faraja Africa Foundation.?

III. How do internal controls affect financial sustainability of Faraja Africa Foundation.?

1.7 Significance of the study

This study would be of great importance to the board of directors and management of NGOs as it will evaluate the financial management practices and develop recommendations for strengthening financial management thus enhancing financial sustainability of NGOs. This study will provide information to students thus filling the information gaps students have about the effects of financial management practices on the financial sustainability of NGOs. The findings of this study will be useful to local NGOs in Uganda, donor agencies, policymakers, and researchers. The study will provide insights into the effect of financial management and practices on the financial sustainability of local NGOs.

The study also identified key financial management practices that can improve the financial sustainability of local NGOs. The findings of this study can be used by local NGOs to improve their financial management practices and enhance their financial sustainability. Donor agencies could use the findings to assess the financial sustainability of local NGOs before providing funding.

Policymakers could use the findings to develop policies and guidelines that promote financial sustainability among local NGOs. Researchers could use the findings to further explore the relationship between financial management and practices and financial sustainability in other contexts.

1.8 Justification of the study

The rationale of carrying out research on this study was to determine how the financial management and practices affect the financial sustainability of NGOs which are being funded by donors. The level of donor contribution to local NGOs in Uganda has gradually reduced as donors and partners withdrew from funding thus affecting the operations of NGOs.

1.9 Scope of the study

1.9.1 Content scope

This study focused specifically on local NGOs operating in Uganda. It involved a case study approach, selecting a representative sample of local NGOs for in-depth examination of their financial management practices and financial sustainability. The study considered factors such as financial reporting, budgeting control and internal controls as key elements of financial management.

1.9.2 Area scope

This research focused specifically on Faraja Africa Foundation located in Kasanga-Muyenga, Kampala, Uganda. This study examined Faraja Africa Foundation within Kampala district thus collecting information from a variety of respondents, which provide a more representative state of affairs with regard to financial management practices and financial sustainability of Faraja Africa Foundation.

1.9.3 Time scope

This study based on my findings during the time period of 2020 to 2023 since during this time period Local NGOs faced financial sustainability challenges due to their financial management practices. (CSO sustainability index report 2021)

1.9.4 Limitations of the study

The limitations that were faced when carrying out the study include; some respondents wanted compensation for the kind of information they are willing to provide during visits of some institutions. Some respondents were not willing to provide the necessary information to the questions being asked. The management of the organization were mostly busy or not available to respond to my questionnaires thus increasing my costs since I had to go back to the organization over and over again so as to interact with management of the NGOs. Some of the respondents were not willing to take part in answering the questionnaires of this study.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter presents relevant literature behind financial management practices and financial sustainability of projects while putting more emphasis on theoretical review**,** linking the variables using a conceptual framework and empirical review in the research as discussed below in this chapter.

2.2 Theoretical Framework

This section covers selected theoretical framework of the study on NGOs' financial management practices and financial sustainability. This study adopted the theory of budgeting, contingency management theory and sustainability theory as described below.

2.2.1 Theory of budgeting

Theory of budgeting was found by Lewis (1952) so as to attempt to apply the principle of marginal utility. Lewis stated that the analysts have to put more focus on the public expenditure increments at the margin. The reason being that it is at this point that the analysts may be able to discover the point of balance at which same returns are yield by any additional expenditure. These increments relative value can be examined in terms of how effective they are when it comes to achievement of a common goal.

According to Fabozzi (2010) outlines that budgeting theory makes it clear that budgeting is a process that is ongoing and consists of five key stages; investment screening and selection for identification of projects in consistent with corporate strategy that are identified by the management or the project especially where project evaluation and screening is done to estimate how they may influence the cash flows in future. The second stage is the capital budget proposal, which is followed by approval of budgets and issuing authorization. The fourth stage involve project tracking while the fifth stage is the post completion audit whose purpose is to depict how the realized benefits may be in accordance to the initial plan.

In order to achieve effectiveness in financial management and avoid uncertainties and also minimize wastage of financial resources, budgeting and budgets become very vital in any organization (Fang, 2012). He further stated that it is through budgeting that account statements are prepared and proper allocations of the financial resources that may be available done. This implies that budget is a policy on which incomes and expenditures are based. The budgeting proponents also argue that budgets have other several important roles that they play in the running of the organizations. For instance, Nelly et al (2003) states that it is through budgeting that resources are allocated, operations properly coordinated and performance measurement means provided.

2.2.2 Contingency Management Theory

The contingency theory is by Fiedler (1964). Contingency management theory is defined as a management theory that suggests the appropriate style of management is dependent on context of the situation and adopting a single, rigid style is inefficient in long term survival. Fiedler (1964) argues that management effectiveness is contingent that is to say it is dependent upon application of management practices and situations.

The contingency management theory is applied since management of NGOs depend on other organizations that are growing early before NGOs thus there many things adopted from that theory such as financial accountability, transparency of management, procedures for fund management, financial planning and financial monitoring. The contingency theory says that the structure of an organization is dependent on the organization’s practices, environment and the effectiveness of the managerial processes for instance financial accounting system, financial monitoring and control, financial planning and budgeting as well as financial accountability is dependent on the structure of the organization.

According to Fiedler (1964), in this theory there is direct correlation in the practices adopted by a manager and the effectiveness of the manager. He also argues that not all management practices will be helpful in specific crisis and thus the manager would have to adopt new strategies. Fiedler (1964) says that there is no best way to manage an organization and that managers will require to identify new practices that will help achieve outlined goals and objectives. This theory helps explain to management of NGOs the need to ensure financial accounting system, financial monitoring and control, financial planning and budgeting as well as financial accountability practices that are being adopted by managers best suit the task at hand and that is financial sustainability of local NGOs.

In conclusion, this theory helps management to understand the differences in donor's approaches, financial procedures, strategies to counter risky and practices to assume in the NGOs hence financial sustainability of local NGOs.

2.2.3 Sustainability Theory

Ekardt (2009) developed the most popular sustainability theory that describes a form of society where a global scale economy can be lived and at the same time is lasting. The theory therefore implies that the claim is ever changed by the claim. Sustainability has become not only the claim to take to environmental and socio-economic policies to not be dependent of any relationship in space and time and develop a middle ground between the facets (Ekardt, 2009).

According to Amartya (2012), in different circumstances, visualization of opportunity and capital relationship is done from a different perspective, resources spent on the poor can be visualized as an investment in future. An economist suggest that by developing today's options, future options are created thereby driving a greater development. This theory is important in measuring the financial sustainability of NGOs, a case of local NGOs in Kampala by examining the projects record growth, improved standards, financial strength, level of planning, financial resilience, organization longevity and deficit/surplus in income over spending.

2.3 Conceptual Framework

Financial sustainability is the dependent variable for this study which will be determined by how the independent variables, which are financial management practices, will be operationalized. Different aspects of financial management practices that this study employs include financial reporting, budget control and internal control as shown in figure 2.1.

Independent Variables **Dependent Variable**

(Financial Management Practices) (**Financial Sustainability**)

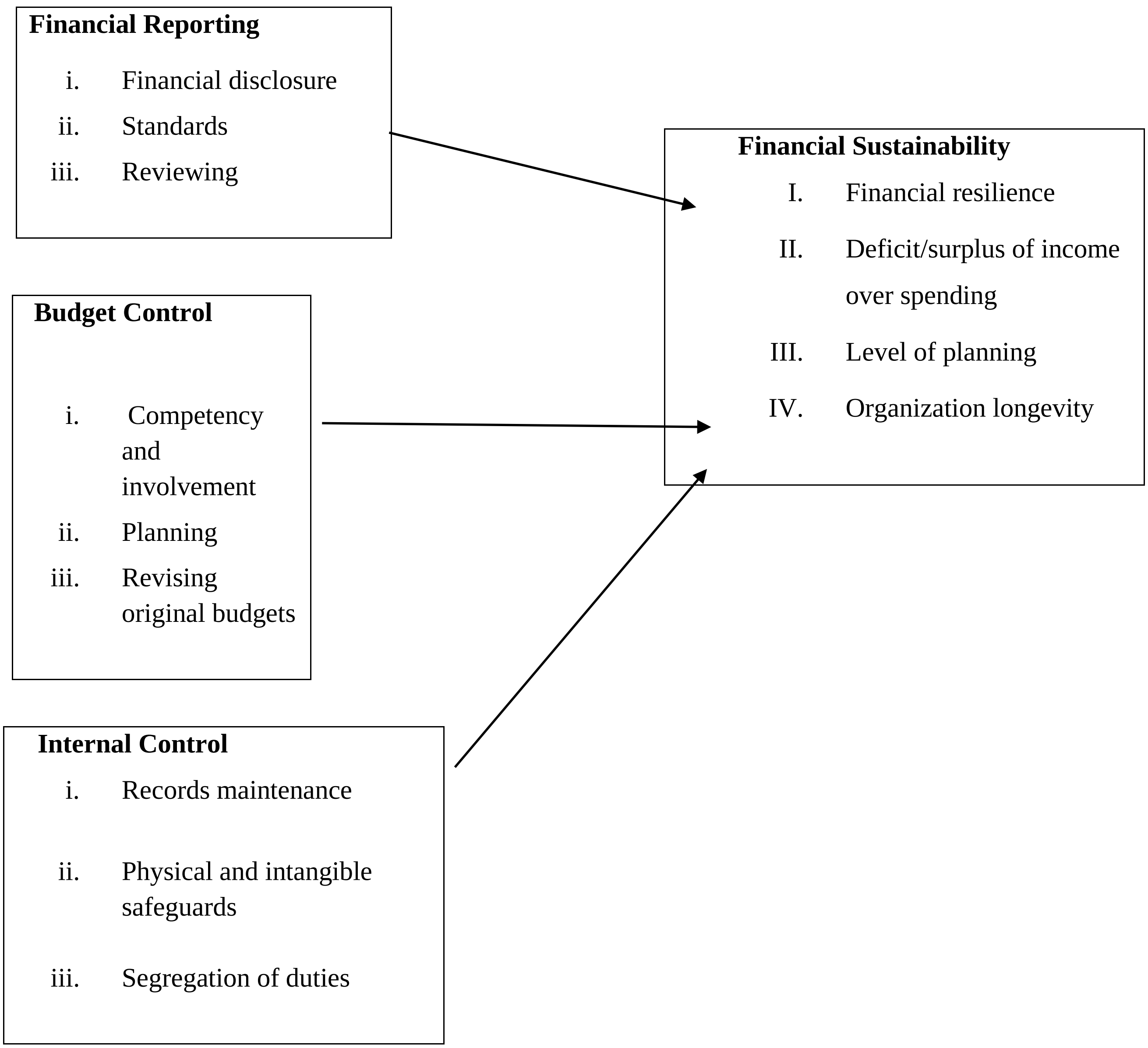

Figure1: conceptual framework

Source: Author (2023)

2.4 Empirical Review

This section discusses some work done by previous researchers concerning financial management practices in relation to financial sustainability to identify the research gaps and possible remedy measures.

2.4.1Financial Reporting and Financial sustainability

Chepkemoi and Njeru (2017), argued that financial reports review, having proper planning in place, continuous monitoring and control of the budgeting process may have positively affect the financial sustainability of NGO's, Juba, South Sudan. However the study failed to consider the internal controls as aspects financial management practices.

According to Demba (2018), it was disclosed that financial disclosure and tracking by use of record keeping, managing data, having internal accounts experts and communicating financial information extensively affected KMTC's performance. By having proper financial reporting as an aspect of financial management practice, it may often be easier to extrapolate the contribution of every program on the organizations financial sustainability. This study did not put into consideration the internal controls as aspects financial management practices.

Desta et al. (2018) argued that financial reporting may have an effect on how profitable small scale enterprises are, and hence affect their long- term survival. The study did not consider financial sustainability, more so it was conducted on very different scope and population. The study focused on financial sustainability while targeting the NGOs in Kampala, Uganda.

Wandera and Sang (2017) in their study concluded that reviewing of financial reports, having proper plans in place with structured monitoring and evaluation may have a significant positive influence on the NGO's financial sustainability. They further stated that the financial sustainability may be limited or depend on donor relationship and income source diversification. However the study was particular on project sustainability which is dissimilar to financial sustainability.

This study strived to establish financial reporting in NGOs in Kampala and its effect on financial sustainability of the NGOs.

2.4.2 Budgeting Control and Financial Sustainability

In a study conducted by Kang'aru and Tirimba (2018) it revealed that budgeting and financial planning may have a positive and significant relationships. They further argued that for organizations to improve on their financial sustainability there is need to ensure that they prepare their budgets prior to budget year. They also argue that regular budget plans follow up by the organizations and budgeting committee to evaluate the budget performance regularly is necessary. However the study only focused on budgeting as a financial management practice and failed to consider how other financial management practices affect financial sustainability within NGOs.

Chepkemoi and Njeru (2017) in their study pointed out that financial management practices such as budgeting may likely influence the financial sustainability of NGO's by increasing their budgeting controls. The study argued that budgeting controls may have a positive influence on financial sustainability of NGO's. From the literature reviewed, there are conclusive findings based on the budgeting practices and the financial sustainability of organizations.

For instance, Norah et al. (2015), concluded that decisions involving capital budgeting affect the organization's performance in aspect of financial sustainability. According to Essra (2016), there is statistically significant relationship between budgeting and financial sustainability.

This study strived to establish budgeting controls in local NGOs in Kampala and their effect on financial sustainability of the NGOs.

2.4.3 Internal Control and Financial Sustainability of NGOs

A number of studies have been carried out on internal controls in NGOs and the mixed findings have been reported. Beam (2011) stated that USAID funded NGOs that have been closed due to weak internal control system spanning from the control environment to monitoring. Key findings on weaknesses in internal controls found by Beam (2011) included lack of financial or control competencies, ill-defined direct or broken-line reporting relationships, fraud and embezzlement and sole control of the NGOs financial resources.

An empirical study by Okorley and Nkrumah (2012) in Ghana found that the availability of funds, quality material resources, supportive leadership, development of needs-based and demand-driven programs, and effective management had a significant influence on the sustainability of local NGOs. Significantly, leadership emerged as the most important factor to organizational sustainability of local NGOs. The study recommended strengthening of internal controls by promoting transparence and accountability in NGOs.

