



**STRATEGIC FINANCIAL MANAGEMENT AND FINANCIAL SUSTAINABILITY
OF NON-GOVERNMENTAL ORGANISATIONS IN UGANDA: A CASE OF HOPE
FOR BATWA CHILDREN**

BY

BRENDA KASOLO

13/MMSFM/32/034

**A DISSERTATION SUBMITTED TO THE SCHOOL OF MANAGEMENT SCIENCE
IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF A
MASTER'S DEGREE IN MANAGEMENT SCIENCE IN FINANCIAL
MANAGEMENT OF UGANDA MANAGEMENT INSTITUTE**

OCTOBER, 2017

DECLARATION

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

Signed _____

Date_____

APPROVAL

This dissertation has been submitted for examination under our approval as supervisors.

Prof. Gerald K Karyeija

Date: _____

Dr. Edgar Mwesigye

Date: _____

DEDICATION

This work is dedicated to my Parents Mr. and Mrs. Kasolo for instilling in me the love for education which has taken me this far.

ACKNOWLEDGEMENT

I would like to express my thanks and gratitude to various people who contributed to the completion of this work. It is not possible to name all those who supported me but I am greatly indebted to everyone.

Am very grateful and thankful to the almighty God, without him, I wouldn't be.

I wish to express my sincere gratitude to my supervisors Prof. Gerald K Karyeija and Dr. Edgar Mwesigye for their constructive criticism, support, guidance and commitment to supervise this research to its completion.

I also appreciate the profound support and encouragement rendered by the staff of Uganda Management Institute during the study that made it successful.

In a special way, want to thank the management and staff of Hope for Batwa children and its partners who participated in this study for volunteering the information which made the study successful.

Special thanks go to my family, friends and course mates for the team work which enabled me accomplish my project.

To my child, this must be an inspiration to you to achieve more in future

TABLE OF CONTENTS

APPROVAL	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
LIST OF TABLES	iv
LIST OF FIGURES	v
LIST OF ABBREVIATIONS	vi
ABSTRACT.....	vii
CHAPTER ONE	1
INTRODUCTION.....	1
1.1 Introduction.....	1
1.2. Background to the Study.....	1
1.3. Statement of the Problem.....	8
1.4 Purpose of the study.....	9
1.5 Objectives of the Study.....	9
1.6 Research questions.....	9
1.7 Hypotheses of the study	10
1.8. Conceptual Framework.....	10
1.9 Significance of the study.....	11
1.10 Justification of the study	12
1.11 Scope of the study.....	12
1.12 Operational definition of terms and concepts	12
CHAPTER TWO	14
LITERATURE REVIEW	14

2.1 Introduction.....	14
2.2 Theoretical Review	14
2.3 Imperical Review	17
2.3.1 Financial planning and financial sustainability of NGOs.....	17
2.3.2 Fundraising and Financial Sustainability of NGOs	19
2.3.3 Internal Control and Financial Sustainability of NGOs.....	21
2.4 Summary of Literature Reviewed	22
CHAPTER THREE.....	23
METHODOLOGY	23
3.1 Introduction.....	23
3.2 Research design	23
3.3 Study population	23
3.4 Determination of Sample Size	24
3.5 Sampling techniques and procedure	24
3.6 Data collection methods.....	25
3.7 Data collection instruments.....	26
3.8 Quality control	26
3.9 Procedure of data collection.....	28
3.10 Data analysis	28
3.11 Measurement of variables	28
3.12 Ethical considerations	29
CHAPTER FOUR.....	30
PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS.....	30
4.1. Introduction.....	30

4.2. Response Rate	30
4.3. Characteristics of the Respondents	30
4.4. Empirical Findings.....	32
4.4.1. Financial Planning and Financial Sustainability of NGO.....	32
4.4.2. Fundraising and Financial Sustainability.....	37
4.4.3. Internal Control System and Financial Sustainability of NGOs.....	41
CHAPTER FIVE	46
SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS.....	46
5.1. Introduction.....	46
5.2. Summary of the Study Findings	46
5.3. Discussion of the Study Findings	47
5.4. Conclusions of the Study	49
5.5. Recommendations of the Study	50
5.6. Limitation of the Study	52
5.7. Implication and Contribution of the Study	53
5.8. Areas for further Studies.....	53
REFERENCES	54
APPENDICES	57
Appendix 1: Study Questionnaire.....	57
Appendix II: Interview Guide.....	62
Appendix III: Sampling table guide.....	63

LIST OF TABLES

Table 3.1: Accessible population, sample size, technique and instrument.....	24
Table 3.2: Validity and Reliability Results.....	27
Table 4.2: The job title the respondents.....	31
Table 4.3: Level of Education.....	31
Table 4.4: Time worked with the Project.....	31
Table 4.5: Descriptive Results for Financial Planning.	33
Table 4.6: Correlation matrix between financial planning and financial sustainability	35
Table 4.7: Multiple regression model between strategic financial management and financial sustainability.....	36
Table 4.8: Descriptive Results for fundraising strategies	37
Table 4.9: Correlation matrix between fundraising and financial sustainability	40
Table 4.10: Descriptive Results for internal control system.....	41
Table 4.11: Correlation matrix between internal control system and financial sustainability.	43

LIST OF FIGURES

Figure 1: Conceptual framework showing the relationship between Strategic Financial Management and Financial Sustainability	10
---	----

LIST OF ABBREVIATIONS

ED	-	Executive Director
IV	-	Independent Variable
NGOs	-	Non-Governmental Organization
NPO	-	Nonprofit Organizations
PIU	-	Project Implementation Unit
SFM	-	Strategic Financial Management
SPSS	-	Statistical Package for Social Sciences
UK	-	United Kingdom
UMI	-	Uganda Management Institute
UNDP	-	United Nations Development Program
UNICEF	-	United Nations International Children Education Fund
US\$	-	United States Dollars
USA	-	United States of America

ABSTRACT

The purpose of the study was to examine the relationship between strategic financial management and financial sustainability of Non-Governmental Organizations in Uganda: A case of Hope for Batwa Children. Specifically the study examined the relationship between financial management and financial sustainability of Hope for Batwa Children. The study used a cross-sectional study design using a mixed method of qualitative and quantitative approaches. Data were collected from a population 84 employees who comprising of one ED, one project coordinator, three liaison officers, three donor representatives, 15 field staff, one finance manager, one project accountant and 59 other partner project staff using a questionnaire and interviewing methods. The study found a moderate positive significant relationship between financial planning and financial sustainability ($r = 0.401^{**}$, $p = 0.001$). The study confirmed the hypothesis that there is a significant positive relationship between financial planning and financial sustainability of NGOs in Uganda was confirmed. The study found a high positive significant relationship between fundraising and financial sustainability ($r = 0.530^{**}$, $p = 0.000$). Confirming the hypothesis that there is a significant positive relationship between fundraising strategy and financial sustainability of NGOs in Uganda. The study found a moderate positive significant relationship between internal controls and financial sustainability of the NGO ($r = 0.443^{**}$, $p = 0.000$) confirming the hypothesis that there is a significant positive relationship between internal control and financial sustainability of NGOs in Uganda. To enhance financial sustainability of Hope for Batwa Children and related NGOs this study recommends that the board should task management conduct a comprehensive external environmental analysis using the PESTEL and SWOT framework and base on the result to develop strategic project financial plans, use participatory project financial planning approaches. Management should also create a fundraising unit with a key results areas for resource mobilization using different forms of fundraising campaigns to solicit for donor funding. It is also recommended that the management should strengthen the internal control system through regular management by demanding for monthly performance reports and taking of appropriate actions. The NGO should adopt risk based auditing.

CHAPTER ONE

INTRODUCTION

1.1 Introduction

Financial sustainability has affected many NGOs including Hope for Batwa Children. To support the said statement is Bell et al (2010) who reports that financial sustainability among NGOs does not happen overnight but it is an endless story reflected in terms of community activities. The scholar adds that creating a financial sustainability for an NGO rotates around all stakeholders in the environment where it operates. Ogara (2005) noted that financial sustainability strategies for an NGO need to be directed towards areas of strategic direction, spiritual, moral values, governance financial resources external relations among others.

In another context Rajni and Preeti (2011) noted that strategic financial management in organizations and business entities of recent have emerged due to the challenges that necessitated the adoption of a multi-dimensional approach to managing organization resources. For non-profit making organizations, strategic financial management strengthens sustainability of the financial status in order to enable management achieve the set objective (Rajni& Preeti, 2011). This study therefore examines the relationship between strategic financial management and financial sustainability of Non-Governmental Organizations in Uganda; the case of Hope for Batwa Children.

This chapter presents the background to the study, problem statement, purpose of the study, objectives of the study, research questions, hypothesis, conceptual framework, significance and justification of the study, scope of the study and key or operational definitions.

1.2. Background to the Study

This section presents the historical, theoretical, conceptual and contextual background to the study as indicated in the sub sections below.

1.2.1 Historical background

From a historical perspective, it can be seen that financial sustainability in NGOs as a concept has not been properly documented and therefore its originality or historical roots becomes hard to explain however, it is important to note that the above concept has registered more success in the developed world as compared to the developing countries due to administrative issues that are not time and again adhered to (Bell et al., 2010).

Strategic financial management has been in use since 1970 in USA and was established in order to improve trade and organizational accountability, financial sustainability, survival and growth (Uphoff, 2013). In most countries, it started when different nations started “liberalizing” that is when countries agreed to open doors for each other and traded. This advancement of technology and liberalization resulted into the idea of strategic financial management both domestically and globally (Uphoff, 2013).

From a global perspective, it can be seen that dynamics or constant threats in the World economy or economic environment for instance the credit crunch has affected NGOs dependent on external financial support. Therefore, ensuring financial sustainability for NGOs has come into focus in the recent years. In the past, the pinch caused by inadequate financial resources was less felt since there were enough resources to fund organisational projects and programs (Moore, 2005).

From the African context, specifically Sub-Saharan Africa region, many NGOs’ leadership has laid less emphasis on how best to strategically manage finances which is intended to improve financial sustainability yet external funding that is provided by donors needs to be accounted for before more funds are granted (Okorley & Nkrumah, 2012). For instance results of the study conducted in Ghana by Okorley and Nkrumah in 2012, revealed that availability of funds, supportive leadership, good management and needs development basing on demand driven

program approach were instrumental in creating better financial sustainability of NGOs which has seen them survive. Strategic financial management has continued to feature in NGOs long term planning and thus continued survival.

Kenya another country with many funded NGOs has seen most of these NGOs adopt strategic financial management as a lasting solution to achieving financial sustainability to better the position of such organizations to serve their stakeholders much as funding has still remained a challenging problem to its economy as it has led to fierce competition for a dormant resource (Wangithi et al, 2012).

In the Ugandan context, the NGO sector is primarily funded by NGOs from outside the country as well as bilateral aid, such organisations have different sizes and activities they carry out (Barr et al, 2005). This therefore, attracts different levels of funding from the donor community in support of NGOs based in Uganda with objectives that match with the funding criteria for the donors/funders nonetheless; few NGOs do make income tax returns as well as other needed financial accounts. However, it is important to understand how these organizations are funded, what they do and how they finance such activities. Due to the ever changing business environment in which non-governmental organization (NGOs) operate, Non-governmental organizations too need to critically make strategies that can stimulate their financial sustainability (Wangithi et al, 2012).

At Hope for Batwa Children, a children NGO, strategic financial management has been adopted by its leadership that has to some extent yielded operational results including financial sustainability. The NGO leadership has been able to ensure timely planning, internal controls on funds as well as disbursement where necessary. The NGO has seen fruits of sponsorship from a wide range of multinational agencies that have included the German Embassy Kampala, UNICEF, UNDP and United States Agency for International Development among others who have positively contributed to their financial muscle which has resulted into provision of

required services specifically to the children within the Batwa community. The study therefore examines the effect of strategic financial management on financial sustainability.

1.2.2 Theoretical background

The study was guided by the survival-based theory which could also be interpreted as sustainability proposed by Spencer (1958) which asserts that competition and cooperation are interconnected, and competition will force organizations to be more cooperative. A firm's survival is therefore premised on the ability to adapt high level of efficiency embedded in the organizations strategic pursuits. While building on the Spencer's survival theory, Lynch (2000) construes the survival theory as an emergent theory of strategic management and notes that it is better to experiment with several strategies at once and let the process of natural selection choose the best strategy that adapts better to the environment. Murmann, Aldrich, Levinthal, & Winter (2003) also noted that in order to survive, organizations must adopt strategies that will foster their survival by rapidly responding to the changing competitive environment. The Spencer (1958) survival-based theory will guide this study as it suggested that survival (and in this case financial sustainability) in the wake of decreasing financial support from donors will need developing responsive financial management strategies.

The study was also be underpinned by the Goldratt (1990) theory of Constraints (TOC), which asserts that every organization must be understood as a system with a goal but a system constraint which may be a policy, practice, behavior or strategy significantly prevents a system from attaining its goal.

In support of the Goldratt (1990) theory assumptions, Mabin and Balderstone (2003) noted that policy or strategy constraints often arise when the organization's environment changes while its practices remain unchanged yet policy constraints are usually under the control of the organization's management.

In conclusion, the TOC underpins this study as it suggests the need to identify the strategic financial management practices constraining the attainment of the desired financial sustainability of the NGO and development of recommendation for improvising on the strategic financial management for enhanced financial sustainability.

1.2.3 Conceptual background

The proposed study is based on two key concepts namely strategic financial management (independent variable) and financial sustainability (dependent variable). The concepts have been defined by a number of scholars for instance Rajni and Hiro (2011) defines strategic financial management as the sequence of steps and activities that involve setting out objectives and identifying resources, analyzing data and making financial decisions in order to realize the variance between actual and the budgeted financial results, it focuses on the long-term perspective of the organization. The Chartered Institute of Management Accountants of UK (2014) defines strategic financial management as the identification of the possible strategies capable of maximizing an organization's net present value, allocation of scarce capital resources between competing opportunities, implementation and monitoring of the chosen strategy so as to achieve stated objectives. Similarly, Wheelen & Hunger (2010) define strategic financial management as a set of financial managerial decisions and actions that determines the long-run performance of a corporation and may include but not limited to strategic planning, financial resource mobilization and internal control strategies.

Financial Planning is concerned with making procurement, investment and administration of financial estimates of the organization required to deliver its mandate. The key objective of financial planning is to determine the capital requirements and structure and framing of financial policies necessary to ensure that the scarce financial resources are maximally utilized in the best possible manner to maximize returns (Rajni & Hiro, 2011). Matt (2010) argues that financial planning is a continuous process of directing and allocating financial resources to

meet strategic goals and objectives that portrays better financial sustainability. The output from financial planning takes the form of budgets. Financial planning in an NGO context therefore involves the efforts to conduct an environmental analysis and development of budgets necessary to implement the NGOs activities and overhead costs.

Fundraising in the context of NGOs is the process of gathering voluntary contributions of financial resources usually in form of donations or internally generated funds from individuals, businesses, charitable foundations, or governmental agencies. This study conceptualizes fundraising to include the internal and external solicitation of funds by the NGO (Boas, 2012).

The COSO framework (2013) defines internal control as the process designed and affected by those charged with governance, management, and other personnel to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulation. It includes five components of control environment, risk assessment, activities, information and communication and monitoring activities. This study will however consider four components of control environment, risk assessment, and monitoring.

There is no consensus on how best financial sustainability can be defined given the different organizational contexts where some are profit making while other are nonprofit making. In an NGO context (the focus of this study) financial sustainability is simply defined as a condition in which an institution has a reasonable possibility of covering its costs for the foreseeable future through a combination of donor funding and locally generated income (Davies, 2003; Lean, 2001). According to Davies (2003), an NGO is financial sustainable if it does not depend on only one internal or external source of revenue, strives to raise sufficient funds locally or internally to complement external financing to meet its required operating costs in the delivery of its mandate after the cessation of donor financial support.

This study equally borrows from the above contextual definitions and conceptualizes financial sustainability as the availability of required resources to deliver the NGO's mandate, operational costs self-reliance and project continuance with or without external donor support.

1.2.4 Contextual perspective

Traditionally Batwa, commonly known as pygmies, are the most vulnerable, marginalized, voiceless and endangered ethnic group in Uganda. The former forest-dwelling hunters and gatherers are widely accepted as the original inhabitants of the Great Lakes Region of Central Africa. They hold polygamous families with most being subsistence farmers. Their way of living is attached to the ability to have bigger extended indigenous families as well as children however due to their traditional setting most have not been able to attain education especially their children, these have been deprived of basic necessities such as cloths, shelter, food, good water and health (Batwa Resource Centre Records, 2015).

In the attempt to improve the Batwa community children welfare, the Hope for Batwa Children was one of the many NGOs formed. This project was fully registered as an NGO in the early 2000, Hope for Batwa Children is financially supported by a number of leading multi-national NGOs including German Embassy Kampala, UNICEF, UNDP and United States Agency for International Development among others. It is a Batwa-directed, community-based organization with headquarters in the Kabale District region. The project was created to assist the Batwa People specifically children in improving their lives so they may live on equal footing with all Ugandan citizens.

The project hierarchical structure comprises of an executive director, project coordinator, liaison officer, donor representatives, finance manager and project accountant who are directly responsible for overseeing the day to day operations of the NGO and its leadership is responsible for its financial sustainability which is the path to fulfilling the NGO's intended

purpose. For instance Hope for Batwa Children leadership sought funding from the Germany embassy which was granted by Fördervereineine Welt (FEW) in early 2015 to assist Hope for Batwa Children to complete the building and purchase equipment and materials for production of craft items, carpentry and clothing to support income generating activities will support a total of 600 members of the Batwa of the Rawaburindi community many of the children have benefited. This highlights the fact that fast progress was achieved through the enthusiastic work of Hope for Batwa Children (Germany Embassy Archival Records, 2015). It is based on such a contextual background that the study will examine the effect of strategic financial management on the financial sustainability of NGOs in Uganda: A case of Hope for Batwa Children.

1.3. Statement of the Problem

NGOs in Uganda and internationally have experience a significant withdraw of major donor funding or budget cuts, a challenge leading to the collapse of many NGOs due to lack of resources required to implement the NGOs mandate. Hope for Batwa Children is equally experiencing a dwindling donor base to the extent that it now survives on two Donors who are considering withdrawal of their funding due to poor financial management practices. For instance in 2013 audit queries highlighted a US\$ 31,200 (Ugx 78 million) embezzled funds, while in 2010 up to US\$ 6000 was misappropriated and US\$ 14,000 (Ugx 35million) was diverted to unknown locations (Hope for Batwa Children Donor Audit Report, 2011). To this effect, the NGO is constrained to implement its activities in the project areas and is constrained to meet its operational costs a situation which is constraining access to the much needed services and protection for Batwa Children. There has been no empirical study on the financial management practices in Hope the Batwa children NGO to document their effect on sustainability of the NGO but anecdotal management reports point to significant financial mismanagement, absence of a fundraising strategy and weak internal controls in the NGO. It

need for empirical research and the need to fill knowledge gaps necessitated an examination of the effect of strategic financial management on financial sustainability of Hope for Batwa Children NGO.

1.4 Purpose of the study

To examine the relationship between strategic financial management and financial sustainability of Non-Governmental Organizations in Uganda: A case of Hope for Batwa Children.

1.5 Objectives of the Study

- 1) To examine the relationship between financial planning and financial sustainability of Hope for Batwa Children.
- 2) To establish the relationship between fundraising practices and financial sustainability of Hope for Batwa Child.
- 3) To assess the relationship between internal control and financial sustainability of Hope for Batwa Children.

1.6 Research questions

- 1) What is the relationship between financial planning and financial sustainability of Hope for Batwa Children?
- 2) What is the relationship between fundraising practices and financial sustainability of Hope for Batwa Child
- 3) What is the relationship between internal control and financial sustainability of Hope for Batwa Children?

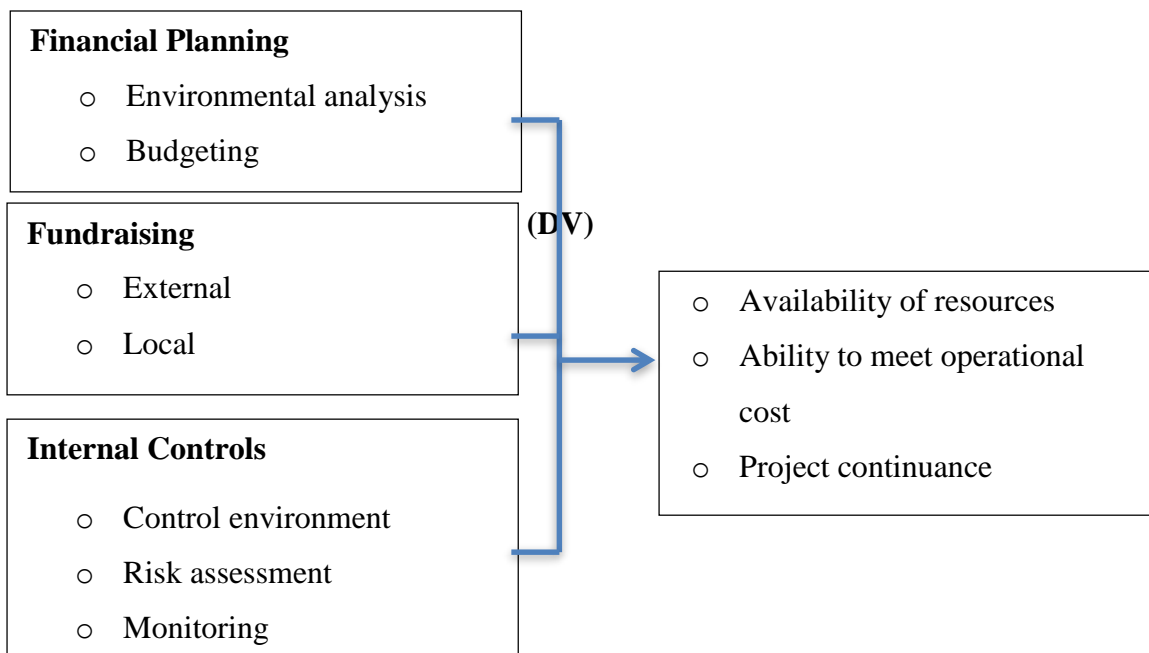
1.7 Hypotheses of the study

- 1) There is a significant positive relationship between Financial planning and financial sustainability of NGOs in Uganda
- 2) There is a significant positive relationship between fundraising practices and financial sustainability of NGOs in Uganda
- 3) There is a significant positive relationship between internal controls and financial sustainability of NGOs in Uganda

1.8 Conceptual framework

The figure below presents the effect of strategic planning (independent variable) on financial sustainability (dependent variables).

