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THE IMPACT OF FINANCIAL MANAGEMENT PRACTICES ON FINANCIAL SUSTAINABILITY OF LOCAL NGOs: EVIDENCE FROM ADDIS ABABA

BY:

SHIKUR SHERIF

JULY, 2021

ADDIS ABABA ETHIOPIA

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Declaration

I, the undersigned, declare that this study entitled "The Impact of Financial Management Practices on Financial Sustainability of Local NGOs: Evidence from Addis Ababa, Ethiopia*"* is my original work and has not been presented for a degree in any other University and that all sources of material used for the study have been duly acknowledged.

Declared by

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ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

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St. Mary's University

July, 2021

Addis Ababa, Ethiopia

Certification

This is to certify that the thesis prepared by Shikur Sherif, entitled "Financial Management Practices and Financial Sustainability of Local NGOs Operating in Addis Ababa, Ethiopia" and submitted in partial fulfillment of the requirements for the Degree of MBA in Accounting and Finance complies with the regulations of the University and meets the accepted standards for originality and quality.

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List of Abbreviations

GDP	Gross Domestic Product
MFI	Microfinance Institutions
NGO	Nongovernmental Organization
OECD	Organization for Economic Cooperation and Development
SMEs	Small and Micro Enterprises
SPSS	Statistical Package for Social Science
USAID	United States Agency for International Development
VIF	Variable Inflation Factor

Abstract

Local non-governmental organizations (NGOs) in underdeveloped nations have sustainability issues that force them to cease after a time of operation owing to financial constraints. It is necessary to identify the factors that influence the financial viability of these local NGOs. The study aims to identify the financial management practice aspects influencing the financial sustainability of Addis Ababa-based NGOs. The survey research design was used for the investigation. The study's target population was all local NGOs in Addis Ababa. The intended audience consisted of 936 Addis Ababa-based non-governmental organizations (NGOs). The survey included 215 local non-profit organizations as participants. Simple Random sampling technique was employed to choose one employee from each NGO, yielding a sample size of 215 people. The research relied on original data. The information was gathered using a standardized questionnaire. Cronbach's Alpha was used to quantify reliability in test-retest situations. The data were analyzed using both descriptive and inferential statistics. Tables and figures were used to present the data. According to the findings of the study, revenue source diversification and NGO regulation are important variables influencing the financial viability of local NGOs. The study also suggests that NGO regulation has a detrimental impact on the financial viability of local NGOs in Addis Ababa. The study recommends that local NGOs should develop their revenue-generating projects, should include donors in project execution, and establish suitable communication channels to enhance their connection with contributors and The government should also change the NGO rule to provide local NGOs greater leeway in obtaining financing from outside, as well as making the legislation more flexible in terms of fundraising and expenditures.

Keywords: *Financial sustainability, Non-Governmental Organizations, Income Source Diversification, Financial management, Donor relationship management*

CHAPTER ONE: INTRODUCTION

1.1. Background of the Study

The relevance and sensitivity of financial management to an entity's drive for growth, according to Zadek (2003), has pushed the subject of financial governance and accountability to the forefront of stakeholder concerns. The requirement for a financial governance framework is a critical problem (Naidoo, 2003). The necessity for financial governance is further supported by the apparent lack of different financial resource monitoring platforms, which sets the scene for unstructured and uncontrolled access to and disbursement of donor funding, which will have a long-term impact on the NGO's financial health and ability to carry out specified programs (Oxford Analytica, 2005). The backbone of any company's development strategy is effective financial management. Financial management methods concentrate on sensible money management procedures that assist NGOs in achieving their objectives in an effective and long-term manner (Gakuu & Kirimi, 2014).

NGOs are non-governmental organizations that work to alleviate suffering, advance the interests of the poor, preserve the environment, provide basic social services, or engage in community development (World Bank, 2001). Non-governmental organizations (NGOs) play a critical role in assisting governments in achieving sustainable development goals by filling development gaps when government resources are limited (Karanja & Karuti, 2014). Because of their features for fostering development at the micro-level, NGOs can play an essential role (Nzimakwe, 2008). NGO's have earned a reputation as major participants in the development environment through time (Lewis & Kanji, 2009).

It is in the public and private interest for organizations to be efficient and responsible. According to Hendrickse (2008), the large expansion in the number of NGOs, financing, and other partners makes governance a crucial problem in an organization's efficacy and efficiency. The governing body of non-governmental organizations (NGOs) must exert their influence via leadership in managing the cash and resources available for societal development (Dsouza & Reddy, 2019). This illustrates the NGO's accountability to its stakeholders and the wider public. Internal governance must be effective, accountable, and democratic for NGOs. This will boost NGOs' reputation and legitimacy, as well as have an impact on its members (Shava & Thakhathi, 2016).

However, without proper financial management methods, the argument about growth and development is inadequate (Easterly & Rebelo, 1993).

According to Aldaba (2002), when done properly, the financial management role serves as the foundation for growth, development, and sustainability. Even though financial governance appears to be a requirement for every company's long-term growth and financial stability, its execution is largely driven by the size and political environment of the company in question (Goodhart, 2004). Having effective strategic financial management systems assists an organization in obtaining money from donors who can readily comprehend the organization's direction (Waiganjo et al., 2012). Financial management in Nongovernmental organizations is thus concerned with ensuring that funds are accessible when needed and that they are collected and utilized most efficiently and effectively for the benefit of the Nongovernmental organization (Mutinda & Ngahu, 2016). According to Omeri (2015), an organization's financial sustainability is a measure of its capacity to satisfy its financial responsibilities. According to Renz and Associates (2010), financial sustainability denotes an NGO's capacity to secure and manage sufficient human and financial resources to achieve its objective effectively in the long term in terms of growth and stakeholder satisfaction. According to Bowman (2011), financial sustainability may be measured by an organization's net income, liquidity, and solvency. Thus, financial sustainability is a measure of an organization's capacity to meet all of its resource and funding responsibilities, whether these monies originate from user fees other budget sources, and to accomplish its objective and service its stakeholders over time (Devkota, 2010).

According to Ali (2012), one of the biggest difficulties confronting the African NGO industry is financial sustainability. An organization is more financially sustainable if it generates its cash, allowing it to carry out initiatives that it desires, even if local and international funders are hesitant to support them (Lewis, 2011). Karanja and Kirimi (2014) also recognized revenue creation and diversification as significant components of financial sustainability NGOs, which impact the organizations' growth. Mutinda and Ngahu (2016) discovered that internal financial control systems had a strong beneficial effect on financial sustainability. A good working connection with donor partners is an important aspect of NGOs' financial viability (Devkota, 2010).

There has been no research into the impact of financial management practices on the financial sustainability of NGOs in Ethiopia. As a result, the purpose of this research is to investigate the link between financial management practices and the sustainability of local non-governmental organizations (NGOs) functioning in Addis Ababa, Ethiopia.

1.2. Statement of the Problem

The ability to retain financial capacity over time is referred to as financial sustainability (Bowman, 2011). Amanda (2015) in the study sustainability of Non-profit organizations was affected by relying on one financial resource provider.