Okorley (2012) equally attributes that financial sustainability is dependent on proper governance systems and organizational structure in the NGO whereas Njeru (2017) of Kenya in her study found that the control environment, risk assessment, control activities, information and communication and monitoring contributed to 75.7% of the variation in financial performance among manufacturing firms. Furthermore, Ibrahim, Yasin and Dahalin (2010) found that the operational self-sustainability of Tele-centers established by government, NGOs and private sector depended on internal control considerations of effective financial controls and monitoring supported with ethical management practices.

Ibrahim, et al (2010) observations are supported by Gunderson (2011) who contends that for financial sustainability to succeed, effective financial management (i.e. funds flow control systems, financial planning, budgeting systems, asset management systems, accounting policies and procedures, internal and external auditing systems, reporting and monitoring systems, information systems, financial analysis and plan implementation) is required. This study strived to establish the internal control practices in local NGOs in Kampala and their effect on financial sustainability of the NGOs.

2.5 Summary of literature review

Organizations have to counter the challenge of ensuring that all their objectives are met and at the same time not compromising their financial sustainability. In order for organizations to remain financially sustainable when conducting several projects, there is a need to see to it that proper financial management practices are followed to the latter. From the reviewed literature, several researchers argue different ways on financial management practices in organizations and how financial sustainability can be achieved in an organization, some even giving contradicting results and conclusions from their studies.

There is increasing demand for instituting effective internal controls in NGOs however, there are few studies which have examined the relationship between internal control and financial sustainability of NGOs in Uganda.

To fill the literature and knowledge void, this study aimed at providing empirical evidence on the relationship between financial management practices of financial reporting, budgeting controls, internal controls and financial sustainability of the NGOs.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

Chapter three presents the methodology that was used for the study. It comprises of research design, study population, sample size, sampling techniques and procedure, data collection methods and instruments, validity and reliability, data analysis, measurement of variables and ethical considerations.

3.2 Research design

According to Borg, Meredith & Gall, (2008), Research design is defined as a plan that was used to conduct the research. Lesage (2009), defines research design as a structural presentation of the plan or strategy of examination which is intended to address a particular question under research. Mugenda and Mugenda (2008) define it as a conceptual structure in conducting a research.

This study used a cross-sectional study design using a mixed method of qualitative and quantitative approaches. The cross-sectional design was used since the data on financial management practices and financial sustainability of NGOs were collected at that point in time (Cohen, Manion, and Morrison, 2007).

As justified by Amin (2005), the quantitative approach was used in the study since it, described in quantitative terms the degree to which variables is related. It involved collecting data to determine whether and to which degree a relationship exists between the two variables under study. The degree of relationship was expressed as a correlation coefficient while the extent to which the dependent variable influences the independent variable was expressed using regression techniques.

The explanatory design assisted in making it possible to investigate the degree of relationship between the variables. It enabled the researcher to come up with the connection between independent variable and dependent variable so as to figure out the effect and explain the relationship between the variables.

3.3 Study population

The proposed population was 43 employees who comprising of 10 senior account managers, 6 program managers, 10 finance managers, 7 Administrators.(Faraja Africa Foundation Records, 2023).

3.3.1 Determination of sample size

Sample size refers to the number of respondents who take part in the study (Donald, 1999). It was anticipated that a sample size of 43 respondents was drawn from the population of 86 respondents which was determined with the help of Krejcie & Morgan (1970) sample size determination (see Table one below).

Category of respondents	**Accessible population**	**Sample size**	**Sampling technique**	**Study tool**
Senior Account Manager	10	20	Purposive	Questionnaire
Program Manager	6	30	Purposive	Questionnaire
Manager Finance	10	20	Purposive	Questionnaire
Administrator	7	16	Purposive	Questionnaire

Total	**43**	**86**		

Table 3.1: Accessible population, sample size, technique and instrument

3.4 Sampling Design

Ngechu (2004) emphasizes the importance of selecting a representative sample through a sampling framework. The list of all cases in a community which a sample is extracted is a sampling framework for any particular probability sample Saunders et al. (2007).From the sample framework, the required number of companies, respondents or subjects were selected to sample.

Purposive sampling method was used to determine the sample

3.4.1 Purposive sampling

The purposive sampling technique, also called judgment sampling, is the deliberate choice of an informant due to the qualities the informant possesses. It is a nonrandom technique that does not need underlying theories or a set number of informants. The researcher decided what was needed to be known and set out to find people who can and are willing to provide the information by virtue of knowledge or experience (Bernard 2002, Lewis 2006).

Purposive sampling is especially exemplified through the key informant technique (Bernard 2002,), wherein one or a few individuals are solicited to act as guides to a culture. It was used to select senior account managers, program managers, administrators and finance managers.

3.5 Data collection method

An introductory letter of the researcher was sent to the relevant organization with the view to collect data and to explain the purpose of the research. An assurance of confidentiality and instructions was provided to encourage participants to give honest responses. The study used primary and secondary data. This study used one method to aid data collection. These include a questionnaire as indicated below.

3.5.1 Questionnaire

The questionnaire method was used to obtain quantified findings which were statistically analyzed. The method allowed the researcher to set up close ended questions on financial management and financial sustainability. The questionnaire approach allowed the distribution of the questionnaires which were answered by respondents at their convenience (Amin, 2005). It is a comparatively cheaper method and allows the collection of information from a bigger group of respondents. The questionnaire was administered on the target population.

3.6 Data collection instruments

This study used one instrument to facilitate data collection namely questionnaire as indicated below.

3.6.1 Questionnaire

This instrument was designed with closed ended questions. It was used to obtain quantified data on financial management practices and financial sustainability. The instrument were made up of three sections namely; section I for respondents bio-data while section II for questions on financial management practices financial reporting, budgeting control, and internal control. Section III questions focused on financial sustainability all based on a five item scale from the highest to the lowest in that order for instance 5= strongly agree, 4= agree, 3= undecided, 2= disagree and 1= strongly disagree.

3.6.2 Validity of the data collection instruments

Cranach performed an experimental test to validate the questionnaire. This was done by administering the questionnaire to the pilot groups, including, among others, the finance and management staff of CARD, CAPECS, ProNET, CARO and YARO. The validity of the search tool content was assessed by the actual administration of the experimental group. When validating the tools, 2 staff were randomly selected.

The study used both face and content validity to determine the validity of questionnaires. The face validity is in fact a nominal value. To verify the apparent validity, test, survey elements are sent to the experimental group for modification suggestions. The validity of the content inferred test scores in a wide range of elements similar to those found in the Polkinghorne (1988) test.

The validity of the content indicates the representative character of the population sample. It means the knowledge and skills covered by the test elements should be representative of the broader field of knowledge and skills (Cranach, 1971). There is no valid test method. Again, any valid evidence must be trusted. Using this statement, it was concluded that validity plays an important role in the analysis, because it ensures the conclusion of accurate results.

3.7 Data analysis techniques

Data was analyzed quantitatively as shown below.

3.7.1 Quantitative analysis techniques

Quantitative data was analyzed using frequencies, percentages, mean, variance and standard deviation. Statistics like the Pearson correlation; at a level of significance at 95%, p value < 0.05

will be used to test the relationship; positive (+) or negative (-) between the variables. Finally, a multiple regression was used to determine variance that financial management practices have on financial sustainability.