STRATEGIC FINANCIAL MANAGEMENT (IV)



Source: Adopted from Bowman (2011) and modified by the researcher

Figure 1: Conceptual framework showing the relationship between Strategic Financial Management and Financial Sustainability

The model in figure 1 above shows that financial sustainability depends on strategic financial management by the NGO. Financials sustainability has indicators of availability of financial

and non-financial resource necessary to implement the NGO's mandate, ability to meet operation costs and project continuance with or without external donor support. Financial sustainability management has dimensions of financial planning, fundraising and internal controls. Financial planning has indicators of external and internal environmental analysis, and budgeting. Fundraising has indicators of efforts to solicit for financial resources internally/locally or from external donors. Internal control has indicator of the internal control environment, risk assessment and monitoring undertaken at the strategic level that provides a reasonable assurance about the achievement of the NGOs objectives, reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulation.

It is therefore hypothesized that adopting good financial management strategies of financial planning, fundraising and well-functioning internal controls positively contributes to attainment of the desired financial sustainability. This also means that weaknesses in strategic financial management related to financial planning, fundraising and internal control adversely affects financial sustainability of the NGO.

1.9 Significance of the study

The study will be significant to the following stakeholders namely:

To the board of directors and management of NGOs, the study evaluates the strategic financial management practices and develops policy recommendations for strengthening strategic financial management for enhanced financial sustainability financial a prerequisite for achievement of the NGOs mandate.

To the community beneficiaries, the study will benefit the Batwa leadership and other related NGOs as it will reveal all possible financial threats to expected strategic financial and how best such threats can be neutralized to lure other donors or funders for other NGOs in Uganda.

To the academia, the study helps fill literature gaps on the relationship between strategic financial management practices and financial sustainability in NGOs.

1.10 Justification of the study

The following statements justify the study namely:

Strategic financial management is a fairly new concept in the area of finance specifically in donor funded NGOs and its advantages are so vital in as far as their survival is concerned. Thus, their work will be focused on funding and that calls for accountability, transparency among other activities if financial sustainability is to be achieved among non-governmental organizations.

Lastly, the study will contribute to new information to the existing knowledge base on financial strategic management and financial sustainability in NGOs.

1.11 Scope of the study

1.11.1 Content scope

The study focused on strategic financial management (financial planning, internal controls and disbursement) as the independent variable and financial sustainability (availability of resources, meeting operational costs and project continuance) as the dependent variable.

1.11.2 Geographical scope

The study was carried out in Hope for Batwa Children Organization Head Offices, located in Kinoni village, Kabale District, with a branch at Equatorial hotel, Uganda, East Africa.

1.11.3 Time scope

The study will cover the period 2012-2015 because it is the period in time when Batwa Children Organisation has faced financial sustainability challenges (Hope for Batwa Children End of FY Report (2013)).

1.12 Operational definition of terms and concepts

The following concepts will be used time and again during the study namely:

Strategic financial management in this study refers to financial planning, fundraising and functionality of internal control system in the NGO.

Financial planning in this study refers to efforts directed to conducting external and internal environmental analysis to establish factors that impact on the financial position of the NGO and the associated budgeting for project activities and overhead cost.

Fundraising in this study refers to the efforts to exploit internal and external sources of financing necessary to implement the project budget.

Internal controls in this study refers to the control environment, risk assessment and monitoring that provide an assurance that the NGO operates efficiently, effectively and complies to legal or regulatory conditions which guarantees that the NGOs mandate will be achieved.

Financial sustainability: in this study refers to the availability of financial and non financial resources, ability to meet operational costs and continuance of the project with or without external donor support.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The study examines the relationship between strategic financial management and financial sustainability of NGOs in Uganda. This chapter presents the theoretical and related review of literature according to the study objectives. The first section presents the theoretical review, and then a review of related literature and finally, a summary of the literature review.

2.2 Theoretical Review

The study was guided by the survival-based theory proposed by Spencer (1958) initially proposed by Darwin's theory of natural selection commonly referred to as "survival for the fittest". The survival-based theory asserts that competition and cooperation are interconnected, and competition will force organizations to be more cooperative. A firm's survival is therefore premised on the ability to adapt high level of efficiency embedded in the organizations strategic pursuits.

However, some of the proponents of this view argued that selecting a particular set of strategy would not be optimal. Instead, it is better to experiment with several strategies at once and let the process of natural selection choose the best strategy that adapts better to the environment (Lynch, 2000). This view put the survival-based theory into the typology of emergent theories of strategic management (Murmann, Aldrich, Levinthal, & Winter, 2003) and in order to survive, organizations must adopt strategies that will foster their survival by rapidly responding to the changing competitive environment (Khairuddin, 2005).

The survival-based theory has received a lot of support in strategic management research and has been widely used to achieve organizational performance expectations in corporate

turnaround. For example, (Khairuddin, 2005) urges that an ailing organization faced with financial challenges is indicative of the organization using inappropriate strategies.

However, survival theory has been criticized for not offering explanations on why organizations behave in certain ways (Khalil, 2000).

Despite its criticism, the theory informs this study, that the NGO's financial sustainability in the wake of decreasing financial support from donors will need developing responsive financial management strategies for their survival.

This study was also underpinned by the Goldratt (1990) theory of Constraints (TOC), which asserts that every organization must be as a system with a goal hence, every action taken by any part of the system must be judged by its impact on that goal. A system constraint is defined as anything that significantly prevents a system from improving its performance towards that goal. The theory further asserts that every organizational system presents at least one constraint, the constraint may be physical such as a machine with limited capacity, a policy or strategy or a behavior constraint.

In support of the Goldratt (1990) theory assumptions, Mabin and Balderstone (2003) noted that policy or strategy constraints often arise when the organization's environment changes while its practices remain unchanged yet policy constraints are usually under the control of the organization's management. TOC suggests five focus steps that must be followed to ensure effective ongoing improvements (Goldratt, 2004):

- (1) Identify the system constraint(s).
- (2) Decide how to exploit the system constraint(s), i.e. increase the system throughput, completely eliminating any kind of waste in the system constraint.

(3) Subordinate everything else to that decision. This implies ensuring that all the other elements of the system work towards exploiting the constraint, which should be evaluated according to how well they achieve that objective.

(4) Elevate the system constraint(s), i.e. increase the system throughput by increasing the investment volume towards the constraint, e.g. by investing in resource mobilization.

(5) If a constraint was broken in a previous step, return to the first step but prevent inertia from becoming the system constraint.

An important aspect of the TOC steps is their orientation towards performance improvement efforts aimed at achieving functional and whole organizational performance. TOC, unlike many continuous improvement initiatives intends to reduce operational expenses and which by its inherent nature would be limited (Larsson *et al.*, 2008), it makes more sense to focus improvement efforts on increasing policy or strategy effectiveness (Boyd & Gupta, 2004).

In using the TOC, this study notes that the NGOs financial sustainability, depends on evaluation of the current financial management strategies and developing responsive strategies which minimizes constraints related to attainment of the desired financial sustainability. As suggested by the Goldratt (1990) it is also important to evaluate the donor trends (behaviors) and designing appropriate financial resource mobilization strategies to facilitate the implementation of the NGOs activities in the analysis of constraining systems which significantly impact on the financial performance.

Furthermore the financial management strategy adopted by the NGO should be critically judged for its impact on the financial sustainability of the NGO as suggested by the Goldratt (1990) TOC. In conclusion, the TOC underpins this study as it suggests the need to identify

the strategic financial management practices constraining the attainment of the desired financial sustainability of the NGO and development of recommendation for improvising on the strategic financial management for enhanced financial sustainability.

2.3 Empirical Review

2.3.1 Financial planning and financial sustainability of NGOs

There has been a stream of studies on financial planning practices and their impact on firm outcomes. Environmental analysis is very important for strategic planning and Bray (2010) reports that the absence of Strategic Planning is one of the challenges encountered in the NGO sector. Few NGOs have strategic plans which would enable them to have ownership over their mission, values and activities. This leaves them vulnerable to the whims of donors and makes it difficult to measure their impact over time. Kituku (2010) attributes the failure of compassion International projects in Nairobi to reach self-sustainability to mismanagement of resources due to poor planning and this led to financial cuts from the donors. He further recommends analysis of the macro and micro environment to help design responsive project designs and funding approaches.

In the same line Mengistua and Berhanu (2014) attributes the collapse of family planning NGO in Ethiopia to complacency to examine the external environment and establish major global decline in donor support as basis for designing responsive financial resourcing strategies for their outreach programs. Omeri (2015) in her Kenyan study equally found that Kenyan NGOs under study had undertaken to consider strategic financial planning as practices which fostered their financial stability.

To cope with the changing demands, Nganga (2013) reports that due to external environmental changes like the global meltdown, NGOs in Kenya were adopting social enterprises, volunteerism, endowment, commercial equity/enterprises and many more with the aim to be

sustainable in future. Further, the study indicates that there is strong positive direct correlation/relationship between SI and sustainability of NPOs but there are other factors influencing social investment adoptions such as social innovation, availability of financing, globalization and internationalization and organizational structure flexibility.

The above literature review points to gaps in the importance of environmental analysis to designing effective strategies for NGOs financial sustainability. It will be in this study's interest to establish if the Hope for Batwa Children NGO in Uganda adequately considered the macro and microenvironment in its financial planning and it so, how it contributes to financial sustainability.

Studies on budgeting and its outcomes in NGOs such as Otley and Pollanen (2010) contend that employee participation in budget preparation had a positive effect on organizational performance in an NGO context. NGO performance according to the Otley and Pollanen (2010) study was attributed to employee knowledge of the budget and its expectations gained from the management strategy of active participation of employees in the budgeting process. Shume (2015) equally attributes the NGO performance to use of budgets by charities which facilitate effective planning, communication, coordination, control and evaluation tools that facilitated the achievement of the charity's objectives.

However, Yesuf (2015) in a related Ethiopian study noted that the overall budgeting system in the sample organizations missed the participation of concerned staffs. Yesuf recommends that the charities should ensure adequate participation of concerned staffs in budget development, budget monitoring and implementation. A study by Kaptur (2012) in Ghana equally notes that most of the key actors in the NGO did not work with the budget due to lack of proper induction and proper role profile of the office they occupied.

The review of existing literature reveals contradicting findings on budget practices in NGOs

with some studies pointing to active participation while others point to the contrary. Similarly, the accessed literature is silent on the effect of budgeting on financial sustainability of NGOs. This study therefore strived to establish the budgeting practices of Hope for Batwa Children NGOs and its influence on the sustainability of the NGO.