One of the primary difficulties confronting Africa's NGO industry is financial viability (Ali, 2012). According to Karanja & Kurati (2014), achieving financial sustainability is important to the life and longevity of any organization. Most non-governmental organizations' sustainability is determined by how they plan to acquire donor financing and then how successfully they use that financing to fulfill specified project objectives (Nyakwaka, 2010). As a result, the capacity of NGOs to attract funding agencies is heavily reliant on effective financial management and internal control mechanisms (Devkota, 2010). Omeri, (2015) established that financial sustainability is critical for the stability and enhancement of growth of NGOs. Juma (2012) found out proper accountability measures resulted in improved sustainability of the NGOs. Karanja and Karuti (2014) established that accountability and financial planning to play a create role in sustainability of the NGOs. Similarly, Abongó and Ombaba, (2018) also found out that proper financial management was essential for financial sustainability among donor funded community projects. However, Ngahu and Mutinda, (2016) established that financial accountability and resource mobilization had minimal impact on the financial sustainability of NGOs. While Murithi, (2014) found out that though NGOs have reporting structures that facilitate accountability and openness, the sustainability levels still remained low. Omeri, (2015) established that financial sustainability is critical for the stability and enhancement of growth of NGOs. Juma (2012) found out proper accountability measures resulted in improved sustainability of the NGOs. Karanja and Karuti (2014) established that accountability and financial planning to play a create role in sustainability of the NGOs. Similarly, Abongó and Ombaba, (2018) also found out that proper financial management was essential for financial sustainability among donor funded community projects. However, Ngahu and Mutinda, (2016) established that financial accountability and resource mobilization had minimal impact on the financial sustainability of NGOs. While Murithi, (2014) found out that though NGOs have reporting structures that facilitate accountability and openness, the sustainability levels still remained low.

The majority of Ethiopian charities face several obstacles, including financial sustainability, low organizational capability, and a terrible public image (Dagne, 2017). The key internal problems that restrict the capability of Ethiopian Resident Charities (ERCs) in local and foreign fundraising include a lack of awareness and practice in strategic fundraising and marketing, as well as a lack of robust governance and accountability mechanisms (Sisay, 2015). According to Gemechis (2018), the key issues of the Ethiopian Evangelical Church Mekane Yesus (EECMY) financial management practice include the absence of a cash flow statement for reporting, financial policy weakness in employing a modified cash base rather than adopting internationally and domestically accepted financial policies, an inadequate number of competent accountants, and an uncertain income source and fund usage at the lower level structure, lack of periodic comparison of the plan against actual budget, the danger of unaudited financial statements, incompatibility with ethical standards in a few sectors, reduced risk assessment duties, absence of internal audit activities, and absence of account reconciliations.

Few related research studies on NGOs have been conducted. Sisay (2015) evaluated the financial sustainability difficulties and possibilities faced by Ethiopian Resident Charity Organizations. Martha (2017) evaluated the resource mobilization techniques used by local NGOs in Addis Ababa, as well as the resource management strategies they apply. Melaku (2018) also examined the internal governance procedures of Charities and Societies, generally known as Non-governmental organizations (NGOs), intending to examine the Board governance procedures and issues among Non-governmental organizations (NGOs) functioning in Ethiopia. Seblewongel (2015) examined the financial management procedures of a group of international non-governmental organizations that solely engage in the health sector. The research detailed the selected INGOs' financial planning processes, account recording system, budgeting process, internal control techniques, and financial monitoring methods.

The studies have done above either focus on the resource mobilization process, board governance procedures and problems, financial management practices of NGOs, and financial sustainability prospects and difficulties. The researcher to find out, on these studies investigated the impact of financial management practices on the financial sustainability of local NGOs evidence from Addis Ababa, Ethiopia. Along these lines, the general purpose and motivation of this research is to fill this gap by investigating the link between the impact of financial management practices on financial viability of local none government organizations. As a result, this study will seek to contribute by empirically confirming the amount to which budgetary control, financial reporting, self-financing, and donor relationship management, and NGO regulation what they influence the financial sustainability of NGOs operating in Addis Ababa, Ethiopia.

1.3. Research Objectives

1.3.1. General Objective

The study's major goal is to look at the link between financial management practices and the financial sustainability of local NGOs in Addis Ababa, Ethiopia.

1.3.2. Specific Objectives

The study has the following specific objectives

1. To examine the effect of budgetary controls on the financial sustainability of NGOs in Addis Ababa.
2. To evaluate the influence of financial reporting on the financial sustainability of NGOs in Addis Ababa.
3. To examine the effect of self-financing on the financial sustainability of NGOs in Addis Ababa.
4. To investigate the effect of the donor to recipient relationship on the financial sustainability of NGOs in Addis Ababa.
5. To evaluate the effect of NGO regulation on the financial sustainability of NGOs in Addis Ababa

1.4. Research Hypotheses

The study aimed to answer the following research hypotheses:

H_1: Budgetary control has a positive and statistically significant effect on the financial sustainability of NGOs in Addis Ababa.

Wandera & Paul Sang (2017) investigated the financial management techniques and project sustainability of non-governmental organizations in Juba. According to the study's findings, there is a strong and favorable association between budget management and the financial viability of South Sudanese NGOs. Ebenezer, Musah, & Ahmed (2020) investigated the financial sustainability factors of non-governmental organizations (NGOs) in Ghana. The findings indicate that effective financial management techniques, own revenue generation by NGOs, revenue diversification, and solid donor relationships are the most important factors of NGOs' financial sustainability in Ghana.

H_2: Financial reporting has a positive and statistically significant effect on the financial sustainability of NGOs in Addis Ababa.

Michalak and Ewelina Zarzycka(2015) according to the study's finding there is strong relationship financial reporting with financial sustainability of Poland , Public Benefit Organizations(PBO) ,Onsongo (2012) recognized good financial reporting as one of the key tactics used by local NGOs in Kenya to attain financial sustainability. Wandera & Paul Sang (2017) also investigated the financial management techniques and long-term viability of non-governmental organization initiatives in Juba. According to the study's findings, there is a strong and favorable association between financial reporting and the financial viability of South Sudanese NGOs. According to Rono (2012), establishing a competent financial reporting system assists an organization in obtaining funding from donors who understand the organization's present financial status. Sontag-Padilla et al. (2012) support the premise that keeping donors informed about the organization's financial state motivates them to connect deeper with the organization and helps them understand that they are indeed making an impact.

H_3: Income source diversification has a positive and statistically significant effect on the financial sustainability of NGOs in Addis Ababa.

Lewis (2011), recommended that LNGOs use fund diversification techniques to become less reliant on a single donor and to minimize the amount of influence a single donor has over their operations. According to Karanja (2014), one of the major factors influencing the successful management and survival of NGOs is their reliance on donor support. It is also concluded that financing in NGOs is a problem, which has resulted in several projects being terminated prematurely, and that NGOs should rely on more sources of funding their projects and collaborating with more donors rather than focusing on a single donor. NGOs had to work tirelessly to identify new international donors and to establish rigorous plans and programming while still attempting to introduce cost recovery in areas where they were expected to cost-share with them (Waiganjo et al., 2012). NGOs are urged to draw on neighborhood funding to avoid being treated suspiciously by local groups and governments (Waiganjo et al., 2012).

H_4: Donor to recipient relationship has a positive and statistically significant effect on the financial sustainability of NGOs in Addis Ababa.

Lewis (2011), discovered a clear positive association between donor relationship management and the financial viability of local NGOs. According to Moreno (2017), direct coordination and tight partnerships between NGOs and donor organizations are vital elements in developing good relationships with donors, which serve as the foundation for long-term engagements. Close contact with donor organizations was described by Pratt and Hailey (2012) as one of the characteristics of donor ties that have a direct impact on the potential survival of NGOs. Furthermore, through productive partnerships and continuous contact, donor agencies can appreciate an NGO's procedures and operations, increasing their sense of control of the services being implemented and, as a result, their ability to continue supporting the NGO in its efforts (Twum-Darko & Tengeh, 2015).

H_5: NGO regulation has a negative and statistically significant effect on the financial sustainability of NGOs in Addis Ababa.

Nuka (2010) investigated the viability of NGOs in Kosovo, USA, by exploring the problems of the third sector and possible solutions. The results from the funding questions showed that NGOs had difficulties finding donors due to reasons that played an important role in survival, and this served them to recruit only international donors. NGOs were discovered to lack sponsorship from local or institutional governments, making it difficult for them to obtain funding. Mpofu (2012) investigated the cultural capital and long-term viability of non-governmental organization (NGO) development projects in Zimbabwe. According to the report, the development projects initiated by non-governmental organizations (NGOs) in Zimbabwe were predestined because they were established without taking into account the cultures of the communities and Zimbabwean regulations.

1.5. Significance of the Study

The following persons and organizations are likely to benefit from this research:

Management of local NGOs

The conclusions of this study will be extremely beneficial to the administration of Ethiopian NGOs. The study's findings will assist management to devise methods to improve the financial sustainability of their non-profit organizations.

Policymakers

The study will help policymakers (i.e., the government's Agency for Civil Society Organizations) establish policies that would improve the financial viability of Ethiopian NGOs. The regulations will be based on the study's findings of the elements that influence the financial viability of local non-profits.

Future scholars and academicians

The study will serve as a foundation for future research as well as a review of existing material. The study will contribute to the body of knowledge on the variables influencing the financial sustainability of Ethiopian NGOs. This is required since there is a paucity of literature addressing the drivers of the financial sustainability of local NGOs in the nation, and this research will contribute to the literature on the subject.

Other NGOs

The findings of this study will also be useful to other non-governmental organizations (NGOs) working in Ethiopia. Given that they operate in the same context and have a good grasp of the elements that impact financial sustainability, non-governmental organizations (NGOs) can devise ways to improve their financial sustainability.

Donor community

The donor community may utilize the study findings on the many aspects influencing the financial sustainability of local NGOs to influence their judgments on interventions needed to assist local NGOs in becoming financially viable.

General Public

The study findings will be useful to the general public since they will provide information on the best ways for managing the NGO sector to boost the value generation of NGOs. Those who volunteer in the community will be able to see where their contributions are required based on the findings of the study.

1.6. Scope of the Study

Almost all important data for this study will come from local NGOs functioning in Addis Ababa, hence it will be performed entirely from the perspective of domestic NGOs. The research should not be regarded as exhaustive since it excludes the perspectives of local NGOs working outside of Addis Ababa and foreign NGOs on the topic, and it is limited in showing their perspectives due to accessibility issues, a lack of time, and a lack of financial resources. In terms of conceptual breadth, this study will investigate how financial sustainability entails competent financial management. Good financial management practices, self-financing, and donor-recipient relationships are key pillars of financial sustainability considerations. In terms of time scope, this study will be cross-sectional, with data collected at a certain point in time.

1.7. Limitation of the Study

This study had some drawbacks, much as any other studies. The key limitations of the study, a lack of adequate and up-to-date literature, and a lack of comparable studies in the Ethiopian context are the major challenges encountered while conducting this study. The second limitation is the analysis of the effect of financial management practices on financial sustainability was predominately dependent on primary data. Furthermore, the current analysis has a methodological drawback. The study used quantitative data analysis methodology, which included a structured questionnaire with closed-ended questions. The respondents had a restricted number of replies to choose from. As a result, the study strategy used is confined to answering “why” inquiries, which means contextual detail may be lacking. Had it been possible in the current research to include both a qualitative and a quantitative approach, greater insight may have been gained into the reasons, for instance, why budgetary control, financial reporting, and donor-recipient relationship are insignificant factors in the Ethiopian case while it was significantly based on findings elsewhere.

1.8. Organization of the Study

This study will be categorized into five chapters. The first chapter will deal with the introduction of the study, a background of the organization, a statement of the problem, basic research questions, objectives, significance, scope, and limitations of the study. The second chapter will deal with the review of related literature which includes theoretical/conceptual and empirical reviews. The third chapter deals with the research methodology that the researcher will be following in the process of data collection, data analysis, and interpretation. Chapter four includes data presentation, interpretation, and discussions. Finally, under chapter five the overall findings of the research, conclusion, and recommendations of the research will be stated.

CHAPTER TWO: LITERATURE REVIEW

The goal of this chapter is to evaluate the literature on financial management practices, with a particular emphasis on the drivers of financial sustainability of local non-governmental organizations functioning in Addis Ababa. This survey of literature gives a foundation for the investigation.

2.1. Theoretical Literature Review

Non-Governmental Organizations (NGOs) are non-profit organizations whose existence is adequately explained by numerous ideas that have arisen through time. The issue of how local NGOs can secure their financial governance procedures has come to light in recent years, with many ideas best explaining this dynamic. Various theories, including the resource-based theory, resource mobilization theory, and fraud theory, are evaluated to better comprehend the notion of financial sustainability of NGOs.

2.1.1. Fraud Theory

Burgess & Akers (1966) are credited with developing fraud theory. Fraud is defined as any act that purposefully deceives or misrepresents others in any way (Zainudin & Hashim, 2016). According to Kassem, Rasha, & Higson (2012), fraudulent financial reporting is criminal conduct committed by an accountant in a business by willfully misrepresenting, misstating, or omitting the business's financial statements to fool owners/stakeholders with misleading data regarding the business's operating performance/profitability. Similarly, Harrison et al. (2011) contend that fraud may emerge as a result of agency difficulties caused by managers' desire to serve their interests first. Stakeholders, regulators, auditors, and members of the public pay more attention to fraud in a company or organization. Cressey (2003) goes on to say that dishonesty in certain workers is likely to persuade others who are honest to mimic them.

The theory's implications for the research are that accountability mechanisms minimize the likelihood of committing fraud, hence protecting an organization's financial governance. As a result, financial management practices are seen to play an essential role in increasing business responsibility. Regarding the study, the idea says that an organization that does not practice financial management fosters dishonesty and fraud, which undermines donor confidence in the NGO.

2.1.2. Resource Mobilization Theory

According to Tam and Kiang (1992), the ability of any organization to generate sufficient cash (monetary resources), transform other resources in such a way that they can be exchanged for money, or arrange its operations into fundable projects determines its success. The key resource that should be efficiently mobilized in NGOs is money that is required for financial sustainability to be maintained and enhanced (Tam & Kiang, 2012). RMT aims to explain social movements by considering humans as rational actors engaged in instrumental acts that utilize formal organizations to gain resources and enhance mobilization (McCarthy & Zald, 1987). According to this idea, organizations do not appear out of nowhere, but rather require resource mobilization to flourish, whereby resource mobilization implies the establishment of groups, associations, or enterprises to achieve collective objectives (Lin, 2010). However, Ludwig & Pemberton (2011) contend that the theory's primary flaw is that it fails to account for how groups with limited resources may flourish and make societal changes without mobilizing resources.

The idea of resource mobilization is deemed significant to this topic because it explains how resources (funds) may be mobilized for the pursuit of common goals, such as the expansion of NGOs. The study's theoretical implications include that NGO financial viability is dependent on how successfully NGOs mobilize resources. However, sustained resource mobilization is no longer possible since donors are more concerned about how the resources raised are used; this necessitates financial responsibility. If resources are mobilized from a vast pool of contributors who donate little amounts, they may be unconcerned about financial accountability. The idea proposes that the major predictor of financial sustainability in NGOs is the efficacy of resource mobilization and usage.

2.1.3. Agency Theory

Alchian & Demsetz introduced agency theory in 1972, and Jensen & Meckling expanded on it in 1976. According to the notion, companies engage another organization to provide a service. As a result, the idea is based on principal-agent relationships. However, it is uncertain who should be considered the principle in nonprofit organizations (Ostrower & Stone, 2006). Although there are no shareholders, there are organizational stakeholders who have a stake in the organization and whose utilities are influenced by the nonprofit organization's actions or lack thereof (Jegers, 2009). According to Ben-Ner et al. (2011), nonprofit organizations may face more challenging agency difficulties than for-profit businesses due to a lack of efficient principles and challenges with output assessment. Given that there is no reason to believe that all stakeholders have the same goals (Balser & McClusky, 2005), an expanded principal-agent theory of nonprofit organizations requires a framework with multiple principles (Steinberg, 2010). The principles permit the other party (agent) to take on a certain duty on their behalf, resulting in agency partnerships (Eisenhardt, 2009). According to the notion, both the organization and the managers have different but related incentives that lead to good working partnerships. The theory's core premise is that potential conflicts arise when managers and stakeholders are motivated by disparate organizational goals, necessitating monitoring and control measures (Xingxing, 2012).

Donors contribute cash to non-governmental organizations (NGOs) for specified purposes. The management of non-governmental organizations (NGOs) may have goals that differ from those of the principals, who are the funders. Managers misappropriate cash or fail to apply monies to the purposes for which donors contributed monies. The theory's argument for the study is that because of agency conflict in NGOs, managers may fail to be accountable for the operations, which may result in agency difficulties.

2.2. Financial Sustainability

Financial sustainability refers to a Non-Governmental Organization's capacity to create a broad resource base to retain its institutional structure and generation of benefits for the targeted client population after donor financial assistance has ceased (Renz & Associates, 2010). According to Omeri (2015), the financial sustainability of an NGO is essentially the organization's capacity to reallocate assets in response to opportunities and threats and maintain a healthy financial balance over a long period. Saungweme (2014) examines financial sustainability from the perspective of income diversification by the organization, so that projects may be carried on even when a certain funding source is curtailed. The financial capacity of a non-profit organization consists of the resources that enable the organization to grab opportunities as they emerge and to respond to unanticipated needs as they occur (Kuranja & Kurati, 2014).

Lewis (2011) and Devkota (2010) define Financial sustainability of NGOs as the organization's ability to generate its revenue or seek money locally, decreasing foreign dependency while still executing the necessary initiatives for the period. According to Leon (2001), financial sustainability of an NGO is the ability to create a positive balance sheet so that the organization can react to changes in the environment. Bowman (2011) contends that an organization's net income, liquidity, and solvency may all be used to assess its financial sustainability.

According to Okorley & Nkrumah (2012), to be financially sustainable, NGOs must have the managerial competence to generate money and pique the interest of their staff in their financial position to get their complete support and collaboration. Financial sustainability, according to scholars such as Abdel Karim (2002), extends beyond resource mobilization and revenue generation, as well as strong financial management practices.

2.2.1. Financial Management Practices

Sound financial management practices entail the process of managing the organization's current and future financial resources and defining how the NGO's strategic plan will be supported (Saungweme, 2014). An effective strategic financial management approach guarantees that the organization can get long-term funding from donors who understand and support the organization's goal (Waiganjo et al., 2012).

2.2.1.1. Financial Planning

According to Lewis & Kanji (2013), financial planning is still one of the primary roles of financial management systems in both non-profits and for-profit businesses. Organizations can use financial plans to outline all of the primary operations necessary to meet the research objectives. Failure to participate inefficient financial planning means that a company may not be able to attain its full potential (Harir, 2015). Financial plans make it possible to identify the exact individual who is accountable for ensuring that the objectives are met effectively and on schedule. Gyamfi (2010) explains how financial planning enables non-governmental organizations to establish financial controls that allow them to set spending limits and support their efforts to maintain expenses in line with income.

Financial planning includes budget control, overhead ceilings, financial reporting, financial proposal analysis, and stakeholder interaction (Hassan & Forhad, 2013). Donors want to know where their money is going and that it is going to a worthwhile cause, and the only way to do so is via smart financial planning (Roseland, 2012). A well-thought-out financial plan enables the NGO to maintain its finances up to date and stable by understanding ahead of time how much money is needed for specific tasks (Sontag-Padilla et al., 2012). It also enables an NGO to apply its limited financial resources to the desired purpose to the greatest extent possible, which may persuade funders to continue assisting in the knowledge that the funds would be put to good use (Elliott, 2012). Recognizing the importance of financial planning in achieving organizational financial sustainability, Juma (2012) discovered that a quarterly auditing system had a significant impact on project sustainability.

2.2.1.2. Financial Reporting

According to Rono (2012), establishing a competent financial reporting system assists an organization in obtaining funding from donors who understand the organization's present financial status. Iwu et al. (2015) agree that all contributors need to know what impact their contributions make and that an annual financial report issued to contributors may assist them to stay up to date on the organization's activities and success. Financial reporting is also important for long-term engagement and donor loyalty, which will assist NGOs to gain access to donor funding (Harding, 2014). Sontag-Padilla et al. (2012) support the premise that keeping donors informed about the organization's financial position motivates them to connect deeper with the organization and helps them understand that they are making an effect. Onsongo (2012) recognized good financial reporting as one of the critical tactics used by local NGOs to attain financial sustainability in Kenya.

2.2.1.3. Financial Control

Lewis (2012) describes internal controls as "a system of controls, checks, and balances – collectively known as internal controls – that are put in place to preserve an organization's assets and manage internal risks." Controls, according to Block & Geoffrey (2008), are the processes designed and executed to protect an organization's assets and guarantee that mistakes and fraud in financial transactions are discovered and dealt with. According to Mawanda (2008), internal controls are mechanisms created and implemented by individuals responsible for governance, management, and other people to offer reasonable certainty regarding an entity's objectives.

Financial management in non-governmental organizations, according to Islam (2016), is concerned with ensuring that funds are available when needed and that they are gathered and used most efficiently and effectively for the benefit of the organization, highlighting the necessity of financial controls in the financial management system. According to Mutinda and Ngahu (2016), the importance of financial controls as financial management tools resides in their capacity to track every expenditure while also highlighting areas of weakness in the financial management system that might result in cash being lost. Strong financial controls are essential components of an effective financial management system in non-governmental organizations (Weerawardena et al., 2010).

An effective financial control system makes a significant contribution to ensuring that stakeholder investments, as well as the organization's assets, are preserved. Strong financial controls enhance the data supplied to management and aid in the protection of the organization's assets (Kamwana & Muturi, 2014). According to Kabdiyeva (2013), a good governance system exists when an organization has an internal system of checks and balances that guarantees the public interest is served and safeguarded. According to Abdulkadir (2014), the use of internal control systems has the potential to aid in the effective and efficient delivery of services.

Certain the high sensitivity of donor financing, particularly to misappropriations that might cause donors to discontinue their contributions to a given NGO, it is mandatory on NGOs' managers to guarantee that their organizations' financial management systems have effective financial controls capable of discouraging any loss of cash (Hassan, 2015). According to Mensah et al. (2003), insufficient internal control mechanisms under an organization's execution strategy generate incentives for business buyers to conduct side deals with vendors and/or make side payments to influence contracts. Certain safeguards are frequently made to maintain strong internal control systems and, ultimately, governance. These clauses are often concerned with the functions of the board of directors, payments, and financial accounting about budget implementation.

2.2.2. Income Source Diversification

According to Boas (2012), the phrase ‘diversification of income' refers to a variety of efforts aimed at reducing reliance on a certain sort of revenue, specific donor or grantmaker, dominant client, the nation that is the sole or primary source of funding, and currency in which most or all funds are paid out. The ability to include a large number of national and international contributors includes income source broadening for NGOs. According to Lewis (2011), revenue diversity is defined as NGOs that can acquire financing from foreign donors and as many sources as feasible, including local enterprises, governments, and the general public.

According to Karanja (2014), one of the primary variables influencing the successful administration and sustainability of NGOs is their reliance on donor money. It is also determined that funding in NGOs is an issue, which has resulted in many programs being terminated suddenly, and that NGOs should focus on finding new sources of funding for their initiatives and working with more donors rather than relying on fewer donors. Lewis (2011) advocated for LNGOs to use fund diversification tactics to become less reliant on a single donor and to minimize the degree of influence a single donor has over their operations. NGOs had to work hard to recruit new overseas funders and to establish comprehensive planning and programming while also attempting to conduct cost recovery in areas where they were intended to cost-share with them (Waiganjo et al., 2012). NGOs are encouraged to leverage on local support to avoid being looked at suspiciously by local communities and governments (Waiganjo et al., 2012).

2.2.3. Donor-Recipient Relationship

Close communication with donor organizations was recognized by Pratt & Hailey (2012) as one of the characteristics of donor relations that have a substantial effect on the future viability of NGOs. Donor relationship management is the process of establishing and maintaining positive relationships with donors (Lewis, 2011). According to Moreno (2017), effective communication and tight partnerships between NGOs and donor organizations are key aspects in developing good connections with donors, which serve as the foundation for long-term engagements. Lewis (2011) asserts that there is a substantial positive association between donor relationship management and the financial viability of local non-profits. LNGOs should be able to maintain track of their donors and their funding objectives in relationship management, while also bringing donors up to speed on the NGO's operations (CI, 2011).

Nonprofit organizations, according to Alter (2007), may create more sustainable and predictable funding, increase grant effectiveness, and, ultimately, achieve better results by building and executing successful processes and procedures that result in strong relationships with donors. Donor organizations can comprehend the processes and activities of an NGO via meaningful collaborations and frequent communication, which strengthens their sense of ownership of the programs being implemented, improving their motivation to continue supporting the NGO in its initiatives (Twum-Darko & Tengeh, 2015).

2.2.4. NGO Regulation

Mpofu (2012) investigated the cultural capital and long-term viability of non-governmental organization (NGO) development activities in Zimbabwe. According to the report, the development initiatives undertaken by non-governmental organizations (NGOs) in Zimbabwe were predetermined because they were established without taking into account the customs of the communities and Zimbabwean legislation. As a result, non-governmental organizations (NGOs) pushed universal development ideas that neglect cultural capital and local legal frameworks, jeopardizing their long-term viability. Nuka (2010) investigated the sustainability of NGOs in Kosovo, USA, by assessing the issues of the third sector and potential solutions. To collect data about NGOs in Kosovo, the study employed a survey design and a questionnaire. The research concentrated on finances, the legal framework, and public trust. The results of the finance questions suggested that NGOs had difficulty locating funders. This was due not only to their capacity to regularly collect cash and identify donors but also to other variables that played a key part in sustainability, allowing them to attract exclusively international contributors. NGOs were also discovered to lack support from local or institutional governments, making it difficult for them to obtain funding.

2.3. Empirical Review

2.3.1. Global Studies

Ebenezer, Musah & Ahmed (2020) investigated the financial sustainability factors of Ghanaian non-governmental organizations (NGOs). The study included 56 non-governmental organizations (NGOs) from whom data were obtained via questionnaires. According to the study's findings, non-governmental organizations (NGOs) in Ghana are donor-dependent, have minimal revenue diversification, and have fewer strategies in place to generate their revenue. This study also demonstrates that NGOs in Ghana are not financially sustainable and, as a result, require revenue-generating economic initiatives to assist them to become financially stable. The findings indicate that solid financial management techniques, self-sufficiency of NGOs, revenue diversification, and solid donor relationships are the most important predictors of NGOs' financial sustainability in Ghana. If NGOs wish to enhance their financial sustainability, the report proposes that they take actions to enhance these variables in their specific organizations.

Wandera & Paul Sang (2017) investigated the financial management techniques and long-term viability of non-governmental organization initiatives in Juba. According to the study findings, there is a strong and favorable association between budget management and the financial viability of South Sudanese NGOs. The findings also revealed a strong and favorable association between financial reporting and the financial viability of South Sudanese NGOs. Furthermore, the findings revealed a strong and favorable association between revenue source diversification and the financial viability of South Sudanese NGOs. Furthermore, the findings revealed a substantial and favorable association between donor relationship management and the financial viability of South Sudanese non-governmental organizations (NGOs).

Chepkemoi & Njeru (2017) researched the effects of financial management and practices on the financial sustainability of non-governmental organizations (NGOs) in Nairobi County: A Case Study of Local NGOs. Financial management and practices have a significant influence on the financial sustainability of local NGOs in Nairobi County, according to the study's results. To improve their financial viability, the majority of local NGOs employed financial management and procedures. Local NGOs were able to plan and use their financial resources sensibly via financial management and procedures, allowing them to be both sustainable and attract greater financial assistance.

Mbuya & Osodo (2018) investigated the impact of funding sources on the financial viability of non-governmental organizations in Kenya's Uasin Gishu County. The target population consisted of 146 non-governmental organizations (NGOs) engaging in development initiatives in Uasin Gishu County. Respondents included NGO executives and volunteers. To find nonprofit groups to participate in the study, a stratified sampling methodology was adopted. The study's findings revealed a strong relationship between donor financing and the financial viability of NGOs in Uasin Gishu County. According to the report, increased financial sustainability might be accomplished through diversifying funding sources, keeping talented people, and enhancing governance processes and organizational capabilities. The research advised that non-governmental organizations (NGOs) reduce their reliance on donor funds and instead focus on creating income-generating activities and diversifying their funding sources for their operations; this would increase their financial sustainability.

Milelu (2018) explored financial sustainability determinants for non-governmental organizations in Nairobi, Kenya. According to the study's findings, revenue diversification had a key influence in the financial sustainability of non-governmental organizations in Nairobi, Kenya, by increasing their capacity to support initiatives based on their objectives. The study also found that donor relationship management played an important role in the financial sustainability of non-governmental organizations in Nairobi, Kenya, as proven by claims that the NGOs made attempts to develop constructive networks and alliances with diverse donor organizations and that the organizations maintained regular relevant connections with their donors. The research also indicated that financial management systems were important in the financial sustainability of NGOs in Nairobi, Kenya, as indicated by the declaration that the organizations had adequate financial rules that dictated how they handled their finances.

Lucy (2020) explored the variables determining the financial sustainability of Tanzanian local non-governmental organizations. The study found that having a good connection with donors has a substantial link with financial sustainability, although it is not statistically significant; revenue diversification, financial management techniques, and capable management all had a near-perfect positive link with the financial sustainability of NGOs. According to the report, for NGOs to be financially sustainable, they must have solid financial management, diversify their revenues, and have skilled management. The report advises NGOs to train their personnel in communication skills so that they can successfully communicate with funders, revenue diversification, financial management, and competent management members, among other skills required for efficiently running an NGO in this highly competitive climate.

2.3.2. Related Studies in Ethiopia

Sisay (2015) evaluated the financial sustainability of Ethiopian Resident Charity Organizations, as well as their challenges and opportunities. The data suggest that ERCs are experiencing a slew of financial sustainability issues. Lack of information on a call for proposals, poor coordination or collaboration, and limited staff capacity are important restrictions in seeking foreign sources, whereas an undeveloped culture of volunteering, bureaucracy, and a skewed public perception of NGO contributions are important restrictions in local fundraising and marketing. The key internal problems that restrict ERCs' competence in local and international fundraising include a lack of awareness and practice in strategic fundraising and marketing, as well as a lack of robust governance and accountability mechanisms.

Martha (2017) evaluates resource mobilization and administration of Addis Ababa-based non-governmental organizations (NGOs). The descriptive research approach was employed for the study, and 94 local NGOs were chosen from a total of 1520 target populations using a simple random sample procedure. The collected data were evaluated using statistical software for social science (SPSS version 20). According to the study findings, the primary elements influencing resource mobilization and management include reliance on foreign funds, donor rules, and regulations, CHSA law, organizational capacity limitations, a lack of information about potential opportunities, networking with resource providers and other NGOs, accountability, and transparency. The report also suggests encouraging local resource mobilization to reduce dependence on the foreign fund.

Melaku (2018) evaluated corporate governance procedures in Ethiopian Non-Governmental Organizations (NGOs). The study employed a survey methodology to investigate the governance difficulties that have hampered their performance. The study also compared the findings to corporate governance principles and best practices derived from key corporate governance regulations and guidelines to determine if they are adequate or lacking. According to the study findings, the sample organizations have a governance structure in place with a governing body that is distinct from the management body (some have a General Assembly, others have a Board of Directors, and some have both). The survey also revealed that, except for a few individuals, the governing body's functions and duties differ from those of management. The report suggests that an NGO Governance Institution be established, that cooperation and shared responsibility be promoted between state sectors and NGOs, and that awareness of the state's responsibility to NGOs be raised.

Seblewongel (2015) evaluated and described the types of financial management practices used by chosen INGOs to identify their areas of strength and weakness, as well as problems related to the core financial management components and reporting requirements, namely Financial

Planning, Budgeting, Accounting Records, Internal Controls, and Financial Monitoring. The study results show that, while it is impossible to conclude that all INGOs have the best financial management system based on the evaluation of just seven organizations, INGOs operating in Ethiopia have a better financial management system based on the evaluation findings. The survey also demonstrated that existing financial management techniques are effective and of high quality, since most of the key categories assessed have well-defined procedures and processes. An effective financial management system will reduce resource waste, improve performance, and ensure control of the money that can sustain the business through more difficult moments or fund shortages. Documented practices may be favorably exploited and implemented by comparable organizations to have an overall solid financial management system in all CSOs, as long as good practices are maintained and policies and procedures are evaluated on a timely basis to correspond with current nation reporting requirements. According to the survey, implementing a strong financial management system attracts funders and makes it simpler to hold partners, donors, and other stakeholders responsible. It contributes to an increase in organizational respect and confidence. This, in turn, makes an INGO more competitive for large fundraising possibilities and increases its chances of long-term financial health.

2.4. Summary and Research Gap

According to the empirical research above, financial management techniques are crucial elements affecting the financial sustainability of NGOs. The ability to retain financial capacity over time is referred to as financial sustainability (Bowman, 2011). According to Karanja & Kurati (2014), achieving financial sustainability is important to the life and longevity of any organization. Most non-governmental organizations' sustainability is determined by how they plan to acquire donor financing and then how successfully they use that financing to fulfill specified project objectives (Nyakwaka, 2010). As a result, the capacity of NGOs to attract funding agencies is heavily reliant on effective financial management and internal control mechanisms (Devkota, 2010). One of the primary difficulties confronting Africa's NGO industry is financial viability (Ali, 2012).

According to the researcher's knowledge, only a few research papers have been conducted regarding the financial management practices and financial sustainability of local NGOs functioning in Addis Ababa: Sisay (2015), Ethiopian Resident Charity Organizations' Financial

Sustainability Challenges and Opportunities. Martha (2017) assessed resource mobilization processes employed by the local NGOs in Addis Ababa and the resource management practices they pursue. Melaku (2018) also the internal governance practice of Charities and Societies commonly called Non-governmental organizations (NGOs) to assess the Board governance practices and challenges among Non-governmental organizations (NGOs) operating in Ethiopia. Seblewongel (2015) assessed the financial management practices of selected international non-government organizations working only in the health sector. The study simply described the financial planning practices, account recording system, budgeting process, internal control practices, and financial monitoring practices in the selected INGO's.

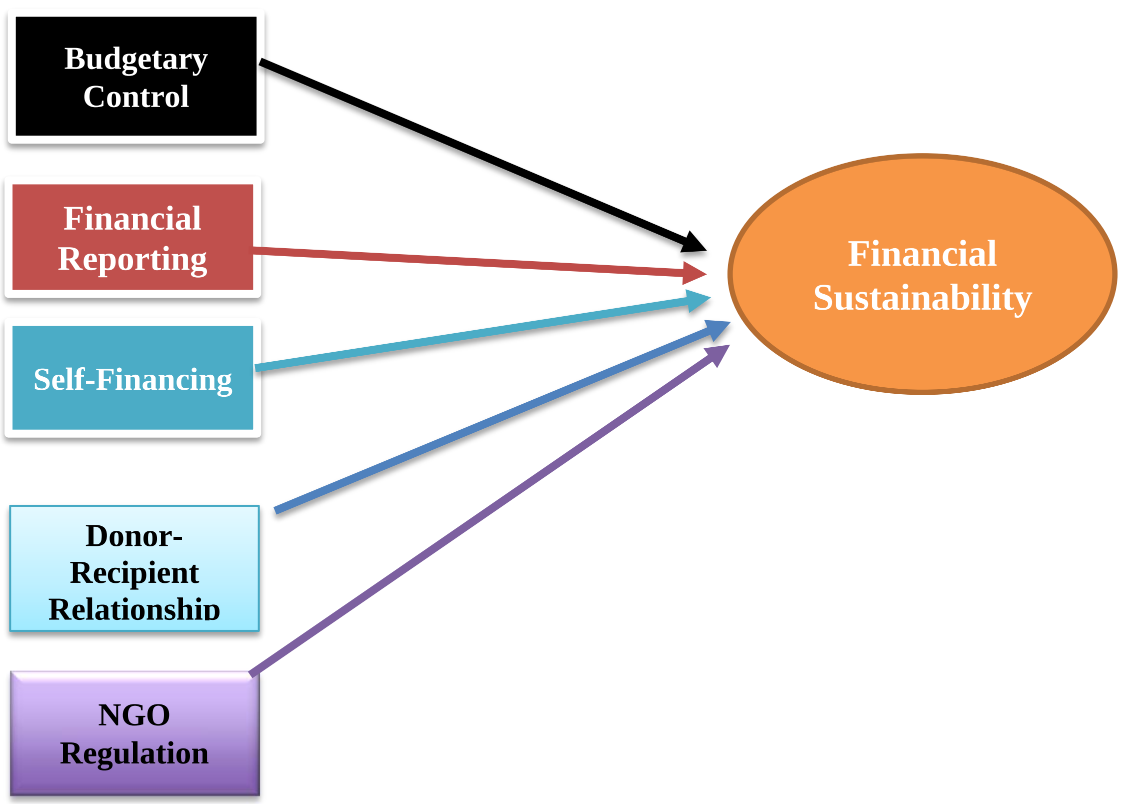
The studies have done above either focus on the resource mobilization process, board governance procedures and problems, financial management practices of NGOs, and financial sustainability prospects and difficulties. According to the researcher's knowledge, none of the studies investigated the impact of financial management methods on the financial sustainability of local NGOs operating in Addis Ababa. Along these lines, the general purpose of this research is to close this gap by investigating the link between financial management techniques and the financial viability of local non-profits. As a result, this study will seek to contribute by empirically confirming the extent to which budgetary control, financial reporting, income source diversification, and donor relationship influence financial sustainability of NGOs operating in Addis Ababa, Ethiopia.

2.5. Conceptual Framework

The primary goal of this research is to look at the link between financial management techniques and the financial sustainability of local NGOs in Addis Ababa. The following conceptual model is framed based on the study's aim. Financial sustainability is influenced by financial management practices, donor-recipient relationships, and other factors, as previously mentioned in the related literature review sections. This framework is based on the research of Tom Victor Wandera & Paul Sang (2017), who analyzed the literature on this subject. These components include, on this basis, budgetary control, financial reporting, income source diversification, and the donor-recipient relationship (independent variables), NGO regulation (control variable), and financial sustainability (dependent variable). The following conceptual model is framed to summarize the main focus of the study.

Fig 2.1: Conceptual Framework

Independent Variables **Dependent Variable**



Source: Tom Victor Wandera & Paul Sang (2017) with modification by the researcher.

CHAPTER THREE: RESEARCH METHODOLOGY

This chapter describes the research approach that was employed in this investigation. It included a plan for data collection, measurement, and analysis. The subsections are as follows: study design, research method, target population and sample, data collecting, and analysis.

3.1. Research Design

A research design is an overall strategy for connecting the conceptual research challenge to relevant and feasible empirical research. In other words, the study design establishes a strategy or framework for collecting and analyzing data. To evaluate the association between financial management practices and financial sustainability, the study employed an explanatory research methodology (a regression analysis). Because the goal of the study is to model the potential of cause and effect, this technique is deemed most appropriate.

3.2. Research Approach

In terms of research methodology, the study used a quantitative research strategy, with a survey questionnaire utilized to collect data from the sample respondents. According to Creswell (2009), the quantitative method includes inquiry tactics such as experiments and surveys, and data is collected on specified instruments that give numeric data that can be examined using statistical processes. It is a method of evaluating objective ideas by studying the connection between variables. It is useful since it uses a scientific methodology to assess the instrument's reliability and validity. It leverages a large sample size to reduce bias from the researcher's influence. As a consequence, the results may be trusted and extrapolated to a broader population. It cannot, however, address concerns that cannot be measured.

3.3. Population and Sampling Design

3.3.1. Population

The research population consisted of all non-governmental organizations (NGOs) based in Addis Ababa, Ethiopia. The sampling units are financial managers of those sample local NGOs operating in Addis Ababa. The visible characteristic of a research population aids the researcher in making inferences (Mugenda and Mugenda, 2003). According to the Civil Societies Association Board, there are 936 registered non-governmental organizations (NGOs) in Addis Ababa. These data has taken December 2020, this was the basis for the study's population.

3.3.2. Sampling Design

3.3.2.1.Sampling Frame

According to Creswell and Plano (2011), a sampling frame is made up of an objective list of the study's population from which the researcher would obtain a sample. As a result, the sample frame included all members of the target population. They underline the importance of this list being full and containing the correct names of the population's members (Creswell & Plano, 2011). The present study's sampling frame included all non-governmental organizations (NGOs) based in Addis Ababa, Ethiopia.

3.3.2.2. Sampling Technique

A systematic selection of representative examples from a wider population is referred to as sampling (Orodho, 2002). A sample is thus defined as a representative group that includes all of the attributes or traits prevalent in the population (Wambugu et al., 2015). Because the whole population was not employed in data collecting due to a lack of resources and time, it became essential to pick a representative sample from the available population that could readily be analyzed and inferences are drawn to the wider population. The goal of sampling was to obtain reliable empirical data at a fraction of the expense of investigating all conceivable situations. The responder was chosen using a basic random selection procedure in this investigation. According to Orodho (2002), no clear standards for obtaining an appropriate sample have been developed. He claims that in a homogeneous condition, a small sample is needed, but in a heterogeneous variable environment, a big sample is needed. Yamane's formula was used to calculate sample size (1967).

3.3.2.3.Sample Size

The study sample size is reached upon after the use of the Yamane (1967) formula as it is appropriate for descriptive studies involving large population sizes due to its simplicity. The formula is shown below;

$$\mathrm{n} = \frac{N}{1 + N(e^2)}$$

Where;
n_0=sample size
N=population size
e=the level of precision, set at 5% for this study.

After using the formulae, the researcher found out that the study's sample size is;

$$n0 = \frac{936}{1 + 936(0.05^2)}$$

$$n0 = \frac{936}{3.34}$$

n_0=280

Hence, the study sample size was 280 staff of local NGOs in Addis Ababa, Ethiopia.

If the population is small and homogenous, the sample size can be somewhat lowered. This is because a particular sample size delivers proportionally more information for a small and homogenous population than a big and varied one. The following equation can be used to change the sample size (n_0). This adjustment (called the finite population correction) can substantially reduce the necessary sample size for small populations.

$$n = \frac{n_o}{1 + \frac{(n_o - 1)}{N}}$$

Where n is the sample size and N is the population size.

$$n = \frac{280}{1 + \frac{(280 - 1)}{936}}$$

n= 215

3.4. Data Type and Collection Instruments

The data were collected primarily by the survey method, and the data will be cross-sectional. A structured questionnaire was constructed as a data collecting tool based on a study of the literature on financial management practices and financial sustainability.

The questionnaires are beneficial because they save time, are confidential, and reduce interviewer bias (Kombo & Tromp, 2011). The questionnaire was designed following the fundamental framework of best practices for financial management as it pertains to NGOs and financed projects. This framework is chosen because it provides a reference point from which deviations from or otherwise as regards financial management systems could be compared.

The questionnaire that was used in this survey are adopted from Wachira (2016), Tom Victor Wandera & Paul Sang (2017) and had many subsections covering background data of the local NGO and data on measures of the variables. To measure financial sustainability of local NGOs, the questionnaire asked whether local NGOs are donor-dependent and survival issues. Lewis

(2011) noted that financial sustainability can be measured using donor dependency.

To address the question on the soundness of the local NGOs financial management practices the questionnaire included questions covering the measures of this variable such as whether there are budgetary control system, financial reporting and how often they are reviewed by project committees.

To establish if the organization has a diversified income source, questions on the number of donors and other income sources were asked. Questions on what drives the organization's pursuit for income diversification are included in the questionnaire to gauge how important diversifying income is perceived in the organizations. To establish if the local NGOs have good donor-recipient relationship practices the questionnaire has questions on the existence of donor tracking lists in the organization, and the number of projects financed by donors is included to ascertain the strength of the relationships between the local NGOs and the donors. Measurement of the Study Variables, This was measured by Five point Likert scale measurement was used

A Likert scale of 1 to 5 was used to score their responses, with 1 indicating strongly disagreed, 2 indicating disagreed, 3 indicating neutral, 4 indicating agreed, and 5 indicating strongly agreed. Accordingly, the overall mean (M) score above 4 is considered as the respondents strongly agreed (SA), if the respondents score between 3.3-4 means they agreed (A), the score between 2.9-3.2 is considered as the respondents are neutral(N), the respondents score between 2.1-2.8 shows that they disagreed and if the respondents score up to 2 shows that they strongly disagreed (Scott, 1999).

3.5. Data Analysis and Presentation

Primary data were collected through the administration of the questionnaires. This study generated qualitative data. Data were analyzed mainly by use of descriptive and inferential statistics that is, graphical and numerical methods, measures of central tendencies as well as measures of variability. The particular inferential statistics were regression and correlation analysis. Multiple regression equation was used to determine the strength and directions of the association between the variables with the results, with the aid of Statistical Package for Social Sciences (SPSS) version 21.

The regression model is illustrated as follows:

$FS = \alpha + \beta_1 BC + \beta_2 FR + \beta_3 ISD + \beta_4 DRR + \beta_5 GR + e$

Where

FS = Financial Sustainability

α = The constant

$\beta_{1-}\ \beta_5$ = The parameters

BC = Budget Controls

FR = Financial Reporting

ISD = Income Source Diversification

DRR = Donor-Recipient Relationship

GR = Government Regulation

e = error term

3.6. Operationalization of Variables

The key variables were operationalized as presented in Table 3.3 below.

Table 3.3: Operationalization of variables

Variable	Indicators	Measure	Scale	Analyisi tools
Income diversification	• Drivers or motivation for income diversification • Income diversification strategy • Significance of own income generating activities	• To what extent various factors drive income diversification? • How important are different strategies to financial sustainability? • How important are the own income generating activities to attaining financial sustainability?	Likert	• Frequencies and cumulative percentages • Means • Correlations • Multiple regression analysis
Budget Control	• Financial Planning • Monitoring and evaluation • Staff competency and involvement	• To what extent budget planning practice is implemented? • To what extent financial monitoring and control practice is implemented? • The level of staff involvement in budget planning.	Likert	• Frequencies and cumulative percentages • Means • Correlations • Multiple regression analysis
Financial reporting Efficacy	• Financial reviews • Financial disclosure • Financial standards	• To what extent financial reporting activities are implemented? • To what extent IFRS standards are implemented?	Likert	• Frequencies and cumulative percentages • Means • Correlations • Multiple regression analysis
Good donor relationship management practices	• Significance of donor relations management practices • Donor segmentation • Accountability • Communication	• How important are selected donor relations management practices to financial sustainability?	Likert	• Frequencies and cumulative percentages • Means • Correlations • Multiple regression analysis
Government Regulation	Policies and laws aspects	To what extent do certain polices and laws impact on financial sustainability?	Likert	• Frequencies and cumulative percentages • Correlations
Financial Sustainability	Number of persistent	• How donors continue to fund? • Diversity of income • Income from donors and own income generating activities	Likert	• Regression analysis

The research assignment focused on factors that affect financial sustainability of local NGOs in Addis Ababa. Financial sustainability was the dependent variable. As noted in past empirical works other factors considered were broadly categorized as budget control, financial reporting, income source diversification, and donor-recipient relationship. NGO Regulation was considered as a control variable. Each of these factors had a number of indicators (factors) that helped to explain the variable, and for each factor, different measures were used in order to capture as much information as possible to avoid bias. The measurements were in different scales as indicated under column 'scale' in Table 3.3 above.

CHAPTER FOUR: RESULTS AND DISCUSSION

4.1. Introduction

The study's results are presented in this chapter. The chapter discusses the respondents' context details as well as the conclusions of the survey focusing on the study's objectives. SPSS was used to analyze the data, which was then displayed in frequency tables. The study's results were discussed using descriptive and inferential statistics.

4.2. Response Rate

The survey had a sample size of 215 respondents, of which 192 completed and returned the questionnaires, yielding an 89.3 percent response rate, as seen in table 4.1 below. The response rate was representative. According to Mugenda and Mugenda (2003), a response rate of 60% is considered fine, and a response rate of 70% or higher is considered outstanding. This response rate was deemed adequate for concluding the report. According to the assertion, the response rate was deemed satisfactory.

Table 4.1 Response rate

Questionnaire Distributed	**Frequency**	**Percentage**
Unreturned Questionnaires	23	10.7
Total questionnaires administered	215	100

Source: Survey data (2021)

4.3. Reliability Analysis

A pilot analysis was conducted to validate and test the data collection instrument. The pilot study included a group of ten workers from the finance departments of local NGOs in Addis Ababa. Cronbach's Alpha was used to assess the questionnaire's reliability, which tests internal accuracy and determines if objects on a scale measure the same construct. SPSS was used to calculate the index alpha, which calculated the average of observable objects as well as their correlation. Cronbach's alpha was calculated for each vector that comprised a scale, as seen below.

Table 4.2: Reliability Analysis

Variable	Cronbach's Alpha	Items
Financial Sustainability	0.897	5
Budget control	0.753	5
Financial Reporting	0.739	4
Income Source Diversification	0.829	4
Donor-Recipient Relationship	0.784	6
NGO regulation	0.762	5
Overall	**0.794**	**29**

Source: Survey data (2021)

Financial sