CORPORATE GOVERNANCE AND FINANCIAL SUSTAINABILITY IN CIVIL SOCIETY ORGANISATIONS IN UGANDA: A CASE OF SELECTED CSOs IN KABAROLE DISTRICT

By

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DECLARATION

I Martin Watsisi, do declare that this dissertation is my original work and it has not been presented to any academic institution for any award

Sign………………………………………..

Date……………………………………….

APPROVAL

We the undersigned, certify that this dissertation titled "Corporate Governance and Financial Sustainability in Civil Society Organizations in Uganda: A case of Selected CSOs in Kabarole District" has been submitted with our approval in partial fulfilment of the requirements for the award of the degree of Masters in Institutional Leadership and Management of Uganda Management Institute.

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Date…………………………………………..

DEDICATION

This research work is dedicated to my Family that has offered the much needed support and endured my absence during this time.

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LIST OF ACRONYMS

BOD	Board of Directors
CSO	Civil Society Organization
CVI	Content Validity Index
EAC	East African Community
GoU	Government of Uganda
ICT	Information and Communication Technology
KM	Knowledge Management
KRC	Kabarole Research and Resource Centre
MDGs	Millennium Development Goals
ME	Monitoring and Evaluation
NGOs	Non-Governmental Organizations
SATNET	Sustainable Agriculture Trainers Network
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for Social Scientists
UBOS	Uganda Bureau of Statistics
VAT	Value Added Tax
WBG	World Bank Group
WBI	World Bank Institute

ABSTRACT

Between 2010-2015, a number of Civil Society Organizations (CSOs) in Kabarole including FORUD, RANNET, KIWED among others closed shop leaving many former employees and beneficiary communities stranded. Similarly, a number of CSOs have reduced operations and limited to less than five employees. The common problem is often limited finances for operation and meeting costs. The financial sustainability of the CSOs is a real challenge that calls for investigation hence the main factor that prompted this study. Is it related to corporate governance functions for non-profit establishments like CSOs? This study examined the relationship between corporate governance functions of boards, senior management and audit committees and the financial sustainability of CSOs in Kabarole district of Uganda. The study adopted a correlational research design was use. In this study, three selected CSOs namely Kaana Foundation, KRC and SATNET examined where 61 respondents returned the survey questionnaires representing a response rate of 69.3 percent. The data was analysed using regression analysis and correlation. Results indicated that there is a positive significant relationship between corporate governance functions of the board, functions of the senior management committees and audit committees and financial sustainability in CSOs in Kabarole District indicated as r=.701** and p=0.000; r=.701** and p=0.000 and r=.337* and p=0.000 respectively. Findings revealed that boards in CSOs in Kabarole District play a general rather than strategic function. It is thus recommended that corporate entities of CSOs for example boards should be selected based on expertise and skill so as to play a fundamental governance and strategic role for the financial sustainability of CSOs. Operating at the helm of corporate governance of CSOs, the boards should review and guide corporate strategy, objective setting, risk management and resourcing of the organizations in addition to general functions like reviewing annual plans, budgets and reports. Organizations should clarify on the strategic roles and responsibilities of senior management committees.

CHAPTER ONE

INTRODUCTION

1.0. Introduction:

This study focused on examining the relationship between corporate governance and financial sustainability of Civil Society Organisation in Kabarole District. Civil society organizations (CSOs) are diverse groups that express the interests and values of their members and or others, in a public space between the state, the market and ordinary citizens (Shanklin & Tan, 2016). These play an intermediary role between the state, duty bearer, service provider and the ordinary people. CSOs are often formed as Non- Governmental organizations (NGOs), faith based organizations (FBOs) or community based organizations (CBOs). In this study, the independent variable is Corporate Governance while the dependent variable is Financial Sustainability.

In this chapter introduces the research providing the background, problem statement, purpose of the study as well as the objectives. In this chapter still are the research objectives, a conceptual framework is illustrated and explained. The score of the study, its importance and justification as well as the significance of the study are also part of this introductory chapter. Included also are operational definitions of key concepts and terms used in this study.

1.2 Background of the Study

The major focus of this research is on corporate governance and its resultant outcome of financial sustainability of CSO; a nonprofit orientated sector. In this section therefore, the study focuses on the four perspectives namely; Historical perspective; the theoretical perspective; the contextual perspective and lastly the conceptual background.

1.2.1. Historical Background:

Globally, the word sustainability has been used to denote "maintain, Support or endure". Since the 1980s, development endeavors throughout the world have focused on sustainability in the sense of offering enabling human support and maintenance .It is this interest that has given birth to operational definitions of sustainability and its application to institutions including CSOs. For example the Brundland Commission of the UN defined sustainability in the name of development emphasizing present activities and decisions that ensure progress but do not compromise progress of the future generations, (UN Millennium Declarations, 2009).

As observed by Shanklin and Tan (2017) the past two decades have given rise to the use of the term civil society organizations (CSOs) beyond academic circles. In contrast with government, CSOs are viewed in the realm of social life with a complex assembly of non-governmental organizations (NGOs) that are legally created, non-violent and are self-organizing. This historical view of CSOs fits well with the challenges of sustainability which are the attention of the development work today.

In the post-world War II, CSOs started to play a critical role in enabling the fragile democracies to survive, voicing and filling in the social needs of the communities (Edwards, 2014). Unlike the private sector driven by a powerful financial base and profits, CSOs exercise power through social capital and trust, dependent on the good will and support of donors and charity. In other words the financial vulnerability of CSOs dates as far as when they started. The Circles of Sustainability model is now being used by organizations such as the United Nations Cities Programme and Metropolis (Lugwire, 2013).

The concept of Civil Society Organizations, as clearly articulated by Thomas (2000), in international development was born after the Second World War in the United States. Following the establishment of the International Monetary Fund (IMF) but world leading powers, as well as the international Bank for reconstruction and development (IBRD), it became clear that governments needed an independent partner to fully utilize these loans to meet the development and social service provision needs at the time. This gave birth to the civil society groups and organizations. Funding through CSOs to developing countries came about towards the end of the 1940s and the beginning of the 1950s, in the form of technical assistance, with the main purpose of availing scientific and industrial progress made in rich countries to developing countries (Thomas, 2000). Development funding was provided through major avenues: bi-laterally and multilaterally.

As a result of changing world economic systems, by the 1970s and 1980s, multi-lateral and bi-lateral donors became more development oriented in their lending focusing on various social programmes including health and education (Thomas, 2000). Over the years, local and international news has been dominated by information and analysis on the scope and implication of the global financial crisis, as with all sectors of society, the local CSOs sector has not escaped the fall out of the crisis. In Uganda, many CSOs cannot afford to provide sufficient support without donors and external funding. The international community has been seeking ways to use and distribute aid more effectively in order to better reach the poor. Civil Society Organizations are seen as important emissaries in this area. National and local governments have termed CSOs as a development partners for the support complimentary role they provide in service delivery.

At the time of the industrial revolution in Europe, United Kingdom developed into a modern, corporate society. It is this period when England, in partnership with the modern corporation, assumes the mantle of world hegemon (Shallo, 2006). The history of corporate bodies dates back in the early 18th century in England.

It is thus strong circumstance that gave birth to Civil Society Organizations as corporate bodies. In the 19th century, the US enacted state corporation laws to enhance the rights and corporate boards although with some form of state supervision. Corporate governance since then became a norm in the CSOs (Ramani, 2006). In the 20th century, numerous studies have attempted to examine the changing roles of the corporate bodies in both profit and not for profit entities.

Corporate governance bodies were now seen as having a mandate beyond loyalties of the founders to strategic role of meeting expectations of the shareholders (Markken, 2007).

In the 1990s, corporate governance received a lot of attention especially in the US following a wave of dismissal of CEOs in IBM, Kodak, Honey well among others by the boards of directors. This was seen as conflict between the boards and the executive and requiring guidance on how to get the best out of corporate governance (Padilla, 2002). This situation was further complicated by financial sustainability challenges leading to a wave of bankruptcies for enterprises such as Enron, Worldcom among others (Hann, 2006). This was blamed on the lack of visionary and strategic leadership among the Boards and CEOs. Hurst, 2009 further indicates the interest in the role of corporate governance was raised due to financial crisis that characterized the 2008/09 and insistent demands of senior management (CEOs) of companies to be paid a higher salary. The raising crisis in corporate governance is thus related to the expected functions of corporate bodies like the boards and senior management committees headed by the CEOs.

In Uganda, the issue of corporate governance are underdeveloped but keen interest has been taken by the Institute of Corporate Governance (ICGU). It is endeavouring to raise the profile of corporate governance by propagating best practices and highest standards of ethical conduct through the following activities: ICGU is a membership based organization that draws its membership a number of professions and businesses in order to build corporate governance of institutions regardless of their size, orientation and field of operation (Kisuze, 2012). There are over 365 individual members and 60 institutional members. The strategy for membership development emphasizes adherence to best practice and adding value to their institutions. In other words, Uganda is now not an exception to the global concerns and desires to address the corporate governance issues in institutions whose results would be seen in positive outcomes like financial sustainability.

1.2.2. Theoretical background

This study was underpinned by the Stakeholder theory of corporate governance that was advanced by Freeman (1984), and Stewardship theory (1989).The stakeholder theory of corporate governance was embedded in the management discipline as early as 1970s. However, later development of this theory is attributed to Freeman who incorporated the issue of corporate accountability to stakeholders (Freeman, 1984). Accordingly, the theory views managers as working and serving the interests and needs of the stakeholders. Proponents of the stakeholders' theory suggest that each organization has a network of relationships to serve. These include their suppliers, employees and business partners. The role of the managers is to keep a health relationship with this network. This network is more important than focusing on the interests of the manager and founder, (Fremand, 2009).

Focusing on the interests of the stakeholders, Sundaram and Inkpen,(2004), contend that management attention in an institution should be the in addressing the interests of the stakeholders. For this reason, the relationship with groups that affect the organization is the attention of management decision. As such Freeman (1984) concluded that interests and motivation of the managers should be in line with the interests of the key stakeholders in whose wish they hold their management role.

Donaldson and Preston 91995) challenged the stakeholder theory in that it is very difficult to understand the intrinsic value of the managers and separate them from that of the stakeholders. A mutual relationship is rather expected in such a way that meeting ones needs, other stakeholder interests are equally fulfilled. For this reason, no one party interests dominate the others. How are the managers of organizations, following the stakeholder theory of corporate governance able to assess so diverse the interests of each group in a non-paranoid manner? Never the less, the stakeholder theory will help to streamline the role of CSO board and senior managers to understand that their role should not be driven by selfish personal interest but rather the overall goal for which the organization was founded.

The study was further underpinning the Stewardship Theory of Corporate Governance. The Stewardship theory has its roots from psychology and sociology and is defined by Davis, Schoorman and Donaldson (1997) as "a steward protects and maximises shareholders wealth through firm performance, because by so doing, the steward's utility functions are maximised". In this perspective, stewards are company executives and managers working for the shareholders, protects and make profits for the shareholders. Unlike agency theory, stewardship theory stresses not on the perspective of individualism (Donaldson & Davis, 1991), but rather on the role of top management being as stewards, integrating their goals as part of the organization. The stewardship perspective suggests that stewards are satisfied and motivated when organizational success is attained. Agyris (1973) argues agency theory looks at an employee or people as an economic being, which suppresses an individual's own aspirations. However, stewardship theory recognizes the importance of structures that empower the steward and offers maximum autonomy built on trust (Donaldson and Davis, 1991). It stresses on the position of employees or executives to act more autonomously so that the shareholders' returns are maximized. Indeed, this can minimize the costs aimed at monitoring and controlling behaviours (Davis, Schoorman & Donaldson, 1997).

The stewardship theory is relevant to the CSOs since it suggests the unifying role of the board and the senior management in reducing the agency costs and to have greater role as stewards in the organization. The biggest problem with CSOs is the high costs and expenditure. It was evident that there would be better safeguarding of the interest of the shareholders. The case of CSO administrative cost against costs of implementing services for beneficiary communities is clearly visible in the stakeholder theory than the steward's theory. It has been noted before that corporate governance benefits more in having an improved theory than separated theories and approaches.

1.2.3. Conceptual Background

The key concepts in this study are civil society organizations, corporate governance and financial sustainability. Different scholars have attempted to define the corporate governance and financial sustainability. Business Dictionary defines Corporate Governance “as the framework of rules and practices by which a board of directors ensures accountability, fairness, and transparency in a company's relationship with its all stakeholders (financiers, customers, management, employees, government, and the community)”. Corporate Governance is defined as the "acceptance by management of the inalienable rights of stakeholders/shareholders as the true owners of the corporation (Rehm, 2002).

For purposes of this study, corporate governance refers to board of directors’ function, senior management function and audit committee function. Board of Director Function was measured in terms of providing leadership, direction and establishing controls in the running of the organisation. Senior management function executes tasks including day today organization operations, following up approvals by the board and managing risk and establishing internal controls. Audit Committee function refers to accountability and transparency.

Another key concept in this study is financial sustainability. Sustainability in itself is the capacity to endure in a changing environment. According to Leon,(1993), “achieving financial sustainability is goal that all non-profit organizations strive for.” He added that achieving financial sustainability is not only necessary but an obligation for CSOs since it ensures ability to accomplish the mission for which the CSO was founded.   As such financial sustainability requires the reconciliation of environmental, social equity and economic demands also referred to as the "three pillars" of sustainability (Kaggwa, 2010). For purposes of this study, sustainability was measured in terms of continuous meeting of costs, continuous fund flow, saving, and diversification of fund sources.

1.2.4 Contextual Background

Under this section, the study focused on the existing context under which CSO operate. In this context, the study focused on CSOs in Kabarole District which are SATNET (Sustainable Agriculture Trainers Network), KRC (Kabarole Research and Resource Centre) and Kaana Foundation For Outreaches;

Sustainable Agricultural Trainers Network was established and registered as Non-Governmental organization (NGO) in the year 2000. It is a network/ membership organization with 63 members. The membership makes up the general assembly. This national NGO operates in the districts seven districts of the Rwenzori region with its administrative seat in Kabarole district. Kaana Foundation for Outreach programmes often refereed to as Kaana Foundation is yet another regional NGO with head offices in Kabarole but operating in all districts of the Rwenzori region. It was established in 2007 by social workers in the region to promote the rights, health and wellbeing of the most marginalized persons. The CSO promotes and advocates for the fundamental human rights of those deemed at most risk and marginalization. It is engaged in pure civil society work as earlier defined by Shanklin and Tan (2017) including HIV/AIDs prevention, prevention of domestic violence, promotion of reproductive health for women, sex workers , teenage mothers among others.

This study also selected Kabarole Research and Resource Centre (KRC). This is among the oldest NGOs in the region established way back in 1996 with a research mission to understand the long term measures and drivers of poverty. The organization has accumulated substantial experience in social and economic research that has led to creation of various development programmes for equitable and sustainable socio-economic development. .

These are local CSOs that have operated for more than ten years in Kabarole supporting human causes. The CSOs have a challenge of management and financial factors and at the same time sustaining the organisations. The question of sustainability has become a major concern in Uganda. According to the CSOSI (2015), "funding was still the most serious challenge facing

CSOs throughout the region. Nearly all country reports note that foreign donors continued to withdraw or cut back their assistance, while local support, whether from the government, private sources, or CSOs' own income-generating activities, was far from sufficient to fill in the gap". In the same report Uganda was categorized among countries where financial sustainability is impeded. Despite their wonderful benefit to the local population, these and other CSOs in the district are highly vulnerable since they survive from one grant to another, a financial dependence that threatens sustainability (Leon, 2001).

These are CSOs that survive from grant to grant and/or depend financially on one foreign sponsor, are most are largely inactive after attempts to win foreign donor funding fail. In addition local sources of funding are virtually non-existent, in part due to a depressed local economy but also lack of strategic innovation to tap into local resources. CSOs have limited financial resourcefulness and often get challenges of financial transparency or accountability, leading to loss of donor trust (Hendrickse, 2008).

The needs served by the CSOs are still demanding but ceasing or reducing operation is often as a result of lack of operational and implementation funds. In many CSOs there is a growing conflict of interests between board or governing boards and senior management causing financial sustainability challenges. There is fear that poor performance of corporate functions by senior management, directors or the boards is likely to affect CSOs financial sustainability, however the situation remains debatable therefore prompting this study.

1.3 Statement of the Problem

The last decade has been marked by an increased attention to corporate governance by many organizations in an effort to promote financial sustainability (Kakumba, 2012). In attempt to strengthen the corporate governance structures, many CSOs have put in place a board of directors to provide leadership, direct and ensure control in the affairs of the organisation. They have also hired a management team to oversee the running of the organisation. In addition, there are structures, policies and systems directly emphasising corporate governance for example rules and guidelines (USAID, 2015). However, the challenge that still remains is the ability of these CSOs to sustain their financial resources and thus maintain their presence and sustain interventions over time in the face of all the challenges that voluntary organizations are faced with. Corporate Governance practices by and functioning among the CSOs, seems to be failing to provide for financial control, financial resourcing a diverse set of issues, like conflicts between management and directors, mistrust by donors, are becoming a common phenomenon(USAID, 2015). For example, CSOs like Foundation for Rural Development (FORUD), Rwenzori NGO and Networks (RANNET) and KIWED closed due to lack of funding while many that are still operating have reduced staff and intervention. Therefore the question of financial sustainability has become a major concern for CSOs in Uganda. From the researcher's observation, the key factors that may affect sustainability of these CSOs may be resourcing, effective and efficient financial controls, accountability, planning and poor strategic decisions hence poor savings, reduced fund flow and inability to take care of a planned number of activities. However, this has not been ascertained by any empirical study. Arising from this, it is of both academic and social importance to further investigate the relationship between Corporate Governance and Financial sustainability Civil Society organizations in a rural development areas like Kabarole.

1.4. Purpose of the study

The purpose of this study was to examine the relationship between Corporate Governence and Financial Sustainability of Civil Society Organizations in Kabarole District, Uganda.

1.5. Objectives of the study

The study was guided by three major objectives namely;

To establish the relationship between board of director function and financial sustainability of CSOs in Kabarole District.

i. To assess the role of senior management function and financial sustainability of CSOs in Kabarole District.
ii. To examine the relationship between audit committee function and financial sustainability of CSOs in Kabarole District.

1.6. Research Questions

The following questions were set to guide this study and help to draw conclusions.

i. What is the relationship between board of director function and financial sustainability of CSOs in Kabarole District?
ii. What is the relationship between senior management function and financial sustainability of CSOs in Kabarole District?
iii. What is the relationship between audit committee function and financial sustainability of CSOs in Kabarole District?

1.7. Hypotheses

In this study, it has been hypotheses as follows that;

i. There is a positive significant relationship between the board of directors functions and financial sustainability of CSOs in Uganda

ii. There is a positive significant relationship between Senior management teams functions and financial sustainability of CSOs in Uganda

iii. There is a positive significant relationship between audit committees functions and financial sustainability of CSOs in Uganda

1.8 Conceptual Framework

This sub section illustrates the conceptual framework of the study and provides a discussion of the main factors under consideration under each variable.

Figure 1.1. **Conceptual Framework**

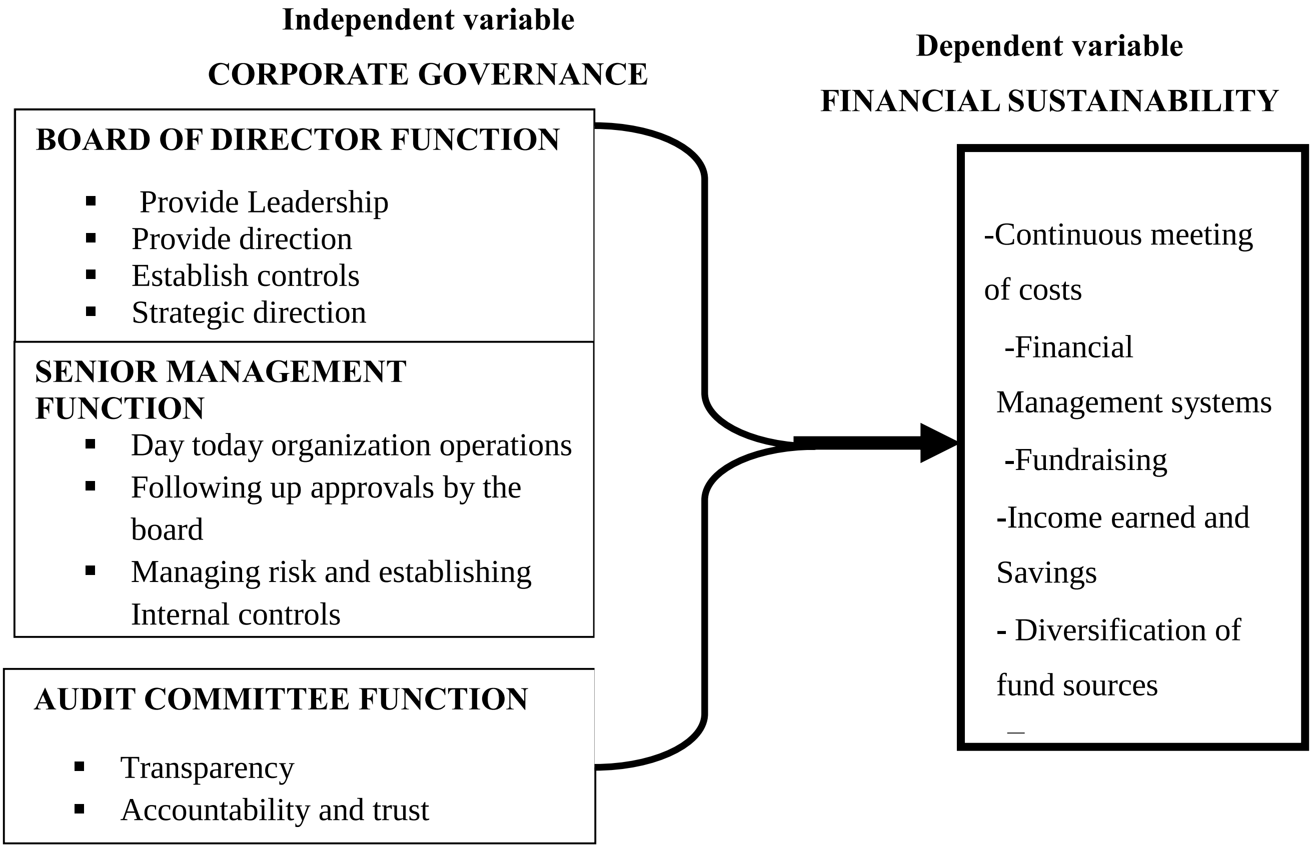

Figure 1. 1: Conceptual Framework. ***Adapted from Sakara (2014). Corporate Governance and School Performance in Western Kenya District of Kakamega (modified by the researcher).***

As indicated from the above model, the independent variable is Corporate Governance that is studied under various factors and the dependent variable is Financial Sustainability. Corporate Governance refers to Board of Director function, senior management function and audit committee function. Board of Directors' function was measured in terms of providing leadership, direction and establishing controls in the running of the organisation. Senior management function executes tasks including day today organization operations, following up approvals by the board and managing risk and establishing internal controls. Audit Committee function refers to accountability and transparency. Financial sustainability was measured in terms of continuous meeting of costs, continuous fund flow, saving, and diversification of fund sources.

1.9 Justification of the Study

Edwards and Fowler (2002) discuss many of the management challenges faced by institutions and one of the highlighted challenges is the conflict of roles between senior management, board of Directors and audit committees. In Civil Society Organisations in Kabarole, the role played by the above three players remain unclear and their contribution to financial sustainability remains questionable. This study therefore sought to map out the correlation between corporate governance and financial sustainability of Civil Society Organisations.

1.10. Significance of the study

The study findings will provide information that will used by policy makers for example the internal affairs Ministry, policy advocates like National NGO board and others whose decisions relates to policies regulating Civil Society Organizations in Uganda.

This study will add to the academic and developmental body of knowledge which is useful n fully understanding the role and ways of improving corporate governance principles and practices in Uganda. There have been few studies that have tended to focus this matter of corporate government with CSOs. This will open interest into further research in the area hence enabling practitioners to thrive with knowledge and skills.

The study will provide a knowledge base that may contribute to the capacity development of CSO boards and senior management teams on strategic management and sustainability of CSOs in Uganda.

1.11. Scope of the study

Geographical Scope: The study was carried out in three selected in CSOs in Kabarole District which are SATNET, KRC and Kaana Foundation purposively sampled. They have lasted for over ten years where others have collapsed, and have a ingredients of corporate governance (Boards, Senior Management teams). Kabarole District is located in Mid-Western Uganda bordered by Kasese, Bundibugyo, Kyenjojo and Kamwenge Districts. The district acts as a business, operational and administrative hub for the region. It thus hosts a number of local, regional and National CSOs. The study was carried out in four selected local CSOs in the District.

Content Scope: The study examined the relationship between corporate governance and financial sustainability of CSOs in Kabarole District. Corporate Governance is the independent variable that focused on CSO boards, Senior Management functions as well as functions of the audit committees and financial sustainability is the dependent variable.

Time Scope: The study focused on the period 2010 to 2015. This is the period when CSOs in Uganda had numerous challenges related to financial sustainability in Uganda hence some have ended up closing (Karungi, 2015). This is also a period in which the CSO sustainability index was widely applied in Uganda.

1.12 Operational Definition of Key Terms and Concepts

Corporate governance is a complex relationship and decisions that occur between the corporate entities like boards and the stakeholders. (Dedan, 2011). For purposes of this study and here in after, Corporate Governance was measured in terms of strategic, oversight and directional functions of boards and senior management teams. These functions were observed as critical in creating financial sustainability in terms of continuous meeting of costs, continuous fund flow, saving, and diversification of fund sources in CSOs in Kabarole District.

Board of Director Function roles are strategic leadership and direction in the running of the institution; it is concerned with review and approval of plans and lastly does accountability & monitoring. For purposes of this study, Board of Director function was measured in terms of providing strategic leadership, direction and establishing controls in the running of the organisation in CSOs in Kabarole.

Senior management consist of top leadership of the CSO, often with director, Heads of departments and financial managers. These execute tasks including day today organization operations, following up approvals by the board and managing risk and establishing internal controls**.**

For purposes of this study, **Audit Committee function** refers to selected group of finance focused individuals that are tasked with ensuring accountability and transparency of the CSO often comprised of finance, procurement audit and treasurers.

Financial sustainability was measured in terms of continuous meeting of costs, continuous fund flow, saving, and diversification of fund sources that enables the CSO to have continuous operation and growth. Sustainability requires the reconciliation of environmental, social equity and economic demands also referred to as the "three pillars" of sustainability (Kaggwa, 2010).

In conclusion, this chapter reviews the concept of corporate governance and financial sustainability. The purpose of the study, problem statement, objectives, research questions, hypotheses, conceptual framework, significance of the study and scope have been presented under this chapter. The parameters of the study scope and limitations are also highlighted. The next chapter provides an overview of the literature on corporate governance and financial sustainability.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

This chapter purposely reviews purposely reviews and provides a critical evaluation of the literature on corporate governance and financial sustainability. The literature has been reviewed in line with the study objectives. The main source of this literature is journal articles and working documents that are published in the recent time 2005 to date. The presentation of this chapter begins with the theoretical review, followed by review of related literature and then summary of the literature reviewed.

2.2 Theoretical review

Although there are many theories of corporate governance, this study focused on two of these namely, stakeholders theory and stewardship theory. These are closely related to the foundation and organizational setup of the civil society organizations.

2.2.1 Stakeholder theory

The study was underpinned by the Stakeholder theory that was advanced by Freeman (1984) and Stewardship theory (1989). The stakeholder theory of corporate governance is embedded in the management discipline of 1970s that was proposed by Freeman (Freeman, 1984). The key issue of was to define corporate governance in form of actions, and decisions made by management of institutions on behalf of stakeholders. In other words, corporate governance owes its credibility to being accountable to a broad range of stakeholders whose interest should be met by those they have assigned to be managers . The stakeholder theory suggests that managers have a network of relationships to serve and this may include suppliers, business partners, employees and buyers. This analogy fits well with CSO setup considering donors, clients and employee needs as being critical to the functioning of the CSO.

The stakeholder theory is based on the view that organizations should be responsive to the needs of the stakeholders in society other than the intended benefits of the owners or founding members (Cornforth, 2002). There can be no truly sustainable management of the organizations without due attention to the fulfilling the needs stakeholders. However, the challenge is often to identify not only the stakeholders but also their needs. According to Renz,(2007) CSOs have a range of stakeholders among whom are customers or beneficiaries, donors, employees, partner organizations and founders for which it is a challenging dilemma to precisely deal with their needs. Freeman (1999) urges that this is simply a network of relationships with many groups that can affect decision making process for managers. Corporate governance therefore according to the stakeholder theory should address itself to the management of relationships of these groups and harness a positive outcome that is beneficial to all (Sundaram & Inkpen, 2004). Such organizational outcomes mentioned in the Stakeholder's theory are not clearly indicated but financial sustainability could be one them.