3.8 Measurement of variables

Two kinds of measurement for instance ordinal and nominal scale were used. The ordinal scale was used on financial management practices based on a five point type scale; 5 for strongly agree, 4 for agree, 3 for not sure, 2 for disagree and 1 for strongly disagree. The scale was used to obtain numerical results. A nominal scale was used to understand the bio data especially gender, age of respondents and project roles among others.

3.9 Ethical considerations

A number of ethical considerations were observed during the study. The researcher planned to seek the consent of identified respondents where a consent note accompanied the instruments that to be used for the study. The study respondents were treated with utmost confidentiality where all expected information was treated with secrecy.

CHAPTER FOUR
PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

4.1. Introduction

This chapter analyses and interprets the study findings of financial management practices and financial sustainability of Faraja Africa Foundation based on the information provided on the study questionnaire and interview guide. It presents the response rate, background information about the respondents and a presentation of the findings.

4.2. Response Rate

A total of 43 respondents were targeted for questionnaire but 31 questionnaire were returned in time for consideration in the study giving a response rate of 72% suggesting that the questionnaires issued were returned which is a high response rate. According to Amin (2005), a high response rate is a good representation of the sample used in the study population.

4.3 Information of the Respondents

Various aspects are covered under this section including organization of the respondents by gender, distribution of the respondents by age, highest academic qualification and number of years the respondents have been working in the organization.

The findings of the study were that of the 31 respondents who took part in the study, 12 (40%) turned out to be male whereas 19 (60%) were female. Figure 2 illustrates this.

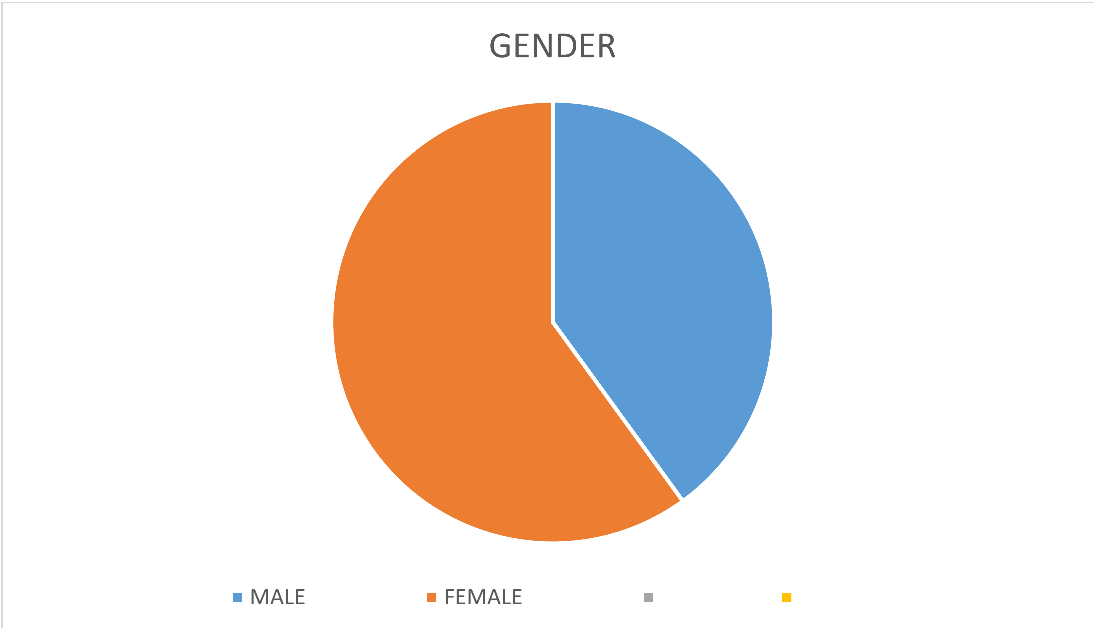

Figure 2: Gender distribution

Source: Primary data 2023

Figure 2 above shows that majority of 89% of the respondents 40 % were male and 60% were female in the NGO. The findings are a representation of gender distribution among staff in Faraja Africa Foundation.

4.3.1 Distribution of the Respondents by Age

Age was considered when evaluating the experience required in financial management in any organization. Most authors have found age to be related to the experience possessed by the staff or workers. The study was aimed at determining the age distribution of the respondents at Faraja Africa Foundation. Table 4.1 presents the results**.**

Table 4.1 Respondents Age Distribution

Age	**Frequency**	**Percentage**
20-30	20	64.5
31-40	6	19.3
41-50 and above 50	5	16.2
TOTAL	**31**	**100**

Source: Secondary and primary Data (2023)

The findings established that 20 (64.5%) of the respondents were aged 20 to 30 years and 6(19.3%) were aged 31-40 years and 5(16.2%) of the respondents were aged 41-50 and above 50. According to the study, a large number of the respondents were aged between 20 and 30 years. The findings imply that Faraja Africa Foundation was mainly comprised of middle-aged persons.

4.3.2 Respondents level of Education

According to Abok (2013), there is the need of having qualified personnel in terms of academic qualifications which influences the required skills in the management of programs or projects. The study aimed at investigating the respondents' highest academic qualification. The findings are presented in the table below.

Level of education	**Frequency**	**Percentage**
Bachelor degree	21	67.7
Post graduate diploma	0	0
Master's degree	6	19.3
Post doctorate	4	13
Total	**31**	**100**

Table 4.2 Level of Education

Source: Secondary and Primary data

Table 4.2 findings suggest that only 67.7% of the respondents had attained a bachelor's degree as their highest level of education, 19.3% had attained their master's degree while 13% had attained a post doctorate. This finding implies that the people who participated in the study had enough cognitive capacity to understand, appreciate and reliably respond to the study questions on strategic financial management and project financial sustainability given their fairly high level of education. It was stated by Ochuodho &Ngaba, 2020 that firms need to ensure their personnel poses necessary skills and education qualification of at least bachelor's degree to be able to effectively run various departments in organizations

4.3.3 Number of the Years Respondent has been working in the organization

This question investigated how long the respondents had been working in the organization. Table 4.3 shows the results.

Table 4.3: Number of years worked in the organization

Number of Years	**Frequency**	**Percent**
Less than 5 years	13	42
6-10 years	15	48.3
Over 10 years	3	9.7
Total	**31**	**100**

Source: Secondary and primary data

Table 4.4 findings shows that 13(42%) who had worked for less than a year in their NGO but the majority of 27(48.3%) had held their worked with the 6-10 years and 3(9.7%). This implies that most respondents has attained adequate experiences in financial management practices in NGOs and could therefore had reliable and valid information on the subject matter under study by virtue of the long time worked with the NGO.

4.4. Findings on Financial Management practices and Financial Sustainability Faraja Africa Foundation

This section presents the empirical findings of the study according to the objectives. The empirical findings are analyzed using descriptive statistics of percentages, mean and standard deviations, correlation and regression analysis.

4.4.1 Financial Reporting

The study also aimed to determine how financial sustainability NGOs is affected by financial reporting. The study's was to find out whether the financial reports reflected the true view of the projects implementation at the organization. The results of this are as below in table 4.4.

Table 4.4: Results on Financial Reporting

	QUESTIONS	**SA**	**A**	**NS**	**SD**	**D**
1	Monthly financial statements are availed before the end of the following month	**50**	**50**	**-**	**-**	**-**
2	Financial reports are submitted to the relevant stakeholders and donors in the right format and timely	**58.4**	**41.6**	**-**	**-**	**-**
3	The process of financial reporting is clear and very easy to understand for the members of the organization	**48.4**	**48.5**	**-**	**-**	**3.1**
4	The performance reports and activity are analyzed and measured based on the allocated budget	**56.2**	**43.8**	**-**	**-**	**-**
5	The management regularly meet to review various financial reports to ensure that implementation process is met	**50**	**50**	**-**	**-**	**-**

Source: Primary data (2023)

Table 4.5 Mean responses and standard deviation on financial reporting

	QUESTIONS	N	Mean	Std deviation
1	Monthly financial statements are availed before the end of the following month	**31**	**4.37**	**0.500**
2	Financial reports are submitted to the relevant stakeholders and donors in the right format and timely	**31**	**4.11**	**0.749**
3	The process of financial reporting is clear and very easy to understand for the members of the organization	**31**	**4.2**	**0.735**
4	The performance reports and activity are analyzed and measured based on the allocated budget	**31**	**4.27**	**0.826**
5	The management regularly meet to review various financial reports to ensure that implementation process is met	**31**	**4.31**	**0.696**

Source: Primary data (2023)

The above table indicates Monthly financial statements are availed before the end of the following month**,** with mean and standard deviation (M=4.37; SD=0.500). Financial reports are submitted to the relevant stakeholders and donors in the right format and timely at Faraja Africa foundation were also analyzed and measured based on the allocated budget, mean and standard deviation (M=4.11; SD=0.749). The study also found that the process of financial reporting is clear and very easy to understand for the members of the organization, with mean and standard deviation (M= 4.2; SD=0.735). The performance reports and activity are analyzed and measured based on the allocated budget with mean and standard deviation (M=4.27; SD=0.826). The study discovered that the management regularly meet to review various financial reports to ensure that implementation process is met, mean and standard deviation (M=4.31; SD=0.696).

The overall composite mean and standard deviation was (M= 4.21; SD=0.701), an indication that financial reporting practices among them being financial disclosure, financial reviews, analyzing financial reports among others were widely and well applied in the organization's financial management practices.

4.4.2 Budgeting Control

The study was to establish how financial sustainability of NGOs is affected by budgeting control. In order for this objective to be achieved, the study required the respondents to demonstrate how often they were involved in the budgeting process

The findings are as shown in Figure 3.

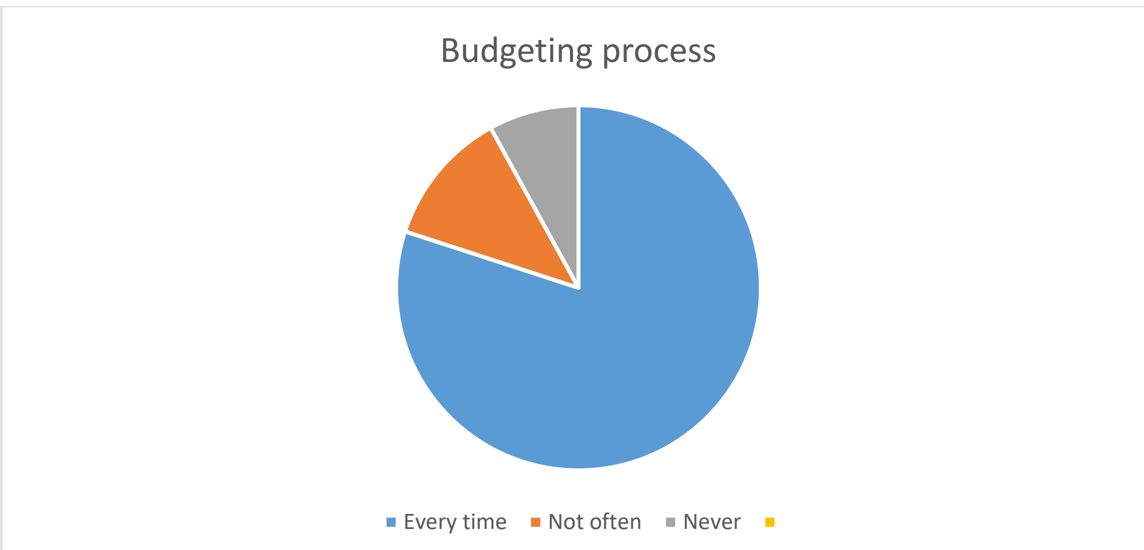

Figure 3: Involvement in Budgeting Process

Source: Primary Data (2023)

The findings indicate that 80% of the respondents agreed that they were involved in budgeting process every time whenever it was being done within. Stating that 12% of the respondent were not more often involved while another 8% stated that they were never involved in the budgeting process. This was a positive finding as the respondents formed the largest percentage of the employees who participated in financial management in the organization, hence it is key to ensure they are involved in the budgeting process.

The percentages for strongly agree and agree are combined to denote agree while strongly disagree and disagree are combined to denote disagree. The findings on budgeting control are presented below. The findings are as displayed in Table 4.6

Table 4.6: Results on Budgeting Control

	QUESTIONS	SA	A	NS	SD	D
1	Budgets in this NGO are prepared periodically.	45.3	31.2	7.8	9.4	6.2
2	Organization develops budget timetables and allocate budget preparation responsibilities	55.8	44.2	-	-	-
3	The senior management team is involved in budget planning process.	45.3	35.9	3.1	9.4	6.2
4	There is consistent revising of the original budget to meet the arising issues.	32.8	59.4	-	-	7.8
5	Our NGO has comprehensive annual budgets which include sources and use of funds.	56.2	43.8	-	-	-

Source: Primary Data (2023)

The study's further intent was to determine to what extent measures of budgeting control had been achieved at Faraja Africa Foundation. The results of this are as below in table 4.7.

Table 4.7 Mean responses and standard deviation on Budgeting control

	QUESTIONS	N	Mean	Std. deviation
1	Budgets in this NGO are prepared periodically.	**31**	**4.46**	**0.762**
2	Organization develops budget timetables and allocate budget preparation responsibilities	**31**	**4.36**	**0.944**
3	The senior management team is involved in budget planning process.	**31**	**4.32**	**0.762**
4	There is consistent revising of the original budget to meet the arising issues.	**31**	**4.19**	**0.986**
5	Our NGO has comprehensive annual budgets which include sources and use of funds.	**31**	**4.62**	**0.755**

Source: Primary Data (2023)

The findings indicate that Faraja Africa Foundation Budgets in this NGO are prepared periodically**,** mean and standard deviation (M=4.46; SD= 0.762). The Organization develops budget timetables and allocate budget preparation responsibilities, mean and standard deviation (M=4.26; SD=0.944). The organization involves senior management team in budget planning process, mean and standard deviation (M=4.32; SD=0.762) and the organization consistently revises the original budget to meet the arising issues, mean and standard deviation (M= 4.19; SD=0.986). The organization has comprehensive annual budgets which include sources and use of funds mean and standard deviation (M= 4.62; SD= 0.755).

The overall composite mean and standard deviation was (M=4.17; SD=0.782), an indication that the organization widely practiced budgeting control in their financial management.

4.4.3 Internal Control

This objective of the study focused on finding out to what extent internal control affects financial sustainability of NGOs, a case of Faraja Africa Foundation. The study sought to determine how the organization achieved the various measures of internal control.