2.3.2 Fundraising and Financial Sustainability of NGOs

A key strategic undertaking in strategic financial management is fundraising and On Bray (2010) argues that developing a coherent fundraising plan helps an organization or project to address some of its financial challenges and best promote the mission of the organization or project. Boas (2012) gives a similar view point and opinion that NGOs that want to diversify their sources of funding and achieve their long-term financing goal need to carry out resource mobilization strategies such as self-financing activities by starting significant for-profit activities, possibly organized in form of a social enterprise to complement external financing. Alymkulova and Seipulnik (2005) noted that maintaining a balance between externally and internally generated resources is necessary to allow an organization to meet its operating and administrative expenses while maintaining the freedom to determine its program priorities and projects, irrespective of donor preferences. Bennett and Savani (2011) equally highlight that the levels of domestic resources and self-financing appear to be increasing and are therefore more reliable components in long-term sustainability strategy.

Bray (2010) suggests that faced with the challenge of dwindling donor supports, NGOs should exploit use of local donors by fostering a culture of giving by encouraging community members to donate, utilize the available technology to market their proposals, establish high impact partnerships with organizations that have similar strategic goals as well as the business community. Besel, et al (2011) contends that developing a coherent fundraising plan to address the challenges and best promote the mission of the organization is imperative. A strategic

fundraising plan provides an opportunity to examine what is working well and where there are opportunities for improvement, encourages nonprofits to set specific goals, and motivates nonprofits to make a commitment to focus on the big picture. Developing the fundraising plan should be integrated into other planning efforts, such as strategic planning, program planning, and budgeting.

Besel et al (2011) while referring to a study conducted in the US about fundraising found that four out of the nine agencies studied required their board members to participate in annual fundraising drives and this secured over 50 percent of their operating budget from individuals within their service area. In a related Ghanaian study by Okorley and Nkrumah (2012), it was found that the major sources of financial support for the NGOs is from internal sources (within Ghana) as against external funding which was getting difficult to realize.

Rao (2013) examines the impact of financial sourcing on the sustainability of water NGOs in Kenya and found a strong positive relationship between internally generated funds and financial sustainability of the water institutions in Kenya although Government grant and internally generated funds were the most significant predictors of service delivery. Ameri (2015) in her Kenyan study found that a strong significant relationship between diversification of the sources of funding for the NGOs and financial sustainability. The study confers that diversification of the funding sources was an important aspect in improving financial sustainability of the NGOs in the wake of diminishing funding from foreign sources.

The above literature on fundraising was mainly offering viewpoints with few studies providing empirical evidence on the relationship between fundraising and financial sustainability of NGOs. To build on the narrow body on knowledge, this study will strive to examine the efforts to use internal and external financial mobilization strategy in the fundraising plan of Hope for Batwa Children NGO in Uganda and its effect on financial sustainability of the NGO.

2.3.3 Internal Control and Financial Sustainability of NGOs

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

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

Onsongo (2012) equally attributes the efforts to reach financial sustainability to be dependent on proper governance systems and organizational structure in the NGO while Njeri (2014) in her Kenyan study found that the control environment, risk assessment, control activities, information and communication and monitoring contributed to 75.7% of the variation in financial performance among manufacturing firms. Furthermore, Ibrahim, Yasin and Dahalin (2010) found that the operational self-sustainability of Tele-centers established by government, NGOs and private sector depended on internal control considerations of effective financial controls and monitoring supported with ethical management practices.

Ibrahim, et al (2010) observations are supported by Gunderson (2011) who contends that for financial sustainability to succeed, effective financial management (i.e. funds flow control systems, financial planning, budgeting systems, asset management systems, accounting

policies and procedures, internal and external auditing systems, reporting and monitoring systems, information systems, financial analysis and plan implementation) is required. This study will strive to establish the internal control practices in Hope for Batwa Children and their effect on financial sustainability of the NGO.

2.4 Summary of Literature Reviewed

The review of existent literature is suggestive of the need to conduct a macro and micro environmental analysis as well as participative budgeting in NGO during financial planning. However, there are scanty studies examining the influence of financial planning on the sustainability of NGOs. Secondly although the literature portrays the increasing need to include internal or local financing alongside external financing in the fundraising strategy of NGOs, it is silent on the actual impact of fundraising approaches on the financial sustainability of NGOs. Furthermore, there is increasing demand for instituting effective internal controls in NGO however, there are few studies which have examined the relationship between internal control and financial sustainability of NGOs in Uganda. To fill the literature and knowledge void, this study aimed at providing empirical evidence on the relationship between strategic financial management practices of planning, fundraising, internal control and financial sustainability of the NGO.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

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

3.2 Research design

This study used a cross-sectional study design using a mixed method of qualitative and quantitative approaches. The cross-sectional design was used since the data on strategic financial management and financial sustainability of NGOs was to be collected at that point in time (Cohen, Manion, and Morrison, 2007).As justified by Amin (2005), the quantitative approach was used in the study since it, described in quantitative terms the degree to which variables is related. It involved collecting data to determine whether and to which degree a relationship exists between the two variables under study. The degree of relationship was expressed as a correlation coefficient while the extent to which the dependent variable influences the independent variable was expressed using regression techniques. The study used an interview to gain qualitative data on the study variables to help offer an explanation of the status quo and triangulate the data (Amin, 2005).

3.3 Study population

The proposed population was 84 employees who comprising of one ED, one project coordinator, three liaison officers, three donor representatives, 14 field staff, one finance manager, one project accountant and 58 other partner project staff (Hope for Batwa Children Records, 2013).

3.4 Determination of Sample Size

Sample size refers to the number of respondents who take part in the study (Donald, 1999). It is anticipated that a sample size of 70 respondents was drawn from the population of 84 respondents determined with the help of Krejcie & Morgan (1970) sample size determination (see Table one below).

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

Category of respondents	Accessible population	Sample size	Sampling technique	Study tool
Executive Director	1	1	Purposive	Interview
Project Coordinator	1	1	Purposive	Interview
Liaison Officer	3	3	Purposive	Questionnaire
Donor Representatives	3	3	Purposive	Questionnaire
Finance Manager	1	1	Purposive	Questionnaire
Project Accountant	1	1	Purposive	Questionnaire
Field staff	15	14	Purposive	Questionnaire
Partner NGO staff	59	46	Simple random	Questionnaire
Total	84	70		

Source: Primary data

3.5 Sampling techniques and procedure

The sample size was drawn based on two sampling procedure thus simple and purposive random sampling techniques as explained below.

3.5.1 Purposive sampling

This technique is used to identify respondents who possess similar characteristics. In addition, the technique was used on key informants who are said to be knowledgeable about on strategic financial management and financial sustainability. Ma Dolores (2007) noted that purposive sampling allows the researcher to include participants with good grounds or information in what they believe, leading to a critical success in research. It was used to select an executive director, a project coordinator, liaison officers, donor representatives, a finance manager and a project accountant.

3.5.2 Simple random sampling

Simple random sampling technique was used to identify respondents to form a sample. The technique allows respondents to have an equal chance of being included to form a sample. This technique was used because it is highly representative of a large number of respondents, its unbiased aspect that leads to right conclusions in the study, it is convenient and saves time. The technique was applicable on field staff and other project staff.

3.6 Data collection methods

This study used two methods to aid data collection. These included a questionnaire survey and interview as indicated below.

3.6.1 Questionnaire Survey

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

3.6.2 Interview

This method entertained interaction typically like conversations that yield predetermined non-numeric responses. Interviewing method was used to explore the proposed study on strategic financial management and financial sustainability that helped uncover the respondent's views but otherwise respects how the respondents frames and structures the responses (Patton, 2002). Interviews lasted 25 minutes because of the interviewee's busy schedule. In addition, the researcher plans to use probing to obtain more in depth information. Lastly, using interviews is advantageous as they provide valuable information difficult to get when using

questionnaires. Secondly, interviews are easier to conduct, easier to track and information is confidentially given (Mugenda & Mugenda, 2003). One interview was carried out with the program coordinator who is responsible for strategic financial management.

3.7 Data collection instruments

This study used two instruments to aid data collection namely questionnaire and interview guide as indicated below.

3.7.1 Questionnaire

This instrument was designed with closed ended questions and was used to obtain quantified data on strategic financial management and financial sustainability. The instrument was made up of three section namely; section A for respondents bio-data while section B for questions on strategic financial management (financial planning, internal controls and financial disbursement). Section C questions focused on financial sustainability all based on a five item Likert scale from the highest to the lowest in that order for instance 5= strongly agree, 4= agree, 3= undecided, 2= disagree and 1= strongly disagree

3.7.2 Interview guide

The study used a semi structured interview focusing on strategic financial management dimensions of financial planning, fundraising and internal controls. The instrument enabled respondent to orally read the questions while the interviewees would provide answers which were recorded (Creswell (2013)).

3.8 Quality control

Quality control of the instrument will include validity and reliability as indicated below

3.8.1 Validity

Validity as the extent to which a specific measurement provides data that relates to commonly accepted meanings of a particular concept (Rubin, & Earl, 2010). Three judges were requested

to rate the instrument and results was obtained using content validity index (CVI) using the formula, $CVI = \frac{K}{N} \times 100\%$

N

Where K is the number of items rated relevant and N is the total number of items, finally, Nunnally and Bernstein (1994) recommends that, if score is equal or above 0.7 (≥ 0.7) then, the instrument is valid and the results are presented in table 3.2 below.

3.8.2 Reliability

Reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials (Nunnally and Bernstein (1994)). For this study, pre-testing of the tools was carried out on a sample of 5 respondents from Hope for Batwa Children. Cronbach's alpha values generated from SPSS was then used to establish the reliability taking only variables scoring above 0.70 as suggested by Nunnally and Bernstein (1994).

Table 3.2: Validity and Reliability Results

Variable	Content Validity Index	Cronbach's Alpha	No of items
Financial planning	0.833	0.819	14
Fundraising strategy	0.857	0.866	11
Internal controls	0.789	0.834	14
Financial sustainability	0.837	0.876	12

Source: Primary data

Table 3.2 above shows that all variables yielded CVI and Cronbach's Alpha values above 0.70 suggesting that the instrument was valid and reliable in measuring strategic financial management and financial sustainability.

3.9 Procedure of data collection

After proposal defense, corrections were done and final proposal copies was submitted. A letter of introduction was obtained from the School of Management Science, UMI which was presented to the administrators at Hope for Batwa Children NGO where permission was sought. Upon permission being granted, the researcher plans to use two research assistants to help in administering the questionnaires. The researcher was responsible for all interviews. The data collected was then entered into SPSS in preparation for analysis.

3.10 Data analysis

Data was analysed quantitatively and qualitatively as indicated below

3.10.1 Quantitative data analysis

Quantitative data was analysed using frequencies and percentages, mean and standard deviation. Additionally, inferential statistics the Pearson correlation (at a level of significance at 95%, p value < 0.05) was used to test the relationship (positive (+) or negative (-) between the variables will be established. Lastly, a multiple regression was used to determine variance that strategic financial management on financial sustainability.

3.10.2 Qualitative data analysis

In qualitative analysis, content analysis was used where non-numeric data from interviews will be used to extract and reorganize findings into meaningful shorter sentences. This involved transcribing and presenting in accordance with specific objectives to supplement on the quantitative data in order to have a clear interpretation of the results.

3.11 Measurement of variables

Two measures namely ordinal and nominal scale was used. The ordinal scale was used on strategic financial management based on a three point Likert type scale; 3 for agree 2 for not sure (NS), and 1 for disagree (D). The scale was used to obtain numerical results. Lastly, a

nominal scale was used to understand the bio data especially gender, age of respondents and project roles among others.