All the stakeholders are viewed as harbouring intrinsic interests in the organization but no set of these interests is superior to others. Instead the role of corporate managers in these institutions is to strike a balance and harness the complementarity of their interests (Donaldson & Preston (1995). For this reason, focusing on a broad organization survival and growth factor like financial sustainability is to demand for proponents of corporate governance to follow the stakeholder theory so as to streamline the role of corporate entities on CSOs namely Boards, audit committees and managers. Hence they should function in a way that favour the interests of the stakeholders like beneficiary communities, key entities like local governments and donors other than serving the selfish interests of their founders.

2.2.2 Stewardship theory

The study further underpin by the Stewardship theory of corporate governance. This theory has its roots in two fields of psychology and sociology focusing on how individual interests can be fulfilled through broader societal needs. The Stewardship theory looks at institutional leadership as actions and decisions that made based on delegated power and interests.

According to Stewardship theory of corporate governance, the managers are stewards meant to carry forward, protect and maximise shareholder/stakeholder wealth or benefits through the firms' performance (Schoorman and Donaldson, 1997). Financial sustainability is such an outcome of the stewards' organization performance that is expected from agents charged with corporate governance of the CSOs namely, boards, and senior management and audit committees. In maximizing the benefits of the stakeholders or shareholders, the steward is not left empty, but also maximizes utility functions or benefits. Since CSOs are not for profits, other benefits like services to the communities should be seen as shareholder profits. As such the nature of corporate governance observed under this theory is where the managers integrate their goals with those of the organization (Donaldson & Davis, 1991) a factor that can reduce selfish interests and provide for improved financial sustainability.

The stewardship theory further holds that there is not inherent problem when the organizations executives are motivated by their interests as long as these are to be achieved secondary to the primary interests of the stakeholders. A favourable and thriving organization environment may be this case denoted by financial sustainability would thus be the pursuit of corporate governance among leaders of CSOs (Abdullah & Valentine, 2009). Proponents of this theory are of the view that stewards are satisfied and motivated when organizational success is attained.

CSOs are with structures that self-motivating and monitoring and thus create ground for effective adoption of the stewardship model of corporate governance. The theory stresses on the importance of employees and managers operating more autonomously in order to maximize shareholders returns. This minimizes supervision costs and make the organizations leadership self-accounting, monitoring and under limited need for control. What is a challenge is the fact that acting as a steward for a network of groups with vested interests, would demand for some of regulation of behaviour and a high sense of ethical operations (Agyris, 1973).

The biggest problem with organizations with high administration cost is the high costs and expenditure especially on administration since it provides not direct returns. Studies indicate that it would be a better safeguard of the interests of the shareholders if in practice principles of stewardship and stakeholder theories of corporate governance are combined rather than being separated.

2.3 Corporate Governance

Just like leadership, management and other related concepts, corporate governance has been variously defined over the years. It has been defined a "a set of laws, rule and procedures that influence an organizations' operations and decisions made by its managers' (Brigham & Daves, 2004). To Zietlow et al, 2007, corporate governance is a set of responsibilities that ensure accountability , achieves legitimacy with all key internal and external groups that states the mission, values for organizational wellbeing . The OECD,(2004) states that corporate governance is a set of relationship between the company's management, its board, its shareholders and other stakeholders. In effect this definition brings forward the two corporate governance agents of CSOs namely the board and senior management as well as the focus of corporate governance endeavors under both the stewardship and stakeholder theories ; the shareholders and stakeholders. Suffice to say, that this study is anchored on this definition.

Corporate governance recommends a stick and carrot- punishment and reward system if managers are to support and promote interests of the stakeholders through a mutually benefiting relationship. For example removal of managers and boards that do not maximize the value of the resources entrusted to them would be a threat big enough to draw attention and action so that instead rewards are gotten. This is rather overt approach based in the behavioral psychological principle than the pursuit of the intrinsic mutual benefits that may arising from a unified effort to make the organizations perform well.

As such the OECD,(2004) recommended that for the good development of corporate management, key principles like transparency, efficient and consistent observance of the rules, articulation of division of responsibilities, effective supervision and a clear regulatory framework must be in place. Above all the rights of the stakeholders and shareholders must be protected. As such a clear management structure with set rules and responsibilities is a must have for CSO that wish to practice corporate governance. The boards, senior management and audit committees are a key entity in CSO corporate governance.

The challenge though is for most CSOs such a structure is in place but without clear mandate and obligation to fulfill the stated responsibilities. Of the corporate governance entities, only senior management is accorded a regular pay while others are deemed voluntary or simply given a commission. The Social Welfare Department of Hong Kong (2002) recognized the fact that NGO boards are publicly accountable bodies and responsible to the stakeholders yet most often act as voluntary entities.

Understanding the needs of the diverse CSO groups, corporate governance agencies need to fully understand the organizations and why they were formulated and a considerable time on learning what is going on in the organizations (OECD, 2005).

Since there is no profit measure for the CSOs to provide for a clear appraisal of the performance of CSOs, corporate governance fruits can be measured by the level of organization health especially its financial sustainability (Anthony & Young, 1988) . The provided for increased demand for corporate governance in CSOs.

2.3.1 Board of Directors' Function and Financial Sustainability

Some key pillars on which good governance is framed is having a good board of directors. According to Meme (2006) the Board is the embodiment of corporate governance and for CSOs. Making decisions by the board is critical since this provides for achievement of the goals and objectives of the organization as well as means of achieving them, (Edwards & Clough, 2005). Boards play such a strategic and critical role in both For – Profit and Not – For profit organization, acting as the reflective body that guides activity and engagement.

Studies by Meme (2006) on the relationship between corporate governance and organizational performance in Somalia, much attention was placed on their nature other than the functions of the boards. Issues such as board size, education level were examined. It would be important to look at the resulting efforts of the existing boards translating into key performance indicators like financial health of the organizations. Manson and O'Mahony, (2007), states that increasingly corporate governance makes the sense for good governance in organizations and can make to improve financial sustainability by highlighting the strategic role of the board. Legal compliance, continuous financial scrutiny and control and fulfilling accountability requirements are fundamental features of good corporate governance. In addition a high performing board will also play a strategic role. It will plan for the future, keep pace with changes in the external environment, nurture and build key external relationships especially with funders/donors and be alert to opportunities to further the business. The focus is on financial sustainability and financial health of CSOs. The board is not there to simply monitor and protect but also to enable and enhance financial capacity of the CSOs. The institution must be governed under framework that provides an enabling environment within which its human resources can contribute and bring to bear their full creative powers towards finding solutions to shared problems. The conclusion and recommendations of Edwards and Clough (2005) were basically based on the field of Corporate Governance and in this case the researcher intends to widen the scope as he draws his conclusions and recommendations.

Rossette, (2002), examined focused on the composition of the board and its effects on organizations processes like team effectiveness and institutions performance in a number of financial institutions in Uganda. This study further strengthens the argument that in today's institutions boards are the pillars of corporate governance and a careful selection of members should be taken if positive results are to be harnessed. Matama, (2005) when examining the role of corporate governance in the financial performance of a commercial bank, focused on three key isses name; transparency, disclosure and trust among shareholders. These are not function but outcomes of an organization with a board that executes its oversight and strategic role. However, the study revealed a positive significant relationship between corporate governance and financial performance of the bank.

In other studies Masibo, (2005), focused on the structure of the boards in relation to government owned enterprises listed on the Uganda securities exchange. These were therefore profit making corporations. It was concluded that corporate governance based on sound structures accounted for good performance of those corporations. Masibo (2005) focused on the board structure and board process in relation to state owned corporations set for divestiture and those listed on Uganda securities exchange which profit is making.

Furthermore, Kisuze (2012) focused on the strategic role of the boards in ensuring sound corporate governance. It was noted that, where the board of directors neglect to invest in projects that add value to the firm and its shareholders, is a clear indication of the failure of corporate governance. In his study, issues of board transparency and integrity were also in focus looking at need to prevent board of directors from diverting resources to their own benefits. This sounds like stewardship theory of corporate governance. Kisuze (2012)'s study may be broader in applicability than the proposed study that will be centred specifically on Uganda.

Other process issues like board meetings have been the subject of looking at role of boards in corporate governance. Instead this study focuses on the outcomes of the board functions other than its methods of work. It acknowledged by Palepu, (2006) that board meetings provide a platform where management decisions affecting the organization are articulated and the interests of shareholders are represented. Regular meetings should be held and minutes and reports circulated to the board members within the specified period of time to allow for effective decision making. Board meetings should also follow the laid down policies for efficiency. As earlier noted, the critical role played by the boards have led to suggestions of tough measure beyond regulation in case the boards fail to perform (Matama, 205; Masibo, 2010). Dismissal, none payment and even strict performance contracts are some of the tough methods suggested against non performing boards.

There is no doubt these studies have contributed to immerse understating of the boards and corporate governance, but they are far from fully explain the relationship between these boards and financial sustainability of organizations leave alone CSOs. The study by Masibo (2010) mainly relied on secondary data that most times a reader may not be in position to tell how data control of the study was ensured. However, different from Masibo's study, the current study relied on both primary and secondary data collection methods. The study is also silent on the roles of the board yet these are key in producing positive organizational outcomes like financial sustainability. Only Peasnell, (2003), came close to examining the pivotal role of boards in ensuring accountability and financial management hence financial sustainability.

2.3.2 Senior Management Function and Financial Sustainability

At the helm of each organization functional structure is a core team of managers charged with offering the institutional leadership. In the US Corporate Governance scandals and accounting failures such as Maxwell in the UK and Enron in the US have been dominating business debates during the last decade. An increasing ethical problem is recognized as symptoms of failing Corporate Governance and systems of accountability and control in organizations as a role or function of senior management team (Igor, 2004). However this study as a precursor looks at corporate governance function of the senior management team in a way of effecting control, taking strategic decisions and exercising influence on lower staff to perform in order to fulfil the needs of the stakeholders. In CSOs senior management teams perform human resource and administrative duties and are thus responsible for a conducive operational ground to fulfil the need of the stakeholders. , management and other stakeholders and thus fails to relate to the consequences such lack of financial viability of organizations.

Zahra and Filatochev (2004) argues that senior management teams play a complimentary role to the boards in providing strategic direction of the organization but not a substitute to oversight and overall supervision. Solomon (2013) argues that senior management team is the engine of the organization and should be actively involved in looking for resources. In case of CSOs resourcing through proposals to donors is the role of senior management team (Rwegasira, (2000). In comparison to Anglo-Saxon profit oriented companies, he further argued that senior management team can as well invest in the company to increase its resources but also raise the interest in benefiting it. Increasing financial flows is yet another way CSOs can achieve financial sustainability.

Senior management committees are important because they promote good leadership within the institutions (Gibbins, 2010) and this has strong links to financial sustainability of organizations. This leadership provides for accountability and transparency, effective and efficient execution of plans (OECD, 2004). These attributes are important to raise key stakeholder confidence and trust in the organization which ensures financial flows. In most CSOs in the developing world, Gibbins,(2010) noted that persistent lack of quality top management team as well as their high level of mismanagement characterised by bribery, corruption and self-interest has been the main cause of collapse of organizations. Despite emphasizing the role of senior management committees in organizations, the earlier studies did not investigate the relationship between their corporate governance role and financial sustainability.

2.3.3 Audit Committee Function and Financial Sustainability

An audit committee improves stakeholder’s confidence in the reliability of an organizations processes and procedures for accountability and transparency, (Financial Reporting Council, 2010). In most organizations, an audit committee is established by the board to strictly focus on financial matters of the organization. According to the Financial Reporting Council, it is in the proper utilization of funds that more financial resources are made available to firms and as such the audit committee often reviews and makes recommendations on the organizations internal financial controls.

In addition it helps to monitor the effectiveness of the organizations internal audit functions and recommend external auditors in a way that strengthen accountability and transparency. While a close collaboration is often recommended between the board and the senior management, it is important to have an independent and objective audit committee that will give unbiased feedback on the financial situation and behaviours of an organization (Kyereboah-Coleman, 2007). Technical financial capacity to the extent of at least one member of the board to have recent and up to date financial training is a demanded of the audit committee. Of course to be able to detect and thus prevent fraud and ensure an integral system, members of this committee must be technically competent and ethically upright.

Having studied over 100 firms in West and South Africa, Kyereboah-Coleman (2007) noted that audit committees concluded that each firm with a public scrutiny needed an audit committee. The role played by the audit committees of the firm greatly impact on its overall performance and in specific terms financial sustainability. This makes it soul of the organization through which stakeholder’s trust is reflected. Rwegasira, (2004), noted that institutions need to build trust for others to be willing invest more. It shows that the audit

Kajola, (2008) examined the relationship between the audit committees and the board and senior committee among four corporate organizations. Results of that study indicated that profit margin of the firms listed on the stock market as well as it level of stock returns were high among those with a sound collaboration among its internal entities. This study does not give conclusive evidence that good collaboration and health operation environment among the corporate bodies of the firm lead to transparency and financial sustainability. However, it indicates that measures of promoting transparency and accountability as well as building trust among key stakeholders is directly linked to continuous funds flow and thus financial sustainability.

When examining the effects of corporate governance mechanisms on financial performance of firms, Sanda, et al (2005) sampled 93 firms quoted on the Nigerian stock exchange for a period of three years. In this rather longitudinal study, it was noted that corporate governance entities like boards function were significantly positively related to firm's financial performance. Key of the board functional especially the oversight role depended on the board size, where it was recommended that less than ten was good for concentration as opposed to diffused equity ownership with many trying to balance off all interests. Again the results argued for the separation of the posts of CEO and Chair, thus recommending that good corporate governance would mean separation of functions between board and senior management. Moreover, although the results found no evidence to support the view that proper functioning of board and senior management in one firm meant that it would perform better than other firms in financial sense. Instead there was evidence that firms run by expert boards and on the other hand contracted CEOs had a tendency to achieve higher levels of performance than those run by indigenous CEOs selected on rather other reasons than merit. The corporate governance of boards, senior management team and audit committees need to be independently performed if organizations are to achieve financial sustainability.

The relationship between shareholders is particularly important in this context. While some shareholders are actively involved in managing the business, others decide to take more passive roles, both deriving different objectives and preferences from such a role selection. The multiple roles that shareholders play in the business and family dimensions make also the governance of institutions like CSOs a particular challenging task (Neubauer, Lank and Ward, 2008; Mustakallio, Autio and Zahra, 2012; Tagiuri and Davis, 2010). Both active shareholders and non-active shareholders usually have significant ownership rights and can exert strong influence on the firm in order to protect their interests. As corporate governance is defined as "the organization of leadership and control, aiming to align the interests of all the stakeholder groups involved" (Witt, 2013), the configuration of the governance elements can potentially influence interests of active shareholders and non-active shareholders and support the reaching of consensus. However, a detailed theoretical assessment or empirical basis is missing in the earlier study the researcher noted.

Transparency and accountability are key corporate governance functions that should be ensured by the audit committee. The question these positive corporate governance functions are related to financial sustainability of organizations. Aksu and Kosedag, (2005), examined the key functions of audit committees like creation of transparency, and firms' financial performance. From a large sample of heavily capitalized firms as indicated by their annual report, they came to the conclusion that firms with higher scores were again those with functional boards and proper management structures under which they operated. These firms were found to have better accounting measures and high level of profitability. Those posted high confidence among investors and thus performed well on money markets. Suffice to say that transparency and accountability, which are functions of audit committees provides for trust and confidence among investors including donors hence increased financial flows.

These studies have thus indicated that there is a stronger relationship between transparency as indicated by high disclosure scores and financial performance of organizations either for profit or non-profit like CSOs. This however, need to be further investigate in the local context like Kabarole where CSOs are not exposed to international accounting, transparency systems even when they are donor dependent. Transparency of the organization is in essence a function of the audit committee hence having an implied value for financial sustainability.

2.5. Gap synthesis and Summary of literature review

The literature review above reveals a number of studies that have been done on the issue of corporate governance and financial sustainability although little has been done to relate the two variables. Studies on corporate governance focus on the application of the theories and those that examined the corporate governance agents of like boards looked at size, selection of boards. There has been little effort to evaluate the functions of these corporate agents like boards a, audit committees and senior management committees in relation to financial health and sustainability of the organizations. Again literature review has revealed the issues of corporate governance have for long been the attention of profit making companies and big corporations and little attention has been paid to small entities like locally established CSO.

Studies on financial sustainability including the UN CSO sustainability index, have tended to focus on measuring level of organization's resources without explaining the attributable factors such as corporate governance of these institutions. Other outcomes like organization performance have been given due attention other than the specific issue of financial sustainability, a factor that bothering many CSOs at the moment owing to dwindling donor funding. This study therefore provides for an explanation of these two variables of corporate governance and financial sustainability in a less attractive area of CSOs in a developing country.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This Chapter presents and describes the methods that were used in the study. They include the study or research, study population, sample size and selection, sampling techniques and procedure, data collection methods, data collection instruments, data quality control (validity and reliability), procedure of data collection, data analysis and measurement of variables.

3.2 Research Design

A correlational research design was adopted for the current study. Creswell (2009) noted that with a correlational research design, the researcher is able to find out the degree of relationship between the study variables. A correlational study is easy to use, least costly and less time consuming. This study also applied a mixed method using both quantitative and qualitative approaches for data collection and analysis. The major focus was quantitative approach but owing to the advantages the qualitative data a few key informant interviews were also done. As Creswell, (2009) noted, quantitative methods were used for their objective advantage and qualitative data was collected to enable further explanation of why results portrayed a given trend. This was the voice behind the data as noted by Kothari, (2004) that it offers in-depth understanding of behavior and the reasons behind that given behavior.

The quantitative and qualitative approaches were adopted in the process of data gathering, analysis and thus provided for interpretations and discussion although only the former was relied on to draw conclusions.

A form of triangulation was thus provided to make the study more broad based and reduce on social disability that may often arise from studies on sensitive subjects like finances (Groves, Fowler, Couper, Lepkowski, Singer, Tourangeau & 2009).

3.3. Study Population

A population is the aggregate or totality of objects or individuals having one or more characteristics in common that are of interest to the researcher and where inferences are to be made (Amin, 2005). The population comprises of respondents from three selected CSO in Kabarole District which are SATNET, Kaana Foundation and KRC purposively selected. The population under study was 101 comprising of 21 Board Members, 12 Senior Management, 10 Audit Committee Members and 59 Other Employees.

3.4 Sample Size and Selection

This study was based on a sample size of 88 respondents based on the total population of 101 from the three CSOs namely Kaana Foundation, SATNET and KRC. This was representative enough based on the Krejcie and Morgans (1970), table.

Table3.1. Population, Sample Size and Sampling Techniques

Category	**Target population**	**Sample size**	**Sampling technique**
Board Members	21	19	Purposive
Senior Management	12	10	Purposive
Audit Committees	09	07	Purposive
Other Employees of CSOs	59	52	Simple Random
Total	**101**	**88**	

Source: Adopted from Primary Data(2017)

Because the board members, senior management and audit committee members were the best to provide information on their functioning, a purposive sampling method was used. General financial issues and inference questions which could examine the corporate governance and financial sustainability issues of all organizations and could be answered by any employee.

Thus a random sampling method was used to offer each a chance of selection. A sample list was developed from lists of employees provided by the organizations

3.5 Sampling Techniques and Procedure

Probability/random sampling was used in selecting organizations and respondents. It is a technique in which the probability of getting any particular sample may be calculated (Creswell, 2009). The advantage of probability sampling is its lower cost compared to probability sampling. Simple random sampling was adopted in sampling Other Employees. According to Creswell (2009), simple random sampling ensures that every member has an equal chance of being recruited into the sample. A sample frame was constructed and then the members will be randomly sampled. Purposive sampling was adopted to sample members of the Board of Governors, Audit Committee Members and Senior Management. Mugenda and Mugenda (1999) purposive sampling focuses on particular characteristics of a population that are of interest, which best enables the researcher to answer her research questions.

3.6 Data Collection Methods

In this section, the study used data collection methods that are primary and secondary in nature (i.e questionnaire survey, key informants interview and documentary review).

3.6.1 Questionnaire Survey

The major data collection tool used was a questionnaire. This is a research instrument in which a series of questions and other prompts were used to gather information from the respondents. Is has been widely adopted for quantitative data collection and analysis. The researcher used the questionnaire survey because it is practical, large amounts of information can be collected, questionnaires data can easily be quantified, it is also a cheap way of collecting data, a large group of respondents is covered within a short time, it also allows in-depth research, to gain first-hand information and more experience over a short period of Survey methodology is both a scientific field and a profession, meaning that some professionals in the field focus on survey errors empirically and others design surveys to reduce them (Earl-Babbie, 2013).

3.6.2 Interviews

As part of the qualitative data which is meant to offer detailed explanations of the results, key informant interviews were conducted. According to Kothari (2004), key informant interview provide for a chance to explain the significance of the phenomenon being portrayed by the statistical data. Since the study investigated a sensitive issue of finances in an organization, it was important to explore further why and how these CSOs experience with financial sustainability and corporate governance issues (Groves et.al (2009). A structured interview using a key informant interview guide was used providing for little deviations from the subject being investigated (Somekh & Lewin, 2005).

3.6.3 Documentary Review

Furthermore, key documents were reviewed to triangulate data collected from respondents. Annual reports were reviewed for SATNET, KRC and Kaana Foundation to examine financial reporting, accountability and levels of growth. These were published on the organizations' websites and hard copies were equally accessed at their offices. Secondary data is useful in providing a basis for the study of this kind (Junker & Pennink, 2010). For instance the messages of the board chairpersons from the three organizations provided for more information on the activities of the boards and their mandate enabling the researcher to detail the study instrument as was noted by Ragin, 2011.

3.7. Data Collection Instruments

Primary data was collected using a number of instruments already mentioned in the techniques above. These included the survey questionnaire, key informant interview guide and the documentary checklist.

3.7.1. Survey Questionnaire.

Primary data was collected using a self-administered structured questionnaire. The questionnaire had five sections. Section one collected data on basic respondent characteristics like age, gender, level of education and employment level; section two collected data on board functions and financial sustainability using a 5 Likert scale. Section three had items on senior management function and financial sustainability also based on a Likert scale and section four had items on audit committee function and financial sustainability based on 5 point Likert scale. The last section, five, had survey questions on financial sustainability of CSOs adapted from the UN CSO sustainability index (UN, 2015).

The questionnaire consisted of 28 closed ended questions purely structured in nature that were used to measure the two study variables of corporate governance and financial sustainability of the CSOs. All questions were positively worded and thus there was no need to reverse code any during the data management and analysis.

3.7.2 Interview Guide

Ten open ended questions were developed and used for discussion and recording information from key informants. These covered all the variables under study focusing the role of the corporate government components in the financial sustainability of CSOs.

This was rather an organized conversation that was recorded on permission of the interviewees enabling further data processing procedures described late (Junker & Pennink, 2010 ; Ragin, 2007). The researcher interviewed 01 board Member, 01 member from senior management and 01 audit committee member.

3.7.3 Documentary Review Check list

Not only a checklist was developed but key information from documents published by these organizations was sought. This included annual reports, brochures and organizational profile articles and strategic plan documents. These were reviewed before collecting primary data since they provided for a baseline and key subject matter information (Amin, 2005)

3.8 Quality Control of Data Collection

The data collection tools were subjected to quality control measures to ensure authenticity of the study. Two areas of data quality were focused on namely; validity and reliability.

3.8.1. Validity

Validity refers to the correctness of the findings or the extent to which the instrument measures what it is meant to measure (Earl-Babbie, 2013). As such the validity of the questionnaire was subjected to a quantitative validity test referred to as the Content validity index (CVI). The items were run through the SPPS 16.0 software and produced a validity score of 0.71 which was atelast above the minimum requirement.

Qualitative validity was established by giving the questionnaire to the subject matter experts (supervisors) to evaluate the relevance and applicability of each item. An evaluation score was established and they rated each item on the scale of very relevant (4), quite relevant (3), somewhat relevant (2), and not relevant (1). The final instrument used only included items that were rated 3 and 4.

Table 3.1: Content validity Index Results

Summary		Results	
		Test	Items
1	Variables		
	Board of Director Function	.764	7.0
	Senior Management Function	.904	9.0
	Audit Committee Function	.746	5.0
	Financial Sustainability	.737	7.0
a. Independent Variable: Corporate Governance b. Dependent Variable: Financial Sustainability			

Source: Primary Data (2017)

The Content Validity Index test was carried out and the test results revealed that board of director function had a validity result of .764, senior management function had a validity test result of .904, audit committee function had a validity test result of .746 and lastly the dependent variable (financial sustainability) had a validity test result of .737. All the variables had results above the standard value of .70 (70%) which showed that all items in the instruments were valid.

3.8.2. Reliability

To ensure that the research instrument especially the questionnaire was reliable, a pretest was conducted on two CSOs akin to those targeted in the study. The items were modified having identified those that had low consistency and dependability levels. Results of the pretest were subjected to a reliability test using Cronbach alpha reliability coefficient. The original tool with 33 items was then reduced to 28 items having identified those which were unreliable. The minimum alpha coefficient was 79 which were above the 70 pas mark implying that the tool was reliable as indicated in the table below;

Table 3.2: Cronbach Alpha Reliability Results

Summary			
		Test	Items
1	Variables		
	Board of Director Function	.816	7.0
	Senior Management Function	.890	9.0
	Audit Committee Function	.788	5.0
	Financial Sustainability	. 790	7.0
Independent Variable: Corporate Governance Dependent Variable: Financial Sustainability			

Source: Primary Data (2017)

The Cronbach Alpha Coefficient test was carried out and the test results revealed that Board of directors function instrument had a reliability result of .816, Senior Management team function had a reliability test result of .890, Audit committee function had a reliability test result of .788 and lastly the dependent variable (Financial sustainability) had a reliability test result of .790.

3.8 Data Collection Procedure

An introductory letter from Uganda Management Institute was used to formally contact the CSOs and ask to conduct the research. The questionnaires were given directly to the sampled respondents after establishing contact. This was done to reduce bias and fear of being victimized by the study. Participant was given atleast two weeks to fill in the questionnaire which was collected by the researcher. The only incentive promised was to share a copy of the study with their organizations. Data collected from questionnaires was sorted and items clearly marked, before entering them into the analysis software.

3.9. Data analysis

Analysis of data followed the study objectives. Since two approaches were used in data collection, both quantitative and qualitative data were analyzed using appropriate methods to identify themes and pattern as presented in the theories and hypotheses (Ragin, 2007)

3.9.1 Qualitative Data Analysis

Recordings from the key informant interviews were the main source of qualitative data supplemented by documentary reviews. To grasp the meaning of all qualitative data produced by the interviews and document analysis, Content analysis as an interpretive technique was adopted to draw inferences that explained key concepts of the study (Creswell, 2009). Data from recordings was transcribed, summarised into major themes related to the research questions. These were later used as explanatory notes for statistical data. Having promised to blur identity of the key informant, no names were attached to data segments extracted.

3.9.2. Quantitative Data Analysis

Quantitative data arose from the survey questionnaire. These were sorted, coded and entered into SPSS 16.0 software for analysis. Quantitative data analysis was in two parts namely descriptive statistics and inferential statistics. Descriptive statistics were computed for the background information of the respondents like age, gender, education level and employment level. This was not relied on to draw conclusions about the study. Quantitative data got from the questionnaires was computed into frequency counts and percentage. The key data analysis techniques to establish the relationship between the key study variables was Pearson product moment correlations and Regression analysis. Correlation Coefficients help to assess/test the degree of relationship between the variables of the study.

3.10 Measurement of Variables

The independent variable (Corporate governance) was divided into three sub instruments to measure 1) Board function; 2) Senior Management committee function and 3) Audit Committee function. The instrument had a total of 22 question items. The lowest possible score was 22 while the highest possible score was 110. The dependent variable namely, financial sustainability of CSOs was measured using 12 items in total. These were divided into three sections of financial flow and resourcing, financial management and control and diversification of financial earnings. The choice of the Likert scale is that each point of the scale carries a numerical score useful to determine the respondents' feel about the issue asked (Bill, 2011).

3.11 Ethical Considerations

Care was taken by the researcher to observe research ethics of honesty. All information has been verified by the respondents and the recorded interviews indicate that considerations against fabricating, falsifying, or misrepresenting research data was done. According to Amin, 2005, honesty is a key ethical value.

Informed Consent: Data collection and recordings that formed the basis of this study was well explained and the participants were given opportunity to freely participate or not. The participants were given adequate information about what the study involved and an assurance that their consent to participate would be free and voluntary rather than coerced. According to Sekaran (2003) clear methods of obtaining informed consent either written or verbal should be laid down in a manner that clarifies what the research entails, its procedures and level of confidentiality. In this case, an introductory paragraph was given on each questionnaire in addition to verbal explanations about the study. To the selected interviews, the participants were explained to that for the purpose of transcribing the data; the interview was to be recorded and would thus only participate if they accepted to be recorded.