This is shown below in table 4.8

Table 4.8. Results on Internal Control

	QUESTIONS	SA	A	NS	SD	D
1	Staff in this NGO have clearly defined roles and responsibilities.	45.4	40.6	-	10.9	3.1
2	The organization selects an independent auditor to do annual audit	60.9	25	7.8	3.1	3.1
3	The NGO has a funding risk response mechanism to shield the NGO once exposed to the risk	4.7	6.2	10.9	43.8	34.4
4	The management of this NGO manifests regular management reporting	60.9	32.8	-	3.1	3.1
5	There are appropriate measures set to ensure the organization resources are safeguarded from corruption and wastage	31.2	53.1	4.7	10.9	**-**
6	Effort is undertaken to adequately assess the likelihood of identified risk occurring	39.1	35.9	7.8	7.8	9.4

Source: Primary Data (2023)

The study's further intent was to determine to what extent measures of internal control had been achieved at Faraja Africa Foundation. The results of this are as below in table 4.9

Table 4.9 Mean responses and standard deviation on internal control

	QUESTIONS	N	Mean	Std. deviation
1	Staff in this NGO have clearly defined roles and responsibilities.	**31**	**4.73**	**0.575**
2	The organization selects an independent auditor to do annual audit	**31**	**4.08**	**0.657**
3	The NGO has a funding risk response mechanism to shield the NGO once exposed to the risk	**31**	**3.75**	**0.665**
4	The management of this NGO manifests regular management reporting	**31**	**4.13**	**0.434**
5	There are appropriate measures set to ensure the organization resources are safeguarded from corruption and wastage	**31**	**4.75**	**0.775**
6	Effort is undertaken to adequately assess the likelihood of identified risk occurring	**31**	**4.67**	**0.565**

Source: Primary Data (2023)

A good number of respondents strongly agreed that the Staff in this NGO have clearly defined roles and responsibilities with mean and standard deviation (M=4.73 SD=0.575). The organization selects an independent auditor to do annual audit to a great extent, standard deviation and also the mean (M=4.08 SD=0.657). The study also found out that a good number of the respondents were not sure whether The NGO has a funding risk response mechanism to shield the NGO once exposed to the risk with mean and standard deviation (M=3.75 SD=0.665). The management of this NGO manifests regular management reporting, mean and standard deviation (M=4.13; SD=0.434). The study further established that There are appropriate measures set to ensure the organization resources are safeguarded from corruption and wastage, mean and standard deviation (M=4.75; SD=0.775). The respondents strongly agreed that effort is undertaken to adequately assess the likelihood of identified risk occurring, Mean and standard deviation (M=4.67; SD=0.565).

The overall composite mean and standard deviation was (M=4.35; SD=0.611), an indication that various internal control measures were widely applied in the running and management of the organization. Internal control was considered as one of the key areas whenever establishing the financial sustainability in any organization.

4.4.4 Financial Sustainability

Furthermore, the study's intent was to determine the financial sustainability of the Faraja Africa Foundation for the period between 2020 and 2023. The percentages for strongly agree and agree are combined to denote agree while strongly disagree and disagree are combined to denote disagree. The findings on financial sustainability are presented below. The findings are outlined in Table 4.10.

Table 4.10 Results on Financial Sustainability

	QUESTIONS	**SA**	**A**	**NS**	**SD**	**D**
1	There is high level of financial resilience in the organization					
2	The NGO has ability to meet its operational costs at all times	48.4	37.5	-	10.9	3.1
3	Project activities will go on even if donors withdrew their financial support.	4.7	3.1	-	51.6	40.6
4	The organization constantly has surplus of income after spending	**-**	26.6	-	21.9	**51.6**
5	The organization can survive for very long time without major financial challenges	4.7	9.3	-	46.9	39.1

6	All planned project activities of the NGO are being implemented	55.5	41.4	-	-	3.1

Source: Primary Data (2023)

The study's further intent was to determine to what extent measures of budgeting control had been achieved at Faraja Africa Foundation. The results of this are as below in table 4.11

Table 4.11 Mean responses and standard deviation on financial sustainability

	QUESTIONS	**N**	**Mean**	**Std. deviation**
1	There is high level of financial resilience in the organization	**31**	**4.28**	**0.715**
2	The NGO has ability to meet its operational costs at all times	**31**	**4.01**	**0.654**
3	Project activities will go on even if donors withdrew their financial support.	**31**	**2.45**	**0.952**
4	The organization constantly has surplus of income after spending	**31**	**2.50**	**0.668**
5	The organization can survive for very long time without major financial challenges	**31**	**2.91**	**1.039**
6	All planned project activities of the NGO are being implemented	**31**	**4.38**	**0.717**

Source: Primary Data (2023)

The findings indicate that there was a high level of financial resilience in the organization for the period between 2020 and 2023 with mean and standard deviation (M=4.28; SD=0.715). This was mainly achieved due to the firm having qualified staff who also had required skills in the financial management department and also having majority of the staff who were well experienced to run the financial department in the organization. A great number of respondents were in agreement that The NGO has the ability to meet its operational costs at all times with mean and standard deviation (M=4. 01; SD=0.654).

The study further established that the project activities of Faraja Africa Foundation will go on even if donors withdrew their financial support but the respondents were not in agreement with that statement, mean and standard deviation (M= 2.45; SD= 0.952), and that it did not constantly have a surplus income after spending (M=2.50; SD=0.668). The respondents disagreed that the organization can survive for very long time without major financial challenges, mean and standard deviation (M=2.91; SD=1.039). The respondents strongly agreed that all planned project activities of the NGO are being implemented, mean and standard deviation (M=4.38; SD=0.717).

This was attributed to the organization fully relying on financial donors who sponsor a huge fraction of its budget as it is a Non-Profit organization. The overall composite mean and standard deviation was (M=3.42; SD=0.671), signifying that a large proportion of respondents could not establish if the organization was in a good position to be declared to have achieved financial sustainability.

4.5 Correlation Analysis

The study used Pearson product – moment correlation coefficient in order to determine the strength of linear relationship between financial management practices (budgeting control, financial reporting, internal control and financial control) and financial sustainability. According to Wong & Hew, 2005, The Pearson correlation coefficient is abbreviated by r and can take the range of values between -1 and +1.Wong and Hew (2005) further explain that the Pearson correlation coefficient value (r) that ranges from 0.10 to 0.29 is taken as weak relationship, 0.30

to 0.49 is taken to be medium or moderate relationship while more than 0.49 is taken to be a strong positive correlation between the variables under study. The results shown in below.

Table 4.12: Correlation Analysis: Financial management practices and financial sustainability

		Financial Sustainability	Financial Reporting	Budgeting Control	Internal Control
Financial Sustainability	Pearson Correlation	1	.820***	.723***	.693***
	N	31	31	31	31
Financial Reporting	Pearson Correlation	.820***	.651***	1	.606***
	N	31	31	31	31
Budgeting Control	Pearson Correlation	.723***	1	.651***	.640***
	N	31	31	31	31
Internal Control	Pearson Correlation	.693***	.640***	.606***	1
	N	31	31	31	31

The study found out that Financial reporting (Pearson correlation coefficient= 0.820) has a strong positive correlation relationship with financial sustainability. The strong positive Pearson correlation implies that the strength of financial sustainability is increased by ensuring that there is timely and appropriate financial reporting at the organization.

Budgeting control has a strong positive correlation (Pearson correlation coefficient = 0.723) relationship with financial sustainability. This implies that by increasing budgeting control, the strength of the financial sustainability will also increase at Faraja Africa Foundation.

Internal control (Pearson correlation coefficient= 0.693) had a positive correlation relationship financial sustainability at the organization, an indication that increasing the internal control measures at the organization will lead to increase in the strength of the financial sustainability at the organization.

4.6 Regression Analysis

The study conducted various diagnostic test as a pre-requisite of conducting a regression analysis. In order to determine how financial sustainability affects financial management practices, the study adopted a multiple regression. The results shown in Table 4.13 outline the coefficient of adjusted determination and that of coefficient of determination.

Table 4.13: Regression analysis Summary

Model	R	R Square	Adjusted R Square	Std.Error of the Estimate
1	0.879[a]	0.774	0.755	0.323

a. Predictors: (Constant), Financial Reporting, Budgeting control, Internal Control

Source: Primary Data (2023)

The results were that the correlation's coefficient R was 0.879, which indicated that the variables were strongly positively correlated. The conclusion of the study was that there was a significant relationship between financial management practices and financial sustainability because the P value was less than 0.05.

The adjusted R square, R^2= 0.755 indicate that 75.5% of the change in financial sustainability as expounded by the model's variables which are, budgeting control, financial reporting, internal control. The remaining 24.5% can be accredited to other practices and factors that do not form part of this study.

The study further adopted the coefficient of regression in order to establish how financial sustainability is affected by each of the financial management practices. Table 4.14 shows the coefficient for regression.

Table 4.14: Coefficients of Regression: Financial Management Practices and Financial Sustainability

Model	Unstandardized coefficients		Standardized coefficients	t	Sig
	B	Std.Error	Beta		
constant	.164	.329		.500	.020
Financial Reporting	.421	.114	.427	3.705	.001
Budgeting Control	.218	.092	.235	2.371	.022
Internal Control	.175	.083	.199	2.096	.041

a. Dependent Variable: Financial Sustainability

Source: Primary Data (2023)

The coefficient of regression from Table 4.12 leads us to the equation

$Y=0.164 +0.235X1 +0.427X2 +0.199X3 +0.166X4 +\alpha.$

By holding all the variables constant, it was established that the financial sustainability at Faraja Africa Foundation, would be at 0.164. This implies that the expected value of the financial sustainability will be 0.164 when all the independent variables of financial reporting, budgeting control and internal control under this study are set to zero. The emphasis of proper budgeting control in place at the same time holding all the other factors constant, this would strengthen the financial sustainability at the organization by 0.235.

When all the other factors are held constant, ensuring that there is proper financial reporting will strengthen financial sustainability at Faraja Africa Foundation by 0.427.

The regression results indicated a positive effect of financial reporting on financial sustainability. The results on internal control indicate that when proper measures are put in place to ensure internal control is achieved in the organization and holding all the other factors constant would strengthen the financial sustainability at Faraja Africa Foundation by 0.199.

Though the increase is positive, it is however not significant since the P value is more than 0.05.

CHAPTER FIVE
SUMMARY OF FINDINGS, DISSCUSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the study findings, the conclusions that the study came up with from the study objectives and the recommendations from the study.

5.2 Summary of the Findings

The purpose of this study was to investigate the effect of financial management practices on financial sustainability of NGOs in the case of Faraja Africa Foundation. The objectives of this study were: to examine the effect of financial reporting on financial sustainability of NGOs; to assess the effect of budgeting control on financial sustainability of NGOs and to examine the effect of internal controls on financial sustainability of NGOs in the case of Faraja Africa Foundation.

The study relied on research questionnaires to collect the primary data that facilitated this study. The research tool, in this case questionnaires, were distributed to 43 respondents and the researcher received 31 back dully filled for analysis representing a return rate of 72%.Descriptive such as percentages, means and standard deviation were used in data analysis. Also, inferential analysis such as Pearson correlation coefficients was used to analyze the data to determine how financial sustainability is related with financial management practices.

The study found financial reporting had a significant positive effect on financial sustainability of NGOs. Submitting financial reports to the stakeholders, financers and donors, measuring and analyzing of the financial reports based on the budgetary allocation and availing monthly financial statements in time significantly contributed to the organizations financial sustainability.

The organizations have also to ensure that the process of financial reporting is very clear and easily understandable by various stakeholders and ensure that financial reports are regularly reviewed to ensure that the implementation process is met.

The study found budgeting control had a significant positive effect on financial sustainability of NGOs. The budgeting control was achieved in the organization by the organization developing budget timetables and allocating budget preparation responsibilities to relevant organs in time, involving senior management team in budget planning, reviewing original budget constantly to meet emerging issues and having comprehensive annual budgets which include sources and use of funds. Budgeting control hence positively influenced the financial sustainability at Faraja Africa Foundation.

The study found internal control had a significant positive effect on financial sustainability of NGOs. The organization achieved internal control by auditing its accounts, safeguarding its resources, ensuring risks were assessed prior to implementing the projects, staff had clearly defined roles and responsibilities, manifestation of regular management reporting and adequate assessment of the likelihood of identified risk occurring.

5.3 Discussion of key findings

5.3.1 Financial reporting

The findings on financial reporting of the NGO had a positive effect and relationship of financial reporting on the financial sustainability of NGOs according to the correlation and regression models findings. The findings agree with Chepkemoi and Njeru (2017), who argued that financial reporting review, having proper planning in place, continuous monitoring and control of the budgeting process may have a significant positive effect on the sustainability of NGO's, Juba, South Sudan. The regression results indicated a positive effect of financial reporting on financial sustainability. The study by Wandera and Sang (2017) also agrees with the findings of this study as it revealed that financial reporting has a significant positive effect on financial sustainability of NGOs.

5.3.2 Budgeting control

The findings on budgeting control of the NGO had a positive relationship and effect of financial reporting on the financial sustainability of NGOs according to the correlation and regression models findings. The study findings agree with Kang'aru and Tirimba (2018) findings that budgeting control positively affects financial sustainability. However, the finding from this study contradicts with the findings from Essra (2016), who noted that the relationship between budgeting control and financial sustainability is statistically insignificant.

5.3.3 Internal control

The internal control system of the NGO according to the correlation and regression models suggested a positive relationship and effect of internal control on the financial sustainability of NGOs. The findings agree with Beam (2011) who said that USAID funded NGOs closure were due to weak internal control system spanning from the lack of financial or control competencies, ill-defined direct or broken-line reporting relationships, fraud and embezzlement and sole control of the NGOs financial resources. The support from the literature led to the conclusion that there is a significant positive relationship between internal control and financial sustainability of NGOs in Uganda.

5.4 Conclusion

The study established that financial reporting had a very significant effect on the financial sustainability and has to be adopted by various organizations to a very great extent. In order to achieve financial reporting, the organization has to ensure that financial reports are submitted to the stakeholders and financers/donors in time. By so doing, the stakeholders are able to countercheck the report and establish any anomalies that might have occurred. It also provides the evidence of accounting for the resources the organization has received and develops trust among the stakeholders. The organizations have also to ensure financial reports are analyzed based on the budgetary allocations and avail monthly financial statements in time.

The study revealed that budgeting control significantly affected the financial sustainability at Faraja Africa Foundation. This indicates that NGOs which are able to develop budget timetables and allocate budget preparation responsibilities to relevant organs in time, evaluate budget bids need to ensure that they are in alignment with the NGOs. Involving senior management team in budget planning, review original budget constantly to meet emerging issues and cross check department estimates find it easy to ensure that budgeting control is achieved in the organization. Budgeting control was found to be one of the most influential financial management practice that all the NGOs must adopt it in order to achieve financial sustainability in the organization.

The study also discovered that internal controls positively affected financial sustainability at Faraja Africa Foundation. The organization was able to achieve internal control through employing competent and qualified staff, having proper maintenance of organization’s records and clear segregation of duties to ensure that there is oversight and review for timely identification and eradication of errors.

5.5 Recommendations of the Study

The study recommends the following to Faraja Africa Foundation and other related NGOs.

As it was established by the study that financial reporting had a positive effect on financial sustainability of the organization. It is recommend that organizations ensure that proper financial reporting is done to relevant stakeholders in time to develop trust among the stakeholders.

Budgeting control had a significant positive effect on financial sustainability. The study recommends that management and stakeholders at non-profit organizations to ensure that this financial management practice is properly put into practice. They should further ensure that the organization continue developing budget timetables and allocate budget preparation responsibilities to relevant organs, ensure the bids are evaluated so as to ensure they are aligned with the priorities of the organization, department estimates are constantly cross checked and original budgets are reviewed to meet emerging issues.

The organization could strengthen the internal control environment through regular management by demanding for monthly performance reports and taking of appropriate actions. Providing clearly defined roles and responsibilities for management and individual staff to facilitate accountability should be equally considered to strengthen the internal control environment. Regular reviews and strengthening of functional unit’s policies and regulations for management enforcement will also go a long way to strengthen the internal control environment.

The organization could adopt a risk based audit approach where there is potential risk in the deliverance of the NGOs so as to guide management decision-making. The use of risk based audit approach will go a long way to identify risks in the delivery of the project mandate.

5.6. Areas for further Studies

This study was done on Faraja Africa Foundation and focused on the financial management practices and financial sustainability of NGOs. It was established that only 70% of the factors that affect financial sustainability were explained under this study. More studies can be done to establish whether there are other factors that would potentially have an effect on financial sustainability of NGOs. More studies also need to be done on internal control and other studies need to examine the impact of risk based auditing on financial sustainability of NGOs.

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APPENDICES

Appendix 1: Questionnaire

Research Questionnaire

Introduction

Dear Respondent

My names is Basemera Elsa, a student of Uganda Christian University pursuing a Bachelor's degree in science of Accounting and finance. It is a requirement that I undertake a research project. My research topic is "Financial Management Practices and Financial Sustainability of Non-Governmental Organizations: A case of Faraja Africa foundation". The purpose of this study and its findings is purely academic. I kindly request you to spare some of your precious time to answer the following questions. The activity will take about 10 minutes and I would appreciate your honest opinions. Be assured that your responses will be completely anonymous and therefore any information you provide will be treated with strict confidentiality. This questionnaire has sections A, B, C, D and E. I kindly request you to respond to all questions.

Thank you.

SECTION A: BIO-DATA OF THE RESPONDENTS

Q1.Indicate your gender (a) Male ☐ (b) Female ☐

Q2. **Indicate your Age Group**

(a) 20 -30 ☐ (b) 31-40 ☐ (c) 41-50 and above 50+ ☐

Q3. What is your level of education? (Please tick the highest)

(a) Bachelor degree ☐

(b) Post graduate diploma ☐

(c) Master's degree ☐

(d) Post Doctorate ☐

(e) Others please specify……………………………………………………………..

Q4. How long have you served in this institution?

(a) Less than 5 years ☐ (b) 6-10 years ☐ (c) Over 10 years ☐

SECTION B: FINANCIAL REPORTING

Indicate the extent to which you agree with the following observations on fundraising practices in this NGO using as scale of 5=strongly agree, 4=agree, 3= not sure, 2=disagree, 1=strongly disagree.

	QUESTIONS	**5**	**4**	**3**	**2**	**1**
1	Monthly financial statements are availed before the end of the following month					
2	Financial reports are submitted to the relevant stakeholders and donors in the right format and timely					
3	The process of financial reporting is clear and very easy to understand for the members of the organization					
4	The performance reports and activity are analyzed and measured based on the allocated budget					
5	The management regularly meet to review various financial reports to ensure that implementation process is met					

SECTION C: BUDGETING CONTROL

Q5. How often are you involved in budget planning process?

Every time ☐ Not often ☐ Never ☐ . If Never, kindly state why………………………………………………………………………………

Q6. Please rate to what extent the following budget control measures have been achieved in the organization by placing a tick in the appropriate box, where 1= no extent, 2= very small extent, 3= small extent, 4= great extent, 5= very great extent.

	QUESTIONS	**5**	**4**	**3**	**2**	**1**
1	Budgets in this NGO are prepared periodically.					
2	Organization develops budget timetables and allocate budget preparation responsibilities					
3	The senior management team is involved in budget planning process.					
4	There is consistent revising of the original budget to meet the arising issues.					
5	Our NGO has comprehensive annual budgets which include sources and use of funds.					

SECTION D: INTERNAL CONTROLS

Indicate the extent to which you agree with the following observations on fundraising practices in this NGO using as scale of 5=strongly agree, 4=agree, 3= not sure, 2=disagree, 1=strongly disagree.

	QUESTIONS	**5**	**4**	**3**	**2**	**1**
1	Staff in this NGO have clearly defined roles and responsibilities.					
2	The organization selects an independent auditor to do annual audit					
3	The NGO has a funding risk response mechanism to shield the NGO once exposed to the risk					
4	The management of this NGO manifests regular management reporting					
5	There are appropriate measures set to ensure the organization resources are safeguarded from corruption and wastage					
6	Effort is undertaken to adequately assess the likelihood of identified risk occurring					

SECTION E: FINANCIAL SUSTAINABILITY

Indicate the extent to which you agree with the following observations on fundraising practices in this NGO using as scale of 5=strongly agree, 4=agree, 3= not sure, 2=disagree, 1=strongly disagree.

	QUESTIONS	**5**	**4**	**3**	**2**	**1**
1	There is high level of financial resilience in the organization					
2	The NGO has ability to meet its operational costs at all times					
3	Project activities will go on even if donors withdrew their financial support.					
4	The organization constantly has surplus of income after spending					
5	The organization can survive for very long time without major financial challenges					
6	All planned project activities of the NGO are being implemented					

Appendix II: Introductory Letter

UGANDA CHRISTIAN UNIVERSITY

A Centre of Excellence in the Heart of Africa

SCHOOL OF BUSINESS

1st Aug 2023

TO WHOM IT MAY CONCERN

Name: BASEMERA ELSA Reg. No. S20B33/041

A bachelor's student who is seeking permission from your office to collect data for his/her dissertation titled

"FINANCIAL MANAGEMENT PRACTICES AND FINANCIAL SUSTAINABILITY OF NGOs IN UGANDA

We shall be grateful if you could render assistance to him/her in collecting the necessary data for his/her dissertation

The Uganda Christian University School of Business thanks you in advance

Mukisa Simon Peter
Research coordinator