3.12 Ethical considerations

It is anticipated that a number of ethical considerations was observed during the study namely:

The researcher plans to seek the consent of identified respondents where a consent note accompanied the instruments that to be used for the study. Secondly, study respondents were treated with utmost confidentiality where all expected information was treated secrecy.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

4.1. Introduction

This chapter presents analyses and interprets the study findings strategic financial management and financial sustainability of Hope for Batwa Children NGO based on the information provided on the study questionnaire and interview guide. It specifically presents the response rate, background information about the respondents and a presentation of the inferential findings.

4.2. Response Rate

A total of 70 respondents were targeted for both questionnaire but 64 questionnaire were returned in time for consideration in the study giving a response rate of 91% suggesting that about 9 in every 10 questionnaire issued were returned which is a high response rate. Amin (2005) contends that a high response rate is a good representation of the sample used in the study population. Two interview were scheduled but one was successfully conducted giving a response rate of 50% for the interview.

4.3. Characteristics of the Respondents

This section presents the study finding on the demographic characteristics of respondents base on the background information asked in the study questionnaire.

Table 4.1: The management position in the organization

	Frequency	Percent
Strategic	10	15.6
Project Operations	54	84.4
Total	64	100.0

Source: Primary data

Table 4.1 above shows that although majority of 84.4% of the respondents where from project operations, there were also those from strategic the strategic management level in the NGO

representing 15.6%. The findings are therefore representative of strategic and operational staff in Hope for Batwa children and their project partners.

Table 4.2: The job title the respondents

Title	Frequency	Percent
CEO	3	4.7
Project Coordinator	43	67.2
Finance & Administration	10	15.6
Donor	2	3.1
Others	6	9.4
Total	64	100.0

Source: Primary data

On the basis of table 4.2 results, it can be seen that the data collected was representative of project stakeholders who were at the level of CEO, project coordinator, F&A officers, donors and other job categories such as Human resource and Audit were they existed.

Table 4.3: Level of Education

	Frequency	Percent
Diploma	7	10.9
Degree	45	70.3
Post graduate	12	18.8
Total	64	100.0

Source: Primary data

Table 4.3 findings suggest that only 10.9% of the respondents had attained a diploma as their highest level of education while 89.1% had attained a university degree and above. This finding implies that the people who participated in the study had enough cognitive capacity to understand, appreciate and reliably respond to the study questions on strategic financial management and project financial sustainability given their fairly high level of education.

Table 4.4: Time worked with the Project

	Frequency	Percent
Less than a year	1	1.6
1-3Year	11	17.2
4-7Years	37	57.8
8+ Year	15	23.4

Total	64	100.0
-------	----	-------

Source: Primary data

Table 4.4 findings shows that it was only one respondent representing 1.5% who had worked for less than a year in their NGO but the majority of 98.5% had held their worked wit the for one year and above. This implies that most respondents has attained adequate experiences in strategic financial management practices in NGOs and could therefore had reliable and valid information on the subject matter under study by virtue of the long time worked with the NGO.

4.4. Empirical Findings on Strategic Financial Management and Financial Sustainability Hope for Batwa Children

This section presents the empirical findings of the study according to the objectives. The empirical findings are analysed using descriptive statistics of percentages, mean and standard deviations, correlation and regression analysis. Qualitative data is integrated in relation to each objective as well.

4.4.1. Financial Planning and Financial Sustainability of NGO

The first objective of the study was to examine the relationship between financial planning and financial sustainability of Hope for Batwa Children. Fourteen question statements were administered and measured on a five point Likert scale. A mean result of below 3 implies disagree while a mean results above 3 implies agree. The percentages for agree and agree are combined to denote agree while strongly disagree and disagree are combined to denote disagree. The findings on financial planning are presented below.

Table 4.5: Descriptive Results for Financial Planning.

	SDA	DA	NS	A	SA	Mean	Std. Dev
<i>Environmental analysis</i>							
1. Financial planning in this NGO takes into consideration the political factors that may affect project funding	6.2	9.4	9.4	32.8	42.2	3.95	1.214
2. Financial planning in this NGO takes into consideration economic factors that may affect project funding	7.8	10.9	7.8	29.7	43.8	3.91	1.294
3. Financial planning in this NGO takes into consideration the social factors that may affect project funding	48.4	40.6	3.1	4.7	3.1	1.73	.963
4. Financial planning in this NGO takes into consideration the technological factors that may affect project funding	10.9	6.2	4.7	25	53.1	4.03	1.357
5. Financial planning in this NGO takes into consideration natural/Green environmental concerns	42.2	34.4	7.8	9.4	6.2	2.03	1.208
6. Financial planning in this NGO takes into consideration the Legal factors that may affect project funding	48.4	29.7	3.1	10.9	7.8	2.00	1.297
7. Internal organizational strengths guide the development of the NGOs financial strategies	15.6	7.8		37.5	39.1	4.00	1.054
8. Internal organizational weaknesses guide the development of the NGOs financial strategies	31.2	43.8	4.7	7.8	12.5	2.27	1.324
9. Internal organizational opportunities guide the development of the NGOs financial strategies		15.6	7.8	42.2	34.4	3.95	1.030
10. Internal organizational threats guide the development of the NGOs financial strategies	56.2	23.4	4.7	7.8	7.8	1.87	1.279
<i>Budgeting</i>							
11. I participate in the budgeting process in this NGO	45.3	31.2	7.8	9.4	6.2	2.00	1.222
12. Budgets in this NGO are tied to annual project work plans	14.1	4.7	4.7	32.8	43.8	4.14	1.167
13. Budgets are tied to 3-5 year strategic plan	45.3	35.9	3.1	9.4	6.2	1.95	1.201
14. Our project budgets provides for project overhead costs	7.8	10.9	7.8	32.8	40.6	3.87	1.279

Source: Primary data

Table 4.5 results show that whereas the respondent agreed with the NGO considering political (mean = 3.95), economic (mean = 3.91) and technological (mean = 4.03) factors, they disagreed with the NGO adequately considering social (mean = 1.73), environmental (mean = 2.03) and legal (mean = 2.00) factors during financial planning. The implication was that analysis of macro environment was haphazardly done a practice that constrains the responsiveness of financial strategy adopted by the NGO. It was necessary that the management of the NGO undertake to conduct a comprehensive macro environmental analysis based on the PESTEL model to come up with financial strategies which are responsive to the external environment factors beyond the control of the NGO.

Similarly the results in table show that whereas the respondent agree with consideration of strengths (mean = 4.00), and opportunities (mean = 3.95), they disagreed with adequate consideration of weaknesses (mean = 2.27) and threats (mean = 1.87) in the internal environment analysis to guide the development of the NGOs financial strategies. The finding suggests inadequate evaluation of internal factors to guide the development of financial strategy of the NGO.

Table 4.5 above further shows that although the respondents agreed with the NGO tying its budgets to annual work plans (mean = 4.14) and budgets providing for overhead costs (mean = 3.87), they disagreed with the use of participative budgeting (mean = 2.00) and development of budgets covering 3-5 strategic plan (mean = 1.95). The findings reveal that although there were efforts to develop budgets, the failure to develop 3-5 budget forecasts meant that the NGO would not ascertain its future financing needs due to high reliance on short budget timeframes. The isolation of key project stakeholders during the budget development process meant that they are not aware of the budget expectations and do not own it up. It was necessary that the NGO considers using longer term budget forecasts using a participatory budgeting approach to

promote transparency in the financial resource allocations to foster financial sustainability of the NGO.

4.4.1.1 Correlation analysis between financial planning and financial sustainability

To test if there was a relationship between financial planning and financial sustainability, a correlation analysis was conducted using Pearson’s correlation coefficient and significance statistics and the findings are presented in Table below.

Table 4.6: Correlation matrix between financial planning and financial sustainability

		Financial planning	Financial sustainability
Financial planning	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	64	
Financial sustainability	Pearson Correlation	.401**	1
	Sig. (2-tailed)	.001	
	N	64	64
**. Correlation is significant at the 0.01 level (2-tailed).			

$P \leq 0.05$

Source: Primary data

Table 4.6 above shows the Pearson’s correlation coefficient $r = 0.401^{**}$ between financial planning and financial sustainability suggesting that the two variables had a positive significant relationship. The $r = 0.401^{**}$ and significance $p = 0.001$ between financial planning and financial sustainability suggests that there was a moderate positive significant relationship between financial planning and financial sustainability. The managerial implication was that NGO’s financial sustainability will be enhanced through effective environmental analysis and budgeting in the NGOs financial planning practices.

4.4.1.2. Multiple Regression Analysis

A multiple regression was conducted to establish the extent to which strategic financial management practices of planning fundraising, and internal controls influence financial sustainability of the NGO. The multiple regressions was also used to establish which among the strategic financial management practices had a higher causal or predictive strength in the variance in financial sustainability of the NGO under study.

Table 4.7: Multiple regression model between strategic financial management and financial sustainability

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.649 ^a	.421	.392	.46434		
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	.235	.382		.614	.541
	Financial Planning	.220	.094	.241	2.345	.022
	Fundraising	.387	.106	.385	3.653	.001
	Internal Control	.243	.094	.270	2.581	.012
a. Predictors: (Constant), Internal Control, Financial Planning, Fundraising						
b. Dependent Variable: Financial Sustainability						

P ≤ 0.05

Source: Primary data

Table 4.7 above shows adjusted R² of 0.392 or 40% which is the variance in financial sustainability explained by financial planning, fundraising and internal control putting into consideration all the variables and the sample size of the study. The remaining variance of 60% is explained by other factors other than strategic financial management dimensions of planning, fundraising and internal controls.

The standardized coefficient statistics revealed that financial planning dimension of strategic financial management ($\beta = 0.241$, $t = 2.345$, $p=0.022$) was a significant predictor of financial sustainability in the NGO. The hypothesis that there is a significant positive relationship between financial planning and financial sustainability of NGOs in Uganda is therefore accepted.

In an interview the project coordinator had this to say on strategic financial planning:

Usually top management and specifically the finance department in consultation with the NGO board members who must approve the financial plan under take the financial planning exercise. However, because the project activities are funded based on donor interests, the practice is to budget for key project activities tied on donor priority. The donor may grant us a small percentage of the budget for overheads and we have to look for funds elsewhere for overheads. Inflation has always been a problem in our budget as we budget in shilling and when it depreciates against the dollar, the variance is always significant which impacts on planned project activities. The biggest challenge we are experiencing across the NGO sector is the dwindling donor support.

The interview findings suggest that although there was effort directed to financial planning as a mandatory strategic requirement, the financial plans were donor driven and therefore tailored to activities donor could under finance. The interview findings also agree quantitative findings that point to significant gaps in conducting the external and internal environments. Furthermore, like the quantitative finding indicated, budgeting was a top management preserve but not participatory. Despite the donor driven financial demands, it was necessary that the management of the NGO undertake to adopt strategic financial best practices to identify key internal and external factors that influence the achievement of the NGO's mandate and the overall financial sustainability.

4.4.2. Fundraising and Financial Sustainability

The second objective of the study was to examine the relationship between fundraising and financial sustainability of Hope for Batwa Children. Eleven question statements were administered and measured on a five point Likert scale and the findings are presented below.

Table 4.8: Descriptive Results for fundraising strategies

	SDA	DA	NS	A	SA	Mean	Std. Dev
<i>External fundraising</i>							
1. Our NGO is an established competent team tasked with financial mobilization	31.2	51.6	3.1	14.1		2.00	.959
2. The NGO has a budget specifically for fundraising drive	35.9	43.8	3.1	14.1	3.1	2.05	1.119
3. Our NGO regularly conducts a search for international potential donors	4.7	6.2	3.1	46.9	39.1	4.09	1.050
4. Our NGO regularly conducts a search for regional potential donors	32.8	45.3	7.8	10.9	3.1	2.06	1.067
5. Our NGO regularly conducts a search for potential donors with in Uganda	35.9	43.8	4.7	7.8	7.8	2.39	1.093
6. Our NGO undertakes to organize meetings with potential donors	34.4	45.3	3.1	17.2		2.08	1.199
7. Our NGO uses different forms of fundraising campaigns to solicit for donor funding	54.7	28.1	3.1	9.4	4.7	2.03	1.038
<i>Internal fundraising</i>							
8. Our project has some tangible products it can market and gain income	48.4	34.4	3.1	9.4	4.7	1.81	1.167
9. Our project has some services it can market and gain income	45.3	42.2	3.1	6.2	3.1	1.88	1.148
10. Our NGO has considered engaging communities to make local contributions to support the project	45.3	42.2	3.1	6.2	3.1	1.80	.995
11. The NGO has realized a reasonable income from locally generated funds to meet some project cost	26.6	51.6	3.1	18.8		2.14	1.021

Source: Primary data

Table 4.8 shows that the respondents agrees with the NGO conducting search for international donor (mean = 4.09) but disagreed with the NGO have dedicated and competent financial mobilization team (mean = 2.00), with a budget for resource mobilization (mean = 2.05). The implication was that financial resource mobilization was constrained for lack of a dedicated and competent resource mobilization team with no budget to facilitate funding activities.

The respondents also disagreed with the NGO undertaking to conduct search for regional donors (mean = 2.06). Search of Uganda donors (mean = 2.39). The findings infer that there was little effort directed to source for funding from regional and local sources a bias which constrains the financial sustainability of the NGO especially when the international donors are not adequate or stop funding the project.

The respondents further disagreed with organizing meeting with potential donors (mean = 2.08) and use of diversified forms of fundraising campaigns to solicit for donor funding (mean 2.03) finding which suggest that the NGO had a weak donor engagement strategy which adversely affects financial sustainability.

The respondents disagreed with the NGO having tangible products to market for an income (mean = 1.81), services to market for an income (mean = 1.88), while they also disagreed with the NGO undertaking to engage local communities to make financial contributions to support projects (mean = 1.80). The finding point to the fact that Hope for Batwa children NGO had not considered internal income generation to complement external funding a practice which constrains its financial sustainability. It was necessary that management of the NGO undertakes to consider internal income generating activities for enhance financial self reliance.

Asked to comment on the fundraising strategy undertaken by the Hope for Batwa Children, the project coordinator interviewed had this to say:

We have tried to considered local donor avenues to raise financial resources to finance project activities and overheads but our experience is that the local people and institutions have an unfavorable perception about NGOs as they perceive us enjoying external donor support and contributions from government, institution or communities is uncalled for. We have also had contention between political ambitions/wishes and our project intentions where politician feel we should be implementing their manifesto that in many cases is outside our mandate and donor interests. However, we have empowered some beneficiates and they are engaged in income generating activities notably farming, Art pieces and handcrafts. We have also undertaken awareness campaigns for local support targeting churches, well-wishers and embassies.

The qualitative findings generally reveal an inclination to empower the community beneficiaries to improve their livelihood that was part of the NGOs intervention. However the NGO is predominantly external donor dependent as the efforts to solicit for donations from local donors has experienced negative sentiments among local stakeholders to financial support the project budget.

4.4.2.2 Correlation analysis between fundraising and financial sustainability

To test if there was a relationship between fundraising strategy and financial sustainability, a correlation analysis was conducted using Pearson’s correlation coefficient and significance statistics and the findings are presented in Table below.

Table 4.9: Correlation matrix between fundraising and financial sustainability

		Fundraising	Financial sustainability
Fundraising	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	64	
Financial sustainability	Pearson Correlation	.530**	1
	Sig. (2-tailed)	.000	
	N	64	64
**. Correlation is significant at the 0.01 level (2-tailed).			

$P \leq 0.05$

Source: Primary data

Table 4.9 above shows the Pearson’s correlation coefficient $r = 0.530^{**}$ between Fundraising and financial sustainability suggesting that the two variables had a positive significant relationship. The $r = 0.530^{**}$ and significance $p = 0.000$ between fundraising and financial sustainability suggests that there was a high significant positive relationship between fundraising and financial sustainability. The managerial implication was that financial

sustainability of the NGO will be enhanced through consideration of internal and external financial resource sourcing in the NGOs fundraising strategy.

The standardized coefficient statistics as shown in table 4.7 above revealed that the fundraising strategy was the most significant predictor of the variance in the financial sustainability ($\beta = 0.385$, $t = 3.653$, $p = 0.001$). The hypothesis that there is significant positive relationship between fundraising and financial sustainability of NGO in Uganda is therefore accepted.

4.4.3. Internal Control System and Financial Sustainability of NGOs

The third objective of the study was to examine the relationship between internal control system and financial sustainability of Hope for Batwa Children. Fourteen question statements were administered and measured on a five point Likert scale and the findings are presented below.

Table 4.10: Descriptive Results for internal control system

	SDA	DA	NS	A	SA	Mean	Std. Dev
Control environment							
1. The management of this NGO manifests a high level of integrity and ethical standards	4.7	9.4	6.2	50	29.7	3.91	1.080
2. The NGO board adequately supervises management	37.5	40.6	7.8	10.9	3.1	2.02	1.091
3. The organizational structure of the NGO is responsive to its operations	4.7	3.1	00	51.6	40.6	4.20	.962
4. Staff in this NGO have clearly defined roles and responsibilities which facilitate accountability	35.9	32.8	12.5	18.8	00	2.14	1.111
5. Functional unit's policies and regulations (procurement, HR, Finance etc) in the NGO are complied with	31.2	42.2	12.5	14.1		2.09	1.003
Risk assessment							
6. The NGO undertakes to identify potential project funding risk	42.2	32.8	4.7	12.5	7.8	2.11	1.299
7. The NGO has a comprehensive risk register	40.6	31.2	7.8	15.6	4.7	2.12	1.241

8. Effort is undertaken to adequately assess the likelihood of identified funding risk occurring	28.1	45.3	14.1	7.8	4.7	2.16	1.072
9. Effort is undertaken to adequately establish the impact of identified funding risk	39.1	28.1	7.8	15.6	9.4	2.28	1.374
10. The NGO has a funding risk response mechanism to shield the NGO once exposed to the risk	31.2	53.1	4.7	10.9		2.11	1.223
<i>Monitoring</i>							
11. Audit recommendations are adopted by management to improve on company operations	4.7	9.4	14.1	31.2	40.6	3.94	1.167
12. Regular management reporting has been useful in improving the NGOs operations	25	60.9	7.8	3.1	3.1	1.98	.864
13. Detected fraud is promptly responded to by management	4.7	6.2	10.9	43.8	34.4	3.97	1.069
14. Performance management is used in the NGO to foster responsibility and accountability	25	60.9	7.8	3.1	3.1	2.30	1.256

Source: Primary data

Results in table 4.10 reveal that the respondents agreed with existence of high level of integrity and ethical standards (mean = 3.91) and a responsive organizational structure to the NGOs operations (mean = 4.20). However, they disagreed with;- adequate board supervision of management (mean = 2.02), staff have clearly defined roles and responsibilities (mean = 2.14), and compliance with function unit policies (mean = 2.09).

The implication was that there were significant gaps in the internal control environment that constrains financial controls in the NGO. There is need for management supervision by the board, having clearly defined and communicated staff roles and responsibilities as well as enforcement of functional units (finance, Human resource, procurement etc) policies for effective financial management to foster the NGO's financial sustainability.

On risk management, the respondents disagreed with identification of potential project funding risk (mean = 2.11), development of a comprehensive risk register (mean = 2.12), establishment

of funding risk impact (mean = 2.28), and existence of projects funding risk response plan (mean = 2.11). The implementation was that the NGOs financial sustainability was constrained for he failure to undertake funding risk assessment, impact, monitoring and response plan. The inconsideration of funding risk assessment reveal an internal control weakness that had adverse effects on the financial sustainability of the NGO. There is need to emphasize risk based management in the NGOs strategic financial management efforts.

Table 4.10 further shows that whereas the respondents agreed with reasonable level of adoption of audit recommendations (mean = 3.94) and prompt action of detected fraud (mean = 3.97), they disagrees with regular management reporting (mean = 1.98) and use of performance management in the NGO (mean = 2.30). The delays in management reports means that deviations in financial management are not promptly identified and corrective actions taken. Similarly the absence of performance management where targets are set, monitored and rewards means that staff will not take fully accountability for results a practice which constrains financial sustainability in the NGO. There is need to strengthen monitoring of the internal control system to ensure the system meets it objective of guaranteeing that the NGO’s objectives will be achieved.

4.4.3.2 Correlation analysis between the internal control system in place and financial sustainability

To test if there was a relationship between internal control system in place and financial sustainability, a correlation analysis was conducted using Pearson’s correlation coefficient and significance statistics and the findings are presented in Table below.

Table 4.11: Correlation matrix between internal control system and financial sustainability

		Internal control system	Financial sustainability
--	--	-------------------------	--------------------------

Internal control system	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	64	
Financial sustainability	Pearson Correlation	.443**	1
	Sig. (2-tailed)	.000	
	N	64	64
**. Correlation is significant at the 0.01 level (2-tailed).			

$P \leq 0.05$

Source: Primary data

Table 4.11 above shows the Pearson's correlation coefficient $r = 0.443^{**}$ between the internal control system and financial sustainability suggesting that the two variables had a positive significant relationship. The $r = 0.443^{**}$ and significance $p = 0.000$ between internal control system and financial sustainability suggests that there was a moderate positive significant relationship between internal control system and financial sustainability. The managerial implication was that the financial sustainability of an NGO will be enhanced through strong and a well functioning strategic internal control system of control environment, risk management and monitoring.

The standardized coefficient statistics as shown in table 4.7 above revealed that the internal control system was the second highest significant predictor of the variance in the financial sustainability of the NGO ($\beta = 0.270$, $t = 2.581$, $p = 0.012$). The hypothesis that there is significant positive relationship between internal control system and financial sustainability of NGOs in Uganda is therefore accepted.

Asked to describe the internal controls in the NGO, the project coordinator interviewed had elaborated:

We have a governance structure where at the top we have Directors and managing director who supervise management. There are functional units notably, finance,

administration and procurement headed by managers. At the same level with the functional unit is the technical side with managers responsible for networking, project planning, and operations each headed by a manager. Above all report to the project coordinator. Between the two divisions we have assistant project staff and field staff who are the lowest operational staff who report to the field and functional managers. However, we are still faced with the challenges of separation of duties especially that the key staff positions have not been filled up due to low funding. Key staff here include the coordinator who oversees NGO operations and another staff in-charge of donor affairs and the field staff. Documentation is still manual although we are looking for funding to use a computerized documentation for enhance compliance and accountability.

The qualitative findings seem to agree with the quantitative findings that suggest material weaknesses in the internal control environment, risk assessment and monitoring. The weaknesses in the internal control system constrain the attainment of the NGOs mandate and the financial sustainability.

Conclusion

The purpose of the study was to examine the relationship between strategic financial management and financial sustainability Hope for Batwa Children. The study specially examined relationship between financial planning, fundraising practices, internal control and financial sustainability of Hope for Batwa Children. The findings as presented in this chapter reveal inadequacies in strategic financial management related to planning, fundraising and internal controls that adversely affect the financial sustainability of the NGO. The next chapter presents a discussion of the study findings, conclusions and recommendations.

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

The study investigated the relationship between strategic financial management and financial sustainability of Hope for Batwa Children NGO. This chapter presents a summary of the study finding, discussion, conclusions, and recommendations of the study. It also presents the limitations, contributions of the study and areas for further research.

5.2. Summary of the Study Findings

5.2.1. Financial planning and financial sustainability

The first objective of the study was to examine the relationship between financial planning and financial sustainability of Hope for Batwa Children. The study found a moderate positive significant relationship between financial planning and financial sustainability ($r = 0.401^{**}$, $p = 0.001$). The regression model revealed that financial planning was a significant predictor of the variance in financial sustainability of the NGO ($\beta = 0.241$, $t = 2.345$, $p=0.022$). The study confirmed the hypothesis that there is a significant positive relationship between financial planning and financial sustainability of NGOs in Uganda.

5.2.2. Fundraising and financial sustainability

The second objective of the study was to examine the relationship between fundraising and financial sustainability of Hope for Batwa Children. The study found a high positive significant relationship between fundraising and financial sustainability ($r = 0.530^{**}$, $p = 0.000$). The regression model revealed that fundraising was the most significant predictor of the variance in financial sustainability ($\beta = 0.385$, $t = 3.653$, $p = 0.001$). The study confirmed the hypothesis

that there is a significant positive relationship between fundraising strategy and financial sustainability of NGOs in Uganda.

5.2.3. Internal control and financial sustainability

The third objective of the study was to examine the relationship between internal control and financial sustainability of Hope for Batwa Children. The study found a moderate positive significant relationship between fundraising and financial sustainability of the NGO ($r = 0.443^{**}$, $p = 0.000$). The regression model revealed that the internal control system was the second highest significant predictor of the variance in financial sustainability ($\beta = 0.270$, $t = 2.581$, $p = 0.012$). The study confirmed the hypothesis that there is a significant positive relationship between internal control and financial sustainability of NGOs in Uganda.

5.3. Discussion of the Study Findings

5.3.1. Financial planning and financial sustainability

The study found a significant positive relationship between financial planning and financial sustainability of NGOs implying that inadequate consideration of environmental analysis and budgeting best practices adversely affects the financial sustainability of NGOs in Uganda. This study observation related to a great extent to Kituku (2010) study which attributes the failure of compassion International projects in Nairobi to reach self-sustainability to haphazard analysis of the macro and micro environment. In complement, Mengistu and Berhanu (2014) attributes the collapse of family planning NGO in Ethiopia to complacency to examine the external environment and establish major global decline in donor support as basis for designing responsive financial resourcing strategies for their outreach programs. On budgeting, Otley and Pollanen (2010) and Shume (2015) attribute the performance of project to a well designed and communicated project budget to guide stakeholders during implementation and evaluation of how they were performing in relation to the project budget.

On the basis of this study findings and support literature, the study affirms that NGO financial sustainability highly depends on the extent to which the NGO undertakes to evaluate and take action on the macro and micro environment in its financial planning practices.

5.3.2. Fundraising and financial sustainability

The study found a high positive significant relationship between fundraising and financial sustainability implying that poor fundraising strategy relying on international donor at the compromise of internal or self financing options adversely affects the attainment of the NGO's financial sustainability. The study findings on the relationship between fundraising and financial sustainability relate to a great extent to Rao (2013) and Ameri (2015) studies which found a strong positive relationship between internally generated funds, diversified project financing options and financial sustainability NGOs. With the dynamics in donor based and funding decline, there is increasing encouragement of NGOs to be self sustaining by development of diversified financing options involving an international and local focus (Alymkulova & Seipulnik, 2005; Bray, 2010; Boas; 2013). Bennett and Savani (2011) encourages NGO to exploit domestic resources and self-financing for long-term sustainability strategy while Bray (2010) advices that with dwindling donor supports, NGOs should exploit use of local donors by fostering a culture of giving by encouraging community members to donate, utilize the available technology to market their proposals, establish high impact partnerships with organizations that have similar strategic goals as well as the business community. In light of the above study findings and support literature, the study infers that fundraising efforts if diversified to include local and international funding as well as self-financing option from internally generated funds foster financial sustainability of NGOs in Uganda.

5.3.3. Internal control and financial sustainability

The internal control system of the NGO according to the correlation and regression models suggested a high predictive effect of internal control on the financial sustainability of NGOs. The implication was that internal control weaknesses in the control environment, risk assessment and monitoring constrains financial sustainability of NGOs in Uganda. This study finding and observation echo Beam (2011) study which attribute USAID funded NGO closure to weak internal control system spanning from the lack of financial or control competencies, ill-defined direct or broken-line reporting relationships, fraud and embezzlement and sole control of the NGOs financial resources.) Related studies attribute project sustainability to supportive leadership, good governance, functional units controls, risk assessment, and monitoring (Ibrahim, et al. 2010; Gunderson, 2011; Okorley & Nkrumah, 2012). The support from the extant literature led to the conclusion that there is a significant positive relationship between internal control and financial sustainability of NGOs in Uganda.

5.4. Conclusions of the Study

5.4.1. Financial Planning and financial sustainability of NGOs

The study concluded that there was a significant positive relationship between financial planning and financial sustainability of NGOs in Uganda. Inadequate consideration of environmental factors and key budget cost areas constrains the financial sustainability of NGOs. The management of NGs will need to seriously consider environmental and effective budgeting practice in their financial planning practices.

5.4.2. Fundraising and financial sustainability of NGOs

The study concluded that there was a significant positive relationship between fundraising and financial sustainability of NGOs in Uganda. High reliance on external funding at the compromise of local/internal financings constrains the financial sustainability of NGOs. The management of NGOs will need to consider diversification of their fundraising approaches by exploring local and international funding.

5.4.3. Internal control and financial sustainability

The study concluded that there was a significant positive relationship between internal control and financial sustainability of NGOs in Uganda. Weaknesses in the internal environment, inadequate risk assessment and monitoring hampers the NGOs attainment of financial sustainability. There is need to strengthen the internal control system on NGOs to provide reasonable assurance about the achievement of the entity's objectives.

5.5. Recommendations of the Study

5.5.1. Financial Planning and financial sustainability of NGOs in Uganda

To enhance financial sustainability of Hope for Batwa Children and related NGOs this study recommends that the board should task management:

- Conduct a comprehensive external environmental analysis using the PESTLE and SWOT framework and base on the result to develop strategic project financial plans.
- Use participatory project financial planning approaches where all functional units, individual staff, beneficiaries and partners' inputs are solicited and rationalised for consolidation in the overall project budget. Effort should also be undertaken to develop a master plan spanning 3-5 years to forecast future project financing needs.
- The use of financial planning retreats facilitated by an external consultant could be sought.

5.5.2. Fundraising and financial sustainability of NGOs in Uganda

To enhance financial sustainability of Hope for Batwa Children and related NGOs the study recommends that the board should:

- Create a fundraising unit with a key results areas for resource mobilisation. Recruitment of a resource mobilisation officer to complement top management efforts and allocating a fraction of project budget to resource mobilisation should be sought where not yet exploited.
- Task the resource mobilisation unit in their fundraising strategy should regularly conduct a search for regional, national, and community potential donors or source of funding part of the project activities. Tailoring some of the project activities to local potential donors corporate social responsibilities should be considered in the project plan.
- The resource mobilization unit should use different forms of fundraising campaigns to solicit for donor funding such as mass media, website or web portals, central and local government structures, celebrities, politicians, church and the like as deemed appropriate. Encourage NGOs to be self-reliant by developing self financing options notably developing product and services such as farming, small scale industries and community recreation and hospitality centres which could be explored for complementary income. Developing a microfinance component for self-reliance should be considered for self reliance.

5.5.3. Internal control and financial sustainability of NGOs in Uganda

To enhance financial sustainability of Hope for Batwa Children and related NGOs the study recommends that the board should:

- Strengthen the internal control environment through regular management by demanding for monthly performance reports and taking of appropriate actions. Providing clearly defined roles and responsibilities for management and individual staff to facilitate accountability should be equally considered to strengthen the internal control environment. Regular reviews and strengthening of functional unit's policies and regulations for management enforcement will also go a long way to strengthen the internal control environment.
- With the help internal audit unit or external auditors adopted a risk based audits approach to corporate governance where potential risk in the delivery of the NGOs mandated is identified to guide management decision-making. The use of risk based audit approach will go a long way to identify strategic and operational financing risks in the delivery of the project mandate.
- Strengthen the internal control monitoring system by using regular management reports, audits, special inquiries and investigations.

5.6. Limitation of the Study

A key limitation of the reliance on primary data collected using a questionnaire and interview guide without consideration of secondary data that should have helped triangulate the study findings on strategic financial management and financial sustainability. The study also has a scope limitation where only NGO and its partners was considered. Use of selected NGOs could have enhanced the quality of data for ease of generalization of the results based on diversified experiences.

5.7. Implications and Contributions of the Study

The study has helped develop strategic project financial management interventions demanding consideration of macro and micro environment in the project financial planning practices, instituting of a resource mobilization unit to strengthen resource mobilization and use of risk based audit approach to guide the board in achieving the NGOs strategic objectives. The study had also helped cover literature gaps on the relationship between financial planning, fundraising practices, internal controls and financial sustainability of NGOs.

5.8. Areas for further Studies

The study found that strategic financial planning, fundraising and internal control predicted 40% of the variance in financial sustainability of NGOs in Uganda while the remaining 60% is predicted by other variables. Other studies need to examine the impact of risk based auditing on financial sustainability of NGOs.

REFERENCES

- Abraham, A. (2003). Financial Sustainability and Accountability: A Model for Nonprofit Organisations. AFAANZ 2003 Conference Proceedings, 6-8 July 2003 (p. 26). Brisbane, Australia: AFAANZ
- Amin, M. E. (2005). Social Science Research: *Conception, Methodology and Analysis*. Publisher, Makerere University
- Ashbaugh-Skaife, H., D. Collins & Kinney, K. (2007). The Discovery and Reporting of Internal Control Deficiencies prior to SOX-mandated Audits. *Journal of Accounting and Economics* 44(1-2): 166-192.
- Bagoole, M. (2011). Funds Disbursement, Monitoring, Accountability & Performance: A case of Universal Primary Education in Uganda
- Barney, J. B. (2001). Is the Resource-Based Theory a Useful Perspective for Strategic Management Research? Yes. *Academy of Management Review*. 26 (1): 41–56
- Barr, A., Fafchamps, M. & Owens, T. (2005). The Governance of Non-Governmental Organizations in Uganda, *World Development* 33(4): 657-679.
- Bell, J., Masaoka, J. & Zimmerman, S. (2010). *Nonprofit Sustainability: Making Strategic Decisions for Financial Viability*, Jossey-Bass publishers
- Besel, K., Charlotte, L. W. & Klak, J. (2011). Nonprofit Sustainability during times of Uncertainty, *Nonprofit Management and Leadership*, 22(1), 53–65.
- Bowman, W. (2011). Financial Capacity and Sustainability of Ordinary Nonprofits, *Nonprofit Management and Leadership*, 22(1), 37–51.
- Bovarnick, A. (2007). Financial Sustainability Scorecard for National Systems of Protected Areas. New York, Geneva
- Bray, I. (2010). Effective Fundraising for Nonprofits: Real-World Strategies That Work, 3rd ed., Berkley, Calif.: Nolo, 2010.
- Cohen, L, Manion, L., & Morrison, K. (2007). *Research Methods in Education*, London, Routledge
- Creswell, J. W. (2013). Research Design: *Qualitative, Quantitative and Mixed Methods Approaches*, 4th Edition, SAGE Publications Inc, USA
- Donald, H., Gibbons, R. D., Waternaux, C. (1999). Sample Size Estimation for Longitudinal Designs with Attrition: *Comparing Time-Related Contrasts between Two Groups*, *Journal of Educational and Behavioral Statistics*, 24(1), 70-93

- Germany Embassy Archival Records (2015). Archival Records for 2015
- Hope for Batwa Children Donor Audit Report (2012). Audit Report for FY 2012
- Hope for Batwa Children End of FY Report (2013). Audit Report for FY 2012/2013
- Jeanne, B., Masaoka, J. & Zimmerman, S. (2010). *Nonprofit Sustainability: Making Strategic Decisions for Financial Viability*, Jossey Bass
- Keating, E. M., Fischer, T. G. & Greenlee, J. (2005). The Single Audit Act: How compliant are Nonprofit Organizations? *Journal of Public Budgeting, Accounting and Financial Management* 17(3): 285-309.
- Keng'ara, R. (2014). Effect of Funds Disbursement Procedures on Implementation of Donor Projects in Homabay County, Kenya. *Universal Journal of Accounting and Finance* 2(1): 9-23.
- Krejcie, R.V. & Morgan, D.W. (1970). Determining Sample size for Research Activities, *Educational and Psychological Measurement*, 30, 607-610.
- Leon, P. (2006). Four pillars of financial sustainability, Resources for Success Series Volume 2, Virginia, USA.
- Ma Dolores, C. T. (2007). Purposive Sampling as a Tool for Informant Selection, *Ethno Botany Research & Applications* 5,147-158
- Matt H. E. (2010). Excellence in Financial Management: Financial Planning and Forecasting
- Moore, D. (2005). Laws and Other Mechanisms for Promoting NGO Financial Sustainability, *The International Journal of Not-for-Profit Law*, Vol. 7 No. 3
- Mugenda, O. M & Mugenda, A. (2003). *Research Methods: Quantitative and Qualitative Approaches*, ACTS, Nairobi
- Nkrumah, E. E. (2010). Key Factors influencing the Sustainability of Local NGOs in the Wassa East and Wassa West Districts of the Western Region of Ghana, Unpublished Masters' Dissertation
- Ogara, W. (2005). Church Financial Sustainability. Catholic University of Eastern Africa, Nairobi, Kenya
- Okorley, E. L. & Nkrumah, E. E. (2012). Organizational factors influencing sustainability of local Non-Governmental Organizations: *Lessons from a Ghanaian Context*. *International Journal of Social Economics*, 39, 330-341.
- Patton, M. Q. (2002). *Qualitative Research and Evaluation Methods* (3rd ed.). Thousand Oaks, CA: Sage.
- Petrovits, C., Shakespeare, C. & Shih, A. (2009). *The Causes and Consequences of Internal*

Control Problems in Nonprofit Organizations, New York, NY

- Prahalad, C. K. & Hamel, G. (1990). The Core Competence of the Corporation, *Harvard Business Review*, May-June.
- Ranji, S. & Hiro, P. (2011). *Strategic Financial Management*, 2nd, PHI Learning, New Delhi
- Soheil, K., Rahman, R.A., Ibrahim, Z. & Adeymi, A. A. (2014). AIM's Accountability in Financial Sustainability: *The Role of Market Orientation*, *International Journal of Trade, Economics and Finance*, 5(2), 191-194.
- Sontag-Padilla, L.M., Staplefoote, L. & Morganti, K.G. (2012). Financial Sustainability for Nonprofit Organisation: *A Review of the Literature*, Pittsburgh, PA-USA
- Rubin, A. & Earl, R. B. (2010). *Research Methods for Social Work*, 7th Edition, Cengage Learning
- The Chartered Institute of Management Accountants of UK (2014). *Strategic Financial Management*, CIMA, London UK
- Tinkelman, D. & Mankaney, K. (2007). When is Administrative Efficiency associated with Charitable Donations? *Nonprofit and Voluntary Sector Quarterly* 36(1), 41–64.
- Weaver, S. C. & Weston, J. F. (2007). *Strategic Financial Management: Application of Corporate Finance*, 6th Edition, Cengage Learning
- Wernerfelt, B. (1984). A Resource-Based View of the Firm". *Strategic Management Journal*. 5: 171–180
- Wheelen, L.T. & Hundger, D. (2010). *Strategic Management and Business Policy: Achieving Sustainability*, Pearson International Edition, USA
- World Bank (2006). *Disbursement Guidelines for Projects*, Washington D.C
- Zimmer, T. W. & Scarborough, N. M. (2005). *Essential of Entrepreneurship and Small Business Management: The Foundation of Entrepreneurship*, Pearson Education, USA

APPENDICES

Appendix 1: Study Questionnaire

Dear respondent,

I am Kasolo Brenda undertaking a Master's degree in Management studies at Uganda Management Institute and as a requirement, I am obliged to collect data on strategic financial management on financial sustainability of Non-Governmental Organizations in Uganda: A case of Hope for Batwa Children. The study is purely academic and all information will be strictly kept confidential. Please take off some of your precious time and provide me with appropriate answers to the study.

Thank you in Advance

SECTION: BIO-DATA OF THE RESPONDENTS

Q1. Please indicate your gender; (a) Male (b) Female

Q2. Please indicate your Age Group

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

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

(a) Bachelor degree

(b) Post graduate diploma

(c) Master's degree

(d) Post Doctorate

(e) Others please specify.....

Q4. How long have you served in this institution?

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

Section B: Financial Planning

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

	SD (1)	D (2)	NS (3)	A (4)	SA (5)
<i>Environmental analysis</i>					
1. Financial planning in this NGO takes into consideration the political factors that may affect project funding					
2. Financial planning in this NGO takes into consideration economic factors that may affect project funding					
3. Financial planning in this NGO takes into consideration the social factors that may affect project funding					
4. Financial planning in this NGO takes into consideration the technological factors that may affect project funding					
5. Financial planning in this NGO takes into consideration natural/Green environmental concerns					
6. Financial planning in this NGO takes into consideration the Legal factors that may affect project funding					
7. Internal organizational strengths guide the development of the NGOs financial strategies					
8. Internal organizational weaknesses guide the development of the NGOs financial strategies					
9. Internal organizational opportunities guide the development of the NGOs financial strategies					
10. Internal organizational threats guide the development of the NGOs financial strategies					
<i>Budgeting</i>					
11. I participate in the budgeting process in this NGO					
12. Budgets in this NGO are tied to annual project work plans					
13. Budgets are tied to 3-5 year strategic plan					
14. Our project budgets adequately provide for project overhead costs					

Section C: Fundraising

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

	SD (1)	D (2)	NS (3)	A (4)	SA (5)
<i>External</i>					
1. Our NGO is an established competent team tasked with financial mobilization					
2. The NGO has a budget specifically for fundraising drive					
3. Our NGO regularly conducts a search for international potential donors					
4. Our NGO regularly conducts a search for regional potential donors					
5. Our NGO regularly conducts a search for potential donors with in Uganda					
6. Our NGO undertakes to organize meetings with potential donors					
7. Our NGO uses different forms of fundraising campaigns to solicit for donor funding					
<i>Internal</i>					
8. Our project has some tangible products it can market and gain income					
9. Our project has some services it can market and gain income					
10. Our NGO has considered engaging communities to make local contributions to support the project					
11. The NGO has realized a reasonable income from locally generated funds to meet some project cost					

Section D: Internal control

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

	SD (1)	D (2)	NS (3)	A (4)	SA (5)
<i>Control environment</i>					
1. The management of this NGO manifests a high level of integrity and ethical standards					
2. The NGO board adequately supervises management					
3. The organizational structure of the NGO is responsive to its operations					
4. Staff in this NGO have clearly defined roles and responsibilities which facilitate accountability					
5. Functional unit's policies and regulations (procurement, HR, Finance etc) in the company are complied with					
<i>Risk assessment</i>					
6. The NGO undertakes to identify potential project funding risk					
7. The NGO has a comprehensive risk register					
8. Effort is undertaken to adequately assess the likelihood of identified funding risk occurring					
9. Effort is undertaken to adequately establish the impact of identified funding risk					
10. The NGO has a funding risk response mechanism to shield the NGO once exposed to the risk					
<i>Monitoring</i>					
11. Audit recommendations are adopted by management to improve on company operations					
12. Regular management reporting has been useful in improving the NGOs operations					
13. Detected fraud is promptly responded to by management					
14. Performance management is used in the NGO to foster responsibility and accountability					

Section E: Financial sustainability

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

	SD (1)	D (2)	NS (3)	A (4)	SA (5)
<i>Resource</i>					
1. Our NGO boasts of reliable and available financial resources necessary to implement activities					
2. Our NGO boasts of adequate staffing necessary to implement activities					
3. Our NGO boasts of adequate office space					
4. Our NGO boasts of adequate office ICT equipment necessary to implement activities					
5. Our NGO boasts of adequate vehicle fleet necessary to implement activities					
<i>Ability to meet operational costs</i>					
6. Our NGO has been in position to finance the planning project work plan					
7. Our NGO is capable of meeting human resource costs at all times					
8. Our NGO is capable meeting procurement costs					
9. Our NGO is capable of meeting indirect costs					
<i>Project continuance</i>					
10. All planned project activities of the NGO are being implemented					
11. Our project is now self-reliant					
12. Project activities will go on even if donors withdrew their financial support.					

Appendix II: Interview Guide

Introduction: Self introduction

1. How does Hope for Batwa Children undertake financial planning (probe for environmental analysis and budget development)
2. What are the challenges in financial planning
3. Describe the fundraising strategy used in this NGO (should probe for internal and external fundraising)
4. What are the challenges in fundraising you have experienced in our NGO
5. What are the internal control mechanisms you have put in place in relation to:
 - Internal control environment
 - Risk assessment
 - Monitoring
6. What are the internal control challenges in this NGO.

Appendix III: Sampling table guide

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	246
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	181	1200	291	6000	361
45	40	180	118	400	196	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	367
55	48	200	127	440	205	1500	306	9000	368
60	52	210	132	460	210	1600	310	10000	373
65	56	220	136	480	214	1700	313	15000	375
70	59	230	140	500	217	1800	317	20000	377
75	63	240	144	550	225	1900	320	30000	379
80	66	250	148	600	234	2000	322	40000	380
85	70	260	152	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	270	159	750	256	2600	335	100000	384