Confidentiality: Care has been taken to protect confidential communications and not to identify individuals or organizations with any given statement in the study. Also justice and beneficence ethical value was observed by explaining to the respondents that the study was for academic purpose but results could be used to improve on management and financial sustainability of the CSOs in the region. It was not meant to hurt individual respondents or even the organizations.

To avoid plagiarism, works of different authors were acknowledged whenever they are cited. Only published and data from primary source of this search was used. Organizations reports and profile documents were basically used a preliminary study to understand the roles of each actor, the issues at stake in the selected CSOs.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0. Introduction

This chapter presents findings of the study, analysis of the results and provides for key interpretations on what the study finding actually means. The study findings are presented based on the stated objectives of this study in chapter one. The main objective was to examine the relationship between corporate governance and financial sustainability of Civil Society Organization in Kabalore District, Uganda. This was guided by the following objectives: 1) To establish the relationship between board of directors function and financial sustainability of CSOs in Kabarole District, Uganda; 2 to establish the relationship between senior management function and financial sustainability of CSOs and; 3) to examine the relationship between audit committee functions and financial sustainability.

Data is presented in two major forms as per the analysis that was done. The major part in which interpretations are made is on statistical data while qualitative data is used to further explain why situations were as such. In areas where quantitative data conflicts with qualitative information, the former is seen as more objective and is based on to draw conclusions.

4.1. Response to survey

Although there were only three selected CSOs, the response rate to the research instruments was not 100%. Below is a table that indicates the response rate to the research instruments.

Table 4.1: Response Rate

Instrument	Target	Actual Response	Response rate
Questionnaire	88	61	69%
Interviews	05	04	80%

Source Primary Data (2017)

Table 4.1 above indicates that 61 of the targeted 88 respondents returned the research questionnaires giving rise to 69% response rate. For key informant interviews only 5 were targeted representing three categories of respondents namely board members, senior management members and ordinary employees. Four (4) of the respondents participated in the face to face interview giving a response rate of 80%. According to Creswell (2003), this was a high response rate beyond the minimum requirement of 50%.

4.2. Findings on respondents' characteristics

The survey sought to identify the characteristics of the respondents which included, age, gender, education, tenure with the organization and current employment position. These are summarised as below;

4.2.1. Gender characteristic of the Respondents.

The gender characteristics of the respondents

Table 4. 2: Summary statistics on the gender of the Respondents

		Frequency	Percent
Valid	Male	28	45.9
	Female	33	54.1
	Total	61	100.0

Source: Primary Data (2017) *N=61*

Table 4.2 shows that the majority of the respondents were female (54.1%) and male were (45.9%). This shows females were more responsive in the study than male. On the whole there was a good representation of both male and females from which a balanced conclusion can easily be inferred.

4.2.2. Age of the Respondents

The study looked at age distribution of the respondents by age using frequency distribution.

The results obtained on the item are presented in table 4.3 below

Table 4.3: Age of the Respondents

		Frequency	Percent
Valid	20-29	18	54.5
	30-39	5	15.2
	40-49	7	21.2
	50 Above	3	9.1
	Total	61	100.0

Source: Primary Data (2017) *N=61*

Results from the above table indicate that majority of respondents who took part in the study were between 20-29 years implying 54.5% , 15.2% were between the age of 30 -39 , those between 40-49 years were 21.2% and lastly those above 50 years of age were 9.1%. Although majorities were young adults, the study results indicate that all ages were represented in the study making it a more balanced study.

4.2.3. Education level of Respondents

The table 4.3 presents the summary statistics on level of education of the respondents.

Table 4.3. Distribution of respondents by level of Education

		Frequency	Percent
	Bachelors	25	40.9
	Diploma	13	21.3
	Certificate	10	16.3
	Masters	12	19.6
	Total	60	98.4
Missing	System	1	1.6
Total		61	100.0

Source: Primary Data (2017)N=61

The majority of the respondents were Bachelors degree holders making a total percentage of 40.9%, diplomas were 21.3% and the certificate holders were 16.3%, master's degree holders were 19.6%. These results indicate that the respondents had good academic grounding to confidently provide corporate leadership role. Besides, the respondents were able to understand, read, interpret the questionnaire and gave relevant responses.

4.3 Empirical Results on Corporate Governance and Financial Sustainability

To test the hypotheses and make conclusions on the relationship between corporate governance and financial sustainability of CSOs, inferential statics were used. This section thus presents the empirical results based on the objectives and hypotheses of the study. The overall goal is demonstrating how corporate governance influences financial sustainability in CSOs in Kabarole District. The items on the independent (corporate governance) and dependent (financial sustainability) were structured basing on the objectives of the study.

4.3.1. Objective One: Board of Director Function and Financial Sustainability

The items on the board of directors are analysed basing on seven (7) items which are statistically tabulated and presented in the table below

Table 4.5: Summary Statistics on Board of Directors

Items	SD	D	N	A	SA	Mean	Std. Dev
The board of directors reviews and approves work plans as a measure of control.	14.8%(9)	6.6%(4)	24.6% (15)	39.3%(24)	9.8%(6)	3.24	1.24
Board decisions are timely communicated to management and staff	8.2%(6)	7.8(5)	13.1(8)	45.9%(28)	21.3% (13)	3.63	1.17
There is a good relationship between the board and the organization funders	1.6%(1)	3.3%(10)	8.2%(5)	47.5%(29)	34.4% (21)	4.15	.854
Board of Directors has in the past year organized strategic planning meetings for the organization.	8.2%(5)	11.5% (7)	11.5% (7)	32.8%(20)	27.9% (17)	3.80	1.68

The Board regularly reviews rewards and benefits of the senior management team	3.3%(2)	14.8% (9)	16.4% (10	26.2%(16)	36.1% (22)	3.79	1.20
Board of Directors monitors financial risk.	3.3%(2)	11.5% (7)	9.8%(6)	36.1%(22)	29.5% (18)	3.85	1.12
Board puts in place teams that work committedly to secure funds for the organization	4.9%(3)	11.5% (7)	13.1% (8)	31.1%(19)	32.8% (20)	3.80	1.20

Source Primary Data (2017) *N=61*

As to whether the board of directors reviews and approves work plans as a measure of control, 14.8% said they strongly disagreed, 6.6% disagreed 24.6% were Not Sure, 39.3% agreed and 9.8% strongly agreed. The mean = 3.2 indicated that majority of the respondents agreed the board of directors in the three CSOs adequately perform their function of reviewing the work plans as a measure of control for CSO in Kabarole District particularly in SATNET, Kaana Foundation and KRC as selected CSOs.

A respondent from SATNET noted that

*In their organisation, work plans are drawn and reviewed on time (*Primary data, 2017), these influence financial sustainability, if well drawn the plans yield fruits. Responses to the question as to whether Board decisions are timely communicated to management and staff, 8.2% strongly disagreed, 7.8% disagreed, 13.1 Not Sure, 45.9% agreed and , 21.3% strongly agreed. The mean = 3.63 that indicated that the majority of the respondents agreed that the Board decisions are timely communicated to management and staff. In regard to offering direction, the boards thus seem to perform their function offering direction to the CSOs.

A respondent in contradiction to survey findings was of the view that; '*Board decisions are not timely communicated to management and staff in many CSOs in Kabarole District like Kaana Foundation.'* In most cases effective board decisions on financial matters can lead to financial sustainability. This concurs with Nicholason and Kiel, (2004), that an effective boar facilitates effective organization management leading to positive performance and prosperity. For CSOs, this is financial sustainability.

Interview findings revealed that the Boards follows up on activities and ensures that they build trust in the donors and beneficiaries. Boards of the three CSOs are carrying out Monitoring of the projects to ensure compliance on activities and set targets. In addition boards of governors hold quarterly meetings and develop monitoring and supervisory plans to by which they fulfil oversight role on the senior management.

“The board of Kaana Foundation, for example establishes policies and guidelines that are followed by the staff to ensure that funds are properly utilized. Over 98 % of the funds come from donors’ organization. The organization is often sub contracted by International NGOS in the region to carry out activities. Funds have grown from just as a CBO in 2007 with an annual budget of 10 Million to over 600 Million currently and have registered. Policies like financial policies, HR policies established by the board. This has helped to create legal existence of the NGO with the National NGO Board. Board and SMT have created strategic plans on three activities. Local funding is Rwenzori –Kateebwa Fund – funding for groups – Kaana foundation has taped into this fund from the district to carry out activities of empowering women they work with. Activities carried out to ensure continuous flow of funds through Project proposal writing” *Member of the Senior Management Team Said (primary Data 2017).*

With respect to whether there the boards relate well with the organization funders, 1.6% strongly disagreed, 3.3% disagreed, 8.2% were Not Sure, 47.5%agreed, 34.4% strongly agreed. The mean = 4.15 which corresponded to agreed indicated that the majority of the respondents agreed that there is a good relationship between the board and the organization funders. Building trust with funders is a corporate function directly related to the continuous flow of financial resources in the organization hence a positive measure of corporate governance relationship with financial sustainability.

A Finance Officer from Kaana Foundation had this to say;

"In the last few years there has been more pressure on boards to show how they govern and add value to their organization especially on ensuring that financial resources are acquired and properly utilized." This concurs with the need to build competent boards and raise organizational positive outcomes including financial sustainability (ICGU Report, 2015). Interview findings revealed that not only the exisistance of the boards but also the ability of these boards to execute their mandate matters a lot when it comes to financial sustainability of CSOs

As regards to Board of Directors strategic function, the study sought to find out if in the past one year the any such activities were organized. Results revealed that 8.2% strongly disagreed, 11.5% disagreed, 11.5% were Not Sure, 32.8% agreed, and 27.9% strongly agreed that the board holds strategic planning meetings for the organizations. The mean = 3.80 meant that the respondents the agreed that Board of Directors has in the past year organized strategic planning meetings for the organization. This related to strategic aspect of corporate governance that is played by the boards. The measure of strategic meetings is well represented but does no measure the relevance of the strategic directions offered by the boards.

In disagreement, a respondent noted that; "*boards in CSOs in Kabarole District play a general function did not provide strategic planning incentives to the CSOs. Some of the Board members behave like regular employees of the organization and many lack knowledge and skills in the sectors acted upon by the CSOs in order to give proper strategic direction." Said by Member of Senior Management team. (Primary Data, 2017). IN agreement,* Ssegawa (2013), recommends a diverse outlook of boards to play an oversight role on the organization ranging from outside representation, audit and financial control to remuneration and compensation of senior management team. Strategic planning and management is a risk factor for CSOs which needs special corporate governance attention.

With respect to whether the Board regularly reviews rewards and benefits of the senior management team, 3.3% strongly disagreed, 14.8% disagreed, 16.4% were Not Sure, 26.2% agreed and 36.1% strongly agreed. The mean = 3.79 which corresponded to agreed indicated the majority of the respondents agreed that the Board regularly reviews rewards and benefits of the senior management team. This provides for the corporate governance role of motivation of senior management teams. However, the motivation is often suggested and skilfully justified by the senior management team and the boards simply rubberstamps.

Responses to the question as to whether Board of Directors monitors financial risk, 3.3%strongly disagreed, 11.5% disagreed, 9.8% Not Sure, 36.1% agreed and 29.5% strongly agreed. The mean = 3.85 above the median score, three indicated that Board of Directors monitors financial risk.

A Senior Officer in Accounts in a CSO noted

Some Board members are not keen in monitoring and supporting organizations to avert risks let alone understanding risk assessment, control and management with proper financial decisions. He added that; *the boards prefer to play safe and appeal to good will of employees and donors rather than challenge them to venture out.* Risk monitoring averts so many challenges that may be an impediment to financial sustainability. Richardson (2009) also provides empirical evidence suggesting that directors who perform extensive monitoring duties receive less strategic information from management (Richardson, 209).

As to whether Board puts in place teams that work committedly to secure funds for the organization, 4.9% strongly agreed 11.5% agreed, 13.1% were Not Sure, 31.1% agreed and 32.8% strongly agreed. The mean = 3.80 shows that majority of the respondents agree that boards puts in place teams that work committedly to secure funds for the organization.

A respondent who at employee level was of the view that;

"The board members of these CSOs lack capacity to bring in financial resources since it requires a lot of skill in negotiations and making proposals and expressions of interest in

funding call. He added that; *I would rather see this as mainly done by the senior management team"(Primary data, 2017)*

Fundraising through sourcing for donors was the common board engagement on resourcing the CSOs. For example, three Donors so far connected to Kaana Foundation were through the Board. Board members support in fundraising and identifying funding opportunities. At least two projects currently being implemented at KRC were sourced by the board members. Financial sustainability requires proper control these could be internal control. Rossette (2002) noted that the important control mechanisms are the related to regulations and provision of guidelines that are to be followed by the senior management. Sanctions and rewards are used by the board to ensure these are followed.

The staff of Kaana Foundation interviewed noted that senior management follows the approval by the board of Directors and senior management is assessed basing on how they have fulfilled the plans drawn. Padilla (2002), adds that, to assess the functioning of the board, one has to look at outcomes being reflected by the nature of the organization. Financial sustainability indicators like financial control, resourcing and execution of plans are key in assessing the role of the boards. In particular, it can be argued that it is difficult to isolate the real impact of the board of directors (from the impact of management) when assessing outcomes such as financial sustainability of the organization.

Findings revealed, boards met regularly and provide the supervisory roles to those organisations that have boards. For Kaana foundation, KRC and SATNET, the boards have also played a strategic role of creating buy in of donors and other funding organizations from external sources. There is however, poor performance in regard to identifying internal sources of revenue creating a threat of dependence on external sources.

Results indicated that CSO boards in Kabarole are with limited education compared to the senior management team members. This makes boards less effective in offering alternative approaches, challenging decisions of the management team and offering strategic direction other than often agreeing and rubber stamping plans made.

4.4. Hypothesis Testing One:

Hypothesis one, stated that there is a positive significant relationship between board of directors function and financial sustainability of CSOs in Kabarole, Uganda. Pearson correlation coefficient was use together regression analysis to test the hypothesis. The results are given as below;

Table 4.6: Correlation Matrix for Board of Directors and Financial Sustainability

Correlations

		Board of Director function	Financial Sustainability
Board of Directors Function	Pearson Correlation	1	.576**
	Sig. (2-tailed)		.000
	N	61	61
Financial Sustainability	Pearson Correlation	.576**	1
	Sig. (2-tailed)	.000	
	N	61	61

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

Source: Primary Data (2017) *N = 61*

The results in table 4.6 showed that the coefficient r= .576** and p=0.000 < 0.05 at a significance level of 0.000. This implied that Board of Directors Function is highly related to financial Sustainability in CSOs. These results lead to a conclusion that there is a positive significant relationship between board of directors' functions and financial sustainability of CSOs. This implies that an improvement on the board of Directors function will lead to an increase in financial sustainability in CSO in Kabarole District. Therefore, the alternative hypothesis that was earlier stated in chapter one is upheld.

A regression analysis was done to examine the strength of the relationship between the two variable and results are indicated in table 4.7 below

Table 4.7: Regression Analysis for Board of Directors Function and Financial Sustainability

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.576[a]	.204	.183	15.78039
a. Predictors: (Constant), Board of Directors Function				

Source Primary Data (2017)

The adjusted R square value is 0.183; this implied that Board of Directors Function explained only 18.3% of financial sustainability in CSOs. Therefore board of directors predicts financial sustainability by 18.3 %. This implies that an improvement on the board of Director Function will lead to an increase in financial sustainability in CSO in Kabarole District. From all the results the alternate hypothesis earlier stated in chapter one that there is a significant relationship between board of directors function predict financial sustainability in CSO in Kabarole District is therefore upheld.

4.5. Objective Two: Senior Management Function and Financial Sustainability

The items on senior management function were nine (9) structured basing on the objectives of the study statistically tabulated and presented in the table 4.8 below with the frequencies and percentages.

Table 4.8: Summary Statistics on Senior Management Function and Financial Sustainability

Items	SA	A	N	D	SD	Mean	Std. Dev
Senior management makes decision after consultation with the board	9.8%(6)	11.5%(7)	16.4% (10)	27.9% (17)	26.2% (16)	4.26	5.64

Senior management' acts on behalf of the shareholders in managing the CSO.	19.7%(12)	9.8%(6)	18%(11)	27.9% (28)	19.7% (12)	3.18	1.43
Senior management openly communicates the funding situation of the organization to staff	14.8%(9)	11.5%(7)	27.9% (17)	29.5% (18)	7%(11.5)	3.89	1.24
Senior Management informs the board of director about the status of the organizations operations.	14.8%(9)	8.2%(5)	18%(11)	31.1% (19)	19.7% (12)	3.89	4.27
Senior management develops successful funding proposal	16.4%(10)	11.5%(7)	14.8(9)	37.7% (23)	11.5% (7)	3.17	1.32
Senior management Committee follows annual approvals of the board and operates within annual plans and budgets.	8.2%(5)	13.1%(8)	21.3% (13)	32.8% (20)	19.7% (12)	3.44	1.21
Senior management identifying and manages risks	4.9%(3)	23%(14)	13.1% (8)	25%(41)	13.8% (8)	3.36	1.15
Senior management committee maintains an efficient and functional organizational structure	6.6%(4)	9.8%(6)	9%(14.8)	42.8% (26)	19.7% (12)	3.63	1.14
Senior Management committee has established internal control measures and ensures accurate financial reporting.	14.8%(9)	13.1%(8)	11.5% (7)	37.7% (23)	18.4% (10)	3.29	1.34

Source Primary Data (2017) *N=61*

With respect to whether senior management makes decision after consultation with the board, 9.8%strongly disagreed, 11.5% disagreed, 16.4% were Not Sure, 27.9% agreed, and 26.2% strongly agreed. The mean = 4.26 which corresponded to agreed indicated the majority of the respondents agreed that senior management makes decision after consultation with the board. In order to achieve sustainability, the right decisions should be made. Shallow (2006), contends that institutional managers have a great mandate of making strategic decision-that provides direction and harnesses positively the operational environment for the good of all especially the stakeholders.

In the interview with a member of SMT, he noted that;

SMT decisions are limited. The board is often appealed to when major decisions including new employee hire, change of sector interventions, and purchase of assets among others are being made.

Responses to the question as to whether senior management' acts on behalf of the shareholders in managing the CSO, 19.7% strongly disagreed, 9.8% disagreed, 18% Not Sure, 27.9% agreed and 19.7% strongly agreed. The mean = 3.18 above the median score, three, that indicated that senior management' acts on behalf of the shareholders in managing the CSO. Thus the corporate governance function of fulfilling shareholder interest is highly performed by the senior management teams of CSOs in Kabarole.

Senior managers take decisions on behalf of the shareholders which decisions may or may not negatively affect the company success for example sustainability. Results concur with Ramani (2006), that senior management offers direction and operational speed beyond what the boards can offer for strategic direction of the organization. The board is the coach by the senior management team is the actual players.

As to whether senior management openly communicates the funding situation of the organization to staff, the respondent's responses indicated that cumulatively; 14.8% strongly disagreed, 11.5% disagreed, 27.9% Not Sure, 29.5% agreed and 7% disagreed. The mean = 3.89 indicated that the majority of the respondents agreed that senior management openly communicates the funding situation of the organization to staff. The corporate governance function of communication is thus highly performed by the senior management team. What remains unclear is the evaluation of the quality and use of this financial communication to the benefit of the organizations.

Responses to the question as to whether senior management informs the board of directors of the status of operations in the organization,14.8% strongly disagree, 8.2% disagree, 18% Not Sure, 31.1% agreed, and 19.7% strongly agreed. The mean = 3.89 indicated that the majority of the respondents agreed that senior management informs the board of directors of the status of such operations.

In an interview with an employee, she mentioned that;

Senior management informs the board of the status of the operations and the strategic decisions taken but in all the senior management seems to have more information and knowledge about the organizations operations than the board (primary data 2017). An organization that acts strategically can easily achieve financial sustainability. Peasnell (2003), noted that, senior management are 'ears on the ground' to offer the strategic direction if they are able to carefully scan the environment. They are the eyes and ears of the board and thus play a pivotal role in strategic decision making process.

With respect to whether senior management develops successful funding proposal, 16.4% strongly disagree, 11.5% agree, 14.8% were Not Sure, 37.7% agree, and 11.5% strongly agree. The mean = 3.17 which corresponded to agreed indicated the majority of the respondents agreed that senior management develops successful funding proposal. This was rather the most direct corporate governance function of senior management that relates to financial sustainability component of funds flow.

As to whether senior management implements the recommendations of the board of directors, operating within annual plans and budgets, 8.2% strongly disagreed, 13.1% disagreed, 21.3% Not Sure, 32.8% agreed and 19.7% strongly agreed. The mean = 3.44 meant that senior management implements the recommendations and follows the approvals by the board of directors to implement the annual plans and budgets. The corporate role of Senior Management team is thus properly performed but the question remains on the quality of the decisions in respect to offering financial cushioning of the CSOs.

A respondent noted that

Senior management follows the approval by the Board of Directors, operating within annual plans and budgets, a sign indicating that the Board is effectively executing its functions. Even donors wait for board approval of plans and annual reports. However both are always drawn by the senior management themselves and it looks they can convince the board and influence its decisions. (Primary data, 2017)

Acting therefore on behalf of the stakeholders including founding members, donors and beneficiaries senior management committee functions clearly fall in line with the stakeholder and stewardship theories corporate governance.

With respect to whether senior management identifying and manages risks, 4.9% strongly disagreed, 23% disagreed, 13.1% were Not Sure, 25% agreed and 13.8% strongly agreed. The mean = 3.36 which corresponded to agreed indicated the majority of the respondents agreed that senior management identifying and manages risks. Risk analysis and management are every organization's need at the moment. The challenge is that failure to do so leads to ultimate death of the organization; however this study was done in existing organizations.

Responses to the question as to whether senior management maintains an efficient and appropriate management and organizational structure, 6.6% strongly disagreed, 9.8% disagreed, 9% Not Sure, 42.8% agreed and 19.7% strongly agreed. The mean = 3.63 above the median score, 3, that indicated that senior management committees of the CSOs in Kabarole maintain and efficient organization structure that provides for effective execution of roles and responsibilities as well as separation of powers. This indicates a strong performance of the senior management team of it corporate governance function.

As to whether senior management establishes measures of ensuring internal control through financial reporting and accountability mechanisms, 14.8% strongly disagreed, 13.1% disagreed 11.5% were Not Sure, 37.7% agreed, and 18.4% strongly agreed. The mean = 3.29 which is slightly above score shows that the respondents agreed that Senior management establishes internal controls to ensure accurate financial reporting and providing channels for reports of potential misconduct.

4.6 Hypothesis Testing Two:

Hypothesis Two stated that 'There is a positive significant relationship between senior management function and financial sustainability of CSOs in Kabarole, Uganda. A Pearson correlation coefficient and a regression analysis were used to test the hypothesis and draw conclusions as indicated below;

Table 4.9: Correlation Matrix for senior management function and financial sustainability in CSOs

Correlations

		Senior management function	Financial sustainability
Senior management Function	Pearson Correlation	1	.701**
	Sig. (2-tailed)		.000
	N	61	61
Financial sustainability	Pearson Correlation	.701**	1
	Sig. (2-tailed)	.000	
	N	61	61

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

Source: Primary Data (2017) *N = 61*

The results in table 4.9 showed that the coefficient r= .701** and $p=0.000 < 0.05$ and the level of significance was .000. This implied that senior management function influences financial sustainability in CSOs in Kabarole, Uganda. Therefore according to the results there is a positive significant relationship between senior management function and financial sustainability in CSOs in Kabarole District. This implies that an improvement on the senior management function will lead to an increase in financial sustainability in CSOs in Kabarole District. Therefore, the alternative hypothesis that was earlier stated in chapter one is upheld.

A regression analysis was done to examine the strength of the relationship between the two variables and the results are summarized in the table 4.10 below;

Table 4.10: Regression Analysis for senior management function and financial sustainability

Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.639[a]	.408	.386	14.97243

a. Predictors: (Constant), Senior management function

Source primary data (2017)

Results indicated that the coefficient of determination (adjusted R square) is 0.386. This shows that senior management function explained 38.6% of financial sustainability. Therefore senior management function predicts financial sustainability in CSOs in Kabarole District by 38.6%. This implies that an improvement on the senior management function will lead to an increase in financial sustainability in CSOs in Kabarole District. From all the results the alternative hypothesis earlier stated is upheld and thus the study concludes that “There is a significant positive relationship between senior management committee function and financial sustainability of CSOs.

4.8. Objective Three: The relationship between Audit Committee Function and Financial Sustainability

The items on audit committee function were structured basing on the role of the committee in financial sustainability matter. These were measured on five point scale. The summary of the results per each item are indicated in the table below including the mean and standard deviation.

Table 4.11: Summary Statistics on Audit Committee Function and Financial Sustainability

Items	SD	D	N	A	SA	Mean	Std. Dev
Audit committees expose fraud	8.2%(5)	9.9%(6)	9.9%(6)	29.5%(18)	29.5%(18)	4.48	5.76
Audit committees have ensured transparency	13.1%(8)	9.8%(6)	8.2%(5)	32.8%(20)	26.2%(16)	3.58	1.42
Audit committees have ensured accountability	8.2%(5)	6.6%(4)	18%(11)	39.3%(24)	21.3%(13)	4.13	4.03
Audit Committees have ensured that books of accounts are effectively examined	9.8%(6)	19.7%(12)	16.4%(10)	34.4%(21)	13.1%(8)	3.22	1.23
The Audit Committees have supported management in ensuring that CSO funds are effectively managed.	13.1%(8)	8.2%(5)	18%(11)	27.7%(17)	23%(14)	4.14	5.45

Source Primary Data (2017) *N=61*

With respect to whether Audit committees expose fraud, 8.2% strongly disagreed 9.9% disagreed, 9.9% Not Sure, 29.5% agreed, and 29.5% strongly agreed. The mean = 4.48 which corresponded to agreed indicated the majority of the respondents agreed that Audit committees expose fraud. This result indicates a positive corporate function of the audit committees to building trust and managing financial loss hence increased financial sustainability of the CSOs. A respondent noted that *boards may not have exposed fraud but their functions are more than prevention of fraud.* Whenever there is fraud it becomes difficult for an organisation to get onto the line of achieving financial sustainability. The results in the study concur with Wheeler (2002), that audit committees support the financial sustainability of an organization through transparency, accountability and control of fraud.

Responses to the question as to whether Audit committees have ensured transparency, 13.1% strongly disagreed, 9.8 disagreed, 8.2% were Not Sure, 32.8% agreed and 26.2% strongly agreed. The mean = 3.58 close to the median score, three, that indicated that Audit committees have ensured transparency.

According to Witt (2013), establishment of audit committees enables organizations to control fraud, misuse of financial resources and all these factors are critical in ensuring financial sustainability. It was noted at KRC that audit committee was a prerequisite for DFID and USAID funding. Its presence and functioning build confidence and trust among donors as key stakeholders of the CSO.

As to whether Audit committees have ensured accountability, 8.2% strongly disagreed, 6.6% agreed, 18% were Not Sure, 39.3% agreed and 21.3% strongly agreed. The mean = 4.13 indicated that the respondents agreed that the Audit committees have ensured accountability.

During interviews a respondent noted that *the Audit committees have ensured accountability but this has called for the independent financial and organizational audit both external and internal.*

Solomon (2003) noted that two monitoring advantages can be gained from having audit committees, namely, independence and board efficiency. Independence is achieved by having both the external and internal auditors report to the audit committee. This reporting relationship will ensure that management will not have undue influence on the internal and external auditors and so are likely to be more objective in discharging their duties. The efficiency of the board of directors can be improved by assisting the board in monitoring management performance

Responses to the question as to whether Audit Committees have ensured that books of accounts are effectively examined 9.8% strongly disagreed, 19.7% agreed, 16.4% Not Sure, 34.4% agreed and 13.1% strongly agreed. The mean = 3.22 above the median score, three, that indicated that Audit Committees have ensured that books of accounts are effectively examined.

A respondent noted that;

The Audit committee have always examined books of accounts but with guidance from the finance officers. It is interesting to note that the finance officers being audited sometimes have more expertise knowledge than the audit committees themselves.

With respect to whether Audit Committees have supported management in ensuring that CSO funds are effectively managed, 13.1% strongly disagreed, 8.2% disagreed, 18% were Not Sure, 27.7% agreed and 23% strongly agreed. The mean = 4.14 which corresponded to agreed indicated that the majority of the respondents noted that Audit Committees have supported management in ensuring that CSO funds are effectively managed.

When asked about internal controls in CSOs, a respondent noted that Relatedly

> *Internal controls in form of audits are regularly conducted in some CSOs and the internal audit unit is independent and practices its work without any undue influence from someone. The respondent further noted the purpose of an audit is to enhance the credibility of financial statements by providing written reasonable assurance from an independent source that they present a true and fair view in accordance with an accounting standard. This objective will not be met if users of the audit report believe that the auditors may have been influenced by other parties, more specifically company managers/directors or by conflicting interests for example if the auditors are selected by those to be audited(Primary data, 2017).*

The objective of NGOs these days is attaining financial sustainability. But for this to be possible, the internal controls must be intact. The ICGU Report (2015) noted that Internal audits must be regularly conducted in CSOs and the internal audit unit is independent and practices its work without any undue influence from someone.

Table 4.3: Frequencies, Percentages and Means on Financial Sustainability

Items	SD	D	N	A	SA	Mean	Std. Dev

The organization has increasing return on assets	11.5%(7)	6.6%(4)	8.2%(5)	49.2%(30)	16.4%(10)	3.57	1.23
There is continuous funds flow	8.2%(5)	9.8%(6)	8.2%(5)	32.8%(20)	31.1%(19)	3.76	1.29
There are well established sources of funding to the CSO	6.6%(4)	9.8%(6)	14.8%(9)	34.4%(21)	27.9%(118)	3.71	1.20
There is an increasing number of activities that bring in funding	6.6%(4)	8.2%(5)	11.5%(7)	31.1%(19)	32.8%(20)	3.83	1.27
The organization has focused leadership aiming at increasing funding to the CSO	6.6%(8)	11.5%(7)	8.2%(5)	39.3%(24)	27.9%(17)	3.75	1.21
The CSO has diversified funding sources	6.6%(5)	13.1%(8)	8.2%(5)	36.1%(22)	27.9%(17)	3.71	1.24
The CSO meets both operational and management costs	16.4%(10)	8.2%(5)	8.2%(5)	32.8%(20)	26.2%(16)	4.17	5.42

Source Primary Data (2017) *N=61*

With respect to whether the organization has increasing return on assets, 11.5% strongly disagreed, 6.6% disagreed, 8.2% were Not Sure, 49.2% agreed and 16.4% disagreed The mean = 3.57 which indicated the majority of the respondents agreed that the organization has increasing return on assets.

A respondent noted that *most CSOs in the area are dependent on donor funds and so there are no defined returns on assets. Common return on assets is rent charged by organizations from their donor funded projects on office premises owned by the organizations themselves.(primary Data, 2017)*

Responses to the question as to whether there is continuous funds flow 8.2% strongly disagreed, 9.8% disagreed, 8.2% were Not Sure, 32.8% agreed and 31.1% strongly agreed. The mean = 3.76 indicated the majority of the respondents agreed that there is continuous funds flow.

A respondent noted that *there is continuous funds flow sometimes but not all the time in our CSO since there are often delays in disbursements by the donors.* Padilla (2002) noted that fund flow depends on the level of investment in a particular project. Continuous fund flow did not provide a good measure of financial sustainability since it is viewed from a long period of financial changes.

As to whether there are well established sources of funding to the CSO, 6.6% strongly disagreed, 9.8% disagreed, 14.8% were Not Sure, 34.4% agreed and 27.9% strongly agreed. The mean = 3.83 was above the median score, three, which on the five-point Likert scale used to measure the items indicated that there are well established sources of funding to the CSO. Documentary review of the annual reports indicated that of the three CSOs KRC had a big internal financial resources of up to 11%, followed by SATNET and Kaana foundation had less than 2% of its resources coming from domestic sources. This increases vulnerability of the CSO since external sources of funds are less reliable.

A respondent lamented that most *CSO depend on external funding sources since they don't have projects that have been put up.* Mogany (2003) noted that it is better for NGOs to be self-sustaining entities in Sub-Saharan Africa as many tend to focus on donor funding for survival. Responses to the question as to whether there is an increasing number of activities that bring in funding, 6.6% strongly disagreed, 11.5% disagreed, 8.2% were Not Sure, 39.3% agreed and 27.9% strongly agreed. The mean = 3.83 above the median score, three, that indicated that there is an increasing number of activities that bring in funding. The most common form of activities was through proposal writing and responding to expression of interests. However, these are not new methods. KRC among the three organizations has more innovative approaches to fundraising including campaigns like marathons, establishment of ventures like private radio station and coffee buying company. Fundraising is key measure of financial sustainability.

Findings revealed that most NGOs are donor funded with no major activities that bring in funds. Therefore there is no increasing number of activities that bring in funding.

With respect to whether the organization has focused leadership aiming at increasing funding to the CSO, 6.6% strongly disagreed, 11.5% disagreed, 8.2% were Not Sure, 39.3% agreed, and 27.9% strongly agreed. The mean = 3.75 which corresponded to agreed indicated the majority of the respondents agreed that the organization has focused leadership aiming at increasing funding to the CSO.

As to whether the CSO has diversified funding sources, 6.6% strongly disagreed, 13.1% agreed, 8.2% were Not Sure, 36.1% agreed and 27.9% strongly agreed. The mean = 3.71 meant that the respondents the respondents agreed that the CSO has diversified funding sources.

Findings revealed that the CSO have not diversified funding sources since many do not look at investment as the best option. Funding options are seen in form of getting different donors rather than diversification of funding activities.

With respect to whether the CSO meets both operational and management costs 16.4% strongly disagreed, 8.2% disagreed, 8.2% were Not Sure, 32.8% agreed and 26.2% strongly agreed. The mean = 4.17 which corresponded to agreed indicated the majority of the respondents agreed that the CSO meets both operational and management costs.

A Director noted that every member of the board is mandated to look for funding opportunities. The cases of the board support in this include board member of KRC who identified a call for proposals and shared it with senior management team leading to project proposal funding. In addition board members are approached by donors doing due diligence and their positive recommendations have enabled the organization to get funding. Managing donor relationship – Advises on the quality of the reports and helps the SMTs to ensure that the trust with donors is built. Discussions with the donors including some field visits with donors are conducted with the board members.

Not to entirely rely on the donors – SMT established a coffee buying company from the farmers, adding value through processing and selling it to raise additional resources for the NGO. Board has advised the led in the review of the strategic plan to focus the CSO beyond Rwenzori region to the national level and making linkage with the Ministries. Decision by the board are discussed and board is flexible to enable SMT adjust to. However, it was noted that the Senior management and CSO employees are more technical and experience in the sector they are serving than the boards. This could influence the operations of the board and their ability to play an oversight role on the Senior Management Teams.

Oversight on all the three departments by reviewing plans and budgets, monitoring progress and ensuring that implementation does not deviate from the plans. Financial and budget monitoring to ensure there is financial sustainability. SMT advised for the establishment of the KRC radio to ensure additional funding sources. Organizing and engaging in local fundraising activities for example organized a marathon that raised over 100 million shillings. Consultancies have been made on behalf of the ministries and agencies as source of funds. The entire proposal, include administrative costs like rent which is return on assets because the organization owns its own building. Established foreign currency accounts and foreign exchange gains are forming part of the financial resources of the organization

4. 14 Testing Hypothesis 3:

Hypothesis Three Stated there is a positive significant relationship between audit committee function and financial sustainability in CSOs. The hypothesis was tested using the Pearson correlation coefficient and the regression analysis and results of the hypothesis are given below.

Table 4.13: Correlation Matrix for audit committee function and financial sustainability in CSOs

Correlations

		Audit committee function	Financial Sustainability
Audit committee function	Pearson Correlation	1	.337*
	Sig. (2-tailed)		.000
	N	61	61
Financial Sustainability	Pearson Correlation	.337*	1
	Sig. (2-tailed)	.000	

	N	61	61

*. Correlation is significant at the 0.05 level (2-tailed).

Source: Primary Data (2017) *N =61*

The result in table 4.14 showed that the correlation coefficient is .337* and p=0.000 < 0.05 and the significance level was 0.000. This implied that audit committee function and financial sustainability in CSOs. Therefore according to the results there is a positive significant relationship between audit committee function and financial sustainability in CSOs in Kabarole District. This implies that an improvement on audit committee function will lead to an increase in financial sustainability in CSOs in Kabarole District. Therefore, the alternative hypothesis that was earlier stated in chapter one is upheld.

A regression analysis was further done to determine the strength of the relationship between audit committee function and financial sustainability. Results are presented in the table 4.18 below.

Table 4.15: Regression Analysis for audit committee function and financial sustainability

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.337[a]	.128	.103	17.01525

a. Predictors: (Constant), Audit committee function

Source primary data (2017)

The Adjusted R square value is .103; this implied that audit committee function explained only 10.3% of financial sustainability. Therefore audit committee function predicts financial sustainability at CSOs at 10.3%. This implies that an improvement on audit committee function will lead to an increase in financial sustainability in CSOs in Kabarole District. From all the results the alternate hypothesis earlier postulated stated that there is a positive significant relationship between audit committee function and financial sustainability is therefore upheld.

Conclusion: This Chapter focused on presenting the findings, interpretation and analysis. Descriptive statistics presented indicated a variety of respondents representing all categories of people. Inferential statistics presented have upheld all the three alternative hypothesis that were stated indicating that there is a positive relationship between the corporate governance and financial sustainability of CSOs in Uganda. Qualitative data from the four interviews has provided for interpretation, mostly affirming the quantitative results of the study only contradicting on a few instances.

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

This chapter presents summary of findings, discussion, conclusions, recommendations and areas for further study based on the study objectives.

5.2. Summary of Major Findings

The summary of the major findings of this study are presented based on the stated objectives.

5.2.1: Board of Director Function and Financial Sustainability

The results showed that the coefficient was .576** $p=0.000<0.05$. This implied that board of directors' function influenced financial sustainability. As such results of the study indicate a positive significant relationship between corporate governance function of boards and the financial sustainability of CSOs. Further, results from the regression analysis indicate that the board functions are relatively related to the financial sustainability of the CSOs. This was indicated by the adjusted R square value of 0.183; this indicated that board of director function alone explained only 18.3% of financial sustainability in CSOs in Kabarole District. Therefore board of director function predicted financial sustainability in CSOs by 18.3 %. Therefore, the alternative hypothesis that was earlier stated in chapter one is upheld.

In view of stakeholder theory advanced by Freeman, the role of the boards in financial sustainability of the CSO is key in meeting the needs of a broad range of the stakeholders. The boards in this case serve the interests of a network of individuals and the resultant outcome is the long survival of the organizations. CSOs survival is based on financial sustainability. The stewardship theory that suggests the role of founding members does not seem to hold relevance for the case of CSOs financial sustainability. This may relevant in private – for profit organizations.

These results further underpin the stakeholder theory of corporate governance and concur with Matama (2005) and Masibo (2005) that boards functions need to be evaluated in terms of resourcing, strategic direction and control that provides overall sustainability or CSO,

5.2.2: Senior management Function and Financial Sustainability

The results showed that the coefficient is .701** $p=0.000<0.05$. This implied that senior management function influenced financial sustainability in CSOs. This therefore indicated that there is a positive significant relationship between the corporate governance functions of senior management committee and financial sustainability of the CSOs. Through a regression analysis, it was observed that there is a strong relationship between senior management function and Financial Sustainability in CSOs. Results indicated that the adjusted R square value was 0.386; implying that senior management committee function explained up to 38.6% of financial sustainability. Therefore senior management function predicts financial sustainability in CSOs by 38.6%. Therefore, the alternative hypothesis that was earlier stated in chapter one is upheld. This concurs with Gibbins, (2010), that senior management leadership function provides for financial sustainability of the organization. In addition the views of Zahra and Filatochev, (2004) that the senior management function differs from that of boards, is seen in the level of influence the two have on financial sustainability. Senior management function has a greater contribution of 38.6% compared to 18.3% influence by the boards. Thus the pivotal role of the Senior management team in financial sustainability of CSOs cannot be underestimated.

5.2.3: Audit Committee Function and Financial Sustainability

The result showed that the correlation coefficient is .337* $p=0.000<0.05$. This implied that audit committee function influenced financial sustainability in CSOs. To this effect, results show that there was a positive significant relationship between Audit committee function and financial sustainability in CSOs. A regression analysis was also conducted to examine the strength of the relationship between the Audit committee function of corporate governance and financial sustainability in CSOs. Results indicated that the adjusted R square was 0.103; implying that audit function structure explained only 10.3% of financial sustainability in CSOs. Therefore an audit committee function influence predicted sustainability in CSOs 10.3%. Therefore, the alternative hypothesis that was earlier stated in chapter one is upheld.

Results of this study concur with the Financial Reporting Council (2010), that stipulated the key function of the audit committees in relation to providing for control, risk aversion, trust and accountability necessary for financial sustainability. It can be concluded that of the three factors under corporate governance namely; Board committee function, Senior Management function and Audit committee function, latter that had a weak impact on financial sustainability of the CSOs.

5.3. Discussion of Findings

The findings are discussed on the basis of the study objectives as laid down in chapter one

5.3.1: Board of Director Function and Financial Sustainability

Study findings revealed that there was a positive significant between board of director function and financial sustainability in CSOs in Kabarole District r=.576** and $p=0.000 < 0.05$. Study findings revealed that in Kabarole District, work plans are drawn and reviewed on time, these influence financial sustainability, if well drawn the plans yield fruits. It was noted that Board decisions are not timely communicated to management and staff in many CSOs in Kabarole District like Kaana Foundation. In most cases effective board decisions on financial matters can lead to financial sustainability. According to Nicholson and Kiel, (2004), when the organizations' board and senior management team are effective, they produce positive outcomes key of these being a financially health organization. On the other hand poor performance of the boards and senior management often denoted by CEO would definitely show up in poor corporate performance. These attributions are not farfetched since financial sustainability of CSOs which are not directly profit making institutions is in the realm of top notch management and governance entities.

It is for the reasons above, that there has been increasing pressure to establish corporation boards and senior management teams that add value to companies. This would mean, economic and financial value that translates into financial sustainability. It was observed that in the last few years there has been more pressure on boards to show how they govern and add value to their companies. There should thus be training of the board members and senior management in corporate governance principles and practices if this is to be achieved (ICGU, Report 2015). Focus has so far been on the corporate governance roles and responsibilities of these entities so as to satisfy the interests of the shareholders and stakeholders.

Interview findings from some board members indicated that boards in CSOs in Kabarole District play a general function not only strategic planning. Ssegawa (2013) suggested that as a best practice, corporate governance efforts of CSOs should be focused on effectiveness with a number of governance entities to play an oversight role. Risk assessment and management are at the centre of the roles and functions of the boards. It is evident that CSOs in Kabarole have boards with low level of risk management making financial sustainability crumbly.

Some Directors do not monitor risk although it is their responsibility. Risk monitoring averts so many challenges that may be an impediment to financial sustainability. Richardson, (2009) recommends that board of directors should concentrate less on monitoring but rather gathering and acting upon strategic governance functions. Monitoring which was the common role performed by boards of CSOs in Kabarole is more of a management than a governance function.

Study findings revealed that the boards have put in place teams that work committedly to secure funds for the organization. It instead of high value that the boards in organizations adopt control mechanisms to ensure that manager's actions are consistent with needs and interest of stakeholders (Abdullah & Valentine, 2009).

Financial sustainability requires proper control a function that is performed by corporate entities of the organization namely the board, audit committees and senior management.

This study agrees with Rossette, (2009), on the role of the boards in the overall performance of the organizations. She concluded that the performance of senior management is directly related to the control mechanisms, incentives and assessments of the senior management team by the board. In view of the stakeholder theory of corporate governance, the boards exercise managerial control by checking the excess of the managerial teams. It is such scrutiny that ensures accountability, transparency and builds the necessary stakeholder interest to finance the organizations.

5.3.2: Senior Management Function and Financial Sustainability

Results of the study revealed that there is a positive significant relationship between senior management function and financial sustainability in CSOs in Kabarole District; r=.701** and p=0.000 <0.05. Study findings revealed that Managers of the CSOs have taken clear internal control measures for accountability In order to achieve sustainability, the right decisions should be made not only by the Boards but also that they are effectively implemented by the senior management team. Similarly, in relation to Shallo, (2006) results indicated that senior managers express their expertise in decision making some of which are of strategic nature.

In agreement with the stakeholder theory, results of the study also show that senior management acts on their behalf other than the selfish expression of authority. Senior managers take decisions on behalf of the shareholders which decisions may or may not negatively affect the company success for example sustainability. Ramani (2006) noted in agreement that with the central strategic role of the senior management that board actions are effective to the extent to which senior managers offer good direction on day to day affairs of the organization and its operation environment.

Study findings noted that senior management informs the board of the status of the operations and the strategic decisions taken. An organization that acts strategically can easily achieve financial sustainability especially when information is appropriately shared. Peasnell (2003), noted that the strategic function is not only for the governance boards but also management especially at times of turbulent operational environments like dwindling donor funds amidst tightening government control on CSOs.

Another key finding of the study is that senior management committee of the CSOs acts on the approvals by the board of directors especially the budgets, plans and reporting. This demonstrates that not only do boards execute their mandate but also senior management is responsive and positively engaged.

It can thus be concluded that CSOs in Kabarole have boards and senior management teams that follow the principles of corporate governance and this should bring about financial sustainability on a larger part. The gap exists on the strategic and financial resourcing ability of the CSOs.

5.3.3 Audit Committee Function and Financial Sustainability

This was the smaller part of the corporate governance but not of less importance. Results of e study revealed that there was a positive significant relationship between senior management function and financial sustainability in CSOs in Kabarole District r=.337* and p=0.000<0.05. Findings revealed that boards may not have exposed fraud but there functions are more than fraud. Whenever there is fraud it becomes different for an organization to get onto the line of achieving financial sustainability. Similarly, Wheeler ,(2002) looked at Audit committees and sub set of the board whose focus is on matters related to compliance with financial rules and principles of accountability and transparency. In addition to these, the study noted that the audit committees also put in place financial control measures to insulate CSOs against fraud and misuse of resources.

According to Witt (2013), audit is not for false finding but a strategic measure that is taken by the corporate entity to positively advise the organization and grow it other than the singular focus on preventing fraud. It was established that the Audit committees have ensured accountability but this has called for the independence of the audit committees both external and internal. Furthermore, in agreement with the corporate functions of the audit committee, , Solomon (2003), noted that independent functioning is good for financial health of institutions. Thus the role of audit committees in financial sustainability goes beyond the functions of the audit committee but also how it is independent from undue influence.

It was revealed that the Audit committees have always examined books of accounts to ensure financial transparency and thus build trust among the donors. These results concur with Rwegasira, (2000) who noted that examining books of accounts is a strong monitoring mechanism that reduces the excesses of the top management and thus promote good corporate governance and financial sustainability. Without such, senior management teams and boards would have an opportunity to award themselves pay raises and exercise financial abuse causing trouble for the organization Williamson, 1985). Although the study did not examine the congruence of these audit committees, the practice indicate good corporate governance and thus the reason these three CSOs still survive in an area where many collapsed.

The objective of CSOs these days is attaining financial sustainability so as to continue serving their stakeholders. But for this to be possible, the internal controls must be intact. The ICGU Report (2015) noted that Internal audits must be regularly conducted in CSOs and the internal audit unit is independent and practices its work without any undue influence from someone.

5.4 Conclusions

Three research questions relating to relationship between corporate governance and financial sustainability of CSOs were stated for this study. Study conclusions were drawn basing on the different research objectives as shown below;

5.4.1 Board of Directors Function and Financial Sustainability

From the results, it was revealed that there is a positive significant relationship between board of directors functions and financial sustainability of the CSOs in Kabarole District $r=.701^{**}$ and $p=0.000<0.05$. It was observed that Board decisions are not timely communicated to management and staff in many CSOs in Kabarole District. Findings revealed that boards in CSOs in Kabarole District play a general function not only strategic planning. Some Directors do not monitor risk although it is their responsibility. It was observed that board has put in place teams that work committedly to secure funds for the organization. Acting at the top of the governance ladder of the CSOs, the boards are responsible for designing and enforcing control mechanisms that ensure good management behavior that are in line with the needs of stakeholders. Most of the control measures ae designed to among these CSOs for example approvals of budgets, plans and reports but the study did not examine their effectiveness.

5.4.2: Senior Management Function and Financial Sustainability

Arising from the study findings, there is a positive significant relationship between senior management committee functions and the financial sustainability of CSOs in Kabarole District $r=.701^{**}$ and $p=0.000<0.05$. The study revealed that implementation of board decisions, establishment of plans and effective monitoring as well as development of financing opportunities by the senior management team had a great relationship with the financial sustainability in SATNET, KRC and Kaana Foundation. Senior management acts on behalf of the stakeholders as described in the stakeholder theory of corporate governance. In line with the above and informs the board of the status of the operations and the strategic decisions taken. Failure to perform these functions puts the CSOs at a threat of collapse.

5.4.3: Audit Committee Function and Financial Sustainability

Study findings indicated that audit committee functions in CSOs is has a positive significant relationship with financial sustainability in CSOs in Kabarole District $r=.337^{*}$ and $p=0.000<0.05$. It was observed that boards may not have exposed fraud but there functions are more than fraud. It was noted that Audit Committees monitor financial resources, set up measures to prevent misuse and wastage and are the mirrors of organization's transparency and accountability. The outcome of these actions is the donor trust that keeps funding CSOs activities and thus ensuring financial sustainability. Findings revealed that the Audit committees have ensured accountability but this has called for the independence of the audit committees both external and internal. Audit committee have always examined books of accounts. Internal controls in form of audits are regularly conducted in some CSOs and the internal audit unit is independent and practices its work without any undue influence from someone.

5.5. Recommendations

Arising from the study findings, the following recommendations are made that;

5.5.1 Board of Director Function and Financial Sustainability

The board of director's playing a pivotal role in corporate governance of CSOs; need to have sufficient and relevant strategic skills to support resource mobilization and efficient resource utilization.

In addition to skills, integrity should be a key requirement in selecting board members. Individual track record should be followed so that CSOs have boards that are trusted by key stakeholders especially the donors. Boards should be confident to challenge the status quo and venture out their organizations in new areas besides demanding for the same from the management teams. Directors should be informed and should act ethically and in good faith, with due diligence and care, in the best interest of the organization and the shareholders. The board should review and guide corporate strategy, objective setting, major plans of action and undertake risk analysis without influence from top management. It is further recommended that the boards are trained not only on

5.5.2 Senior management Function and Financial Sustainability

Senior management of CSOs should be charged with strategic roles on top of their managerial functions. Growing the finances of the organizations should be one of their functions. The contractual obligations of the senior management team should rotate around accountability and transparency to ensure health of the organization. Timely interventions should be made by senior management to ensure financial sustainability of the organizations. Since CSOs are nonprofit, financial growth should be seen as profit and senior management be penalized or rewarded based on the loss and profits of the organization. Clear set targets of funding levels should be established for the CSO's Senior Management team. Managers should ensure proper internal control systems in the organization and on the other hand. The employees should be informed of the actions on time and not be taken by surprise, in case of a disagreement; top management should grant the employees a fair hearing.

5.5.3. Audit Committee Function and Financial Sustainability

There is need to design audit policies that will promote accountability, good governance and transparency. While the need for an independent audit committee for each organization is important, regular and independent audits should be carried out in accordance with the transparency needs of stakeholders like donors. Inevitably audit committees need to acquire the requisite technique and skills if they are to overcome fraud and support accountability measures of the COSs. Modern forensic audits and computer based skills must be exposed to the audit committees to detect fraud and unfair use of resources so as to build confidence and trust among the stakeholders. Knowledge and adherence to the overall policies of the organization is important for CSOs audit units. There should be consistency in policy formulation so as to guarantee auditors independence.

5.6. Limitations of the Study

Since this study collected data at once, it was not possible to come to conclusions about changes in corporate governance of the selected CSOs. It would benefit more if longitudinal approach is used monitoring the corporate governance levels and changes in the financial sustainability of the said CSOs. In addition, the study was cumbersome involving respondents that were not often available at the organizations selected. Another limitation was the social desirability effect in which despite assurances of purpose of the study, interviewees have a vested interest in the good public image of their organizations and may have found it difficult to truthfully give what was seen as negative information. The selected CSOs could not be disaggregated by data without revealing their identity. This further limits the identifying information because confidentiality was important.

The study focused on existing CSOs and those with corporate governance structures like boards and Senior management teams which could give a rosy side of the story. Finding out why CSOs collapsed and relating to corporate governance functions would give additional view on where it is practiced and the impact on organizations lacking corporate governance structures and functions.

5.7. Areas for Further Research

There is need to carry out a comparative study on corporate governance and financial sustainability between for Profit and nonprofit entities. Also I would recommend further study on the role of corporate governance in the sustainability of government or public enterprises. Since corporate governance is a wide area and this study focused on its role in financial sustainability of CSOs, it would be also helpful to examine its role in internal organizational variables like performance, employee attitudes like commitment and satisfaction among others.

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APPENDICES:

APPENDIX (i) QUESTIONNAIRE

QUESTIONNAIRE FOR SENIOR MANAGEMENT, BOARD OF DIRECTORS, AUDIT COMMITTEES AND OTHER EMPLOYEES

My name is **Martin Watsisi** a student of Masters in Institutional Management and Leadership. As a requirement for the award of this degree, I am undertaking a research on the issue of corporate Governance in Civil society organizations under the theme: Corporate Governance and Financial Sustainability of Civil Society Organizations in Uganda: A case of Selected CSOs in Kabarole.

You have been selected following a sampling method, to participate in this study by helping to provide information as per instructions in this questionnaire. All information provided will be not be identified to the person and will be used for only academic purpose stated above. The results of the study will be used to support positive organizational changes and will be shared with your organization following strict confidentiality measures that protects the sources.

Kindly fill in the questionnaire diligently. I thank you for your cooperation and support.

SECTION A BIO-DATA

Please tick the most applicable option from the table provided below.

Age	20-29	30-39	40-49	50 Above	
Gender	Male	Female			
Marital status	Married	Single	Widowed	Divorced	
Level of Education	Masters	Bachelors	Diploma	Certificate	Others Specify

Instructions from question 1- tick the number that best indicates your opinion on the questions using the following scale.

Scale	**5**	**4**	**3**	**2**	**1**
	Strongly Agree	Agree	Not sure	Disagree	Strongly disagree

SECTION B: BOARD OF DIRECTOR FUNCTION

		5	**4**	**3**	**2**	**1**
1	The board of directors reviews and approves work plans as a measure of control.					
2	Board decisions are timely communicated to management and staff					
3	There is a good relationship between the board and the organization funders					
4	Board of Directors has in the past year organized strategic planning meetings for the organization.					
5	The Board regularly reviews rewards and benefits of the senior management team					
6	Board of Directors monitors financial risk.					
7	Board puts in place teams that work committedly to secure funds for the organization					

SENIOR MANAGEMENT FUNCTION

		5	**4**	**3**	**2**	**1**
8	Senior management makes decision after consultation with the board					
9	Senior management' acts on behalf of the shareholders in managing the CSO.					
10	Senior management openly communicates the funding situation of the organization to staff					
11	Senior Management informs the board of director about the status of the organizations operations.					
12	Senior management develops successful funding proposal					
13	Senior management Committee follows annual approvals of the board and operates within annual plans and budgets.					

14	Senior management identifying and manages risks					
15	Senior management committee maintains an efficient and functional organizational structure					
16	Senior Management committee has established internal control measures and ensures accurate financial reporting.					

AUDIT COMMITTEE FUNCTION

		5	4	3	2	1
17	Audit committees expose fraud					
18	Audit committees have ensured transparency					
19	Audit committees have ensured accountability					
20	Audit Committees have ensured that books of accounts are effectively examined					
21	The Audit Committees have supported management in ensuring that CSO funds are effectively managed.					

SECTION C

FINANACIAL SUSTAINABILITY

		5	4	3	2	1
22	The organization has increasing return on assets					
23	There is continuous funds flow					
24	There are well established sources of funding to the CSO					
25	There is an increasing number of activities that bring in funding					
26	The organization has focused leadership aiming at increasing funding to the CSO					
27	The CSO has diversified funding sources					
28	The CSO meets both operational and management costs					

APPENDIX 2

INTERVIEW GUIDE FOR SENIOR MANAGEMENT, BOARD OF DIRECTORS, OTHER EMPLOYEES AND AUDIT COMMMITTEES

1) How is corporate governance handled in your organization?
2) What role has shareholders played as far as corporate governance is concerned?
3) What role has the top management played as far as corporate governance in your organization?
4) What role has the board of governance played in your organization?
5) To what extent is the audit committee fulfilling its designated goals in your organization?
6) To what extent is the board of governance fulfilling its designated goals in your organization?
7) To what extent are the shareholders fulfilling its designated goals in your organization?
8) What are the activities carried out in your organization to ensure continued fund flow?
9) To what extent does your organization have well established sources of funding?
10) Comment on how your organization is ensuring that fund flow remains continuous in the nearby future

APPENDIX 3:

DOCUMENTARY REVIEW CHECKLIST

The following documents will be reviewed during the field work exercise

1. Audit Reports will be reviewed

2. Quarterly, Annual and Bi-annual Reports will be reviewed

3. Articles

4. Strategic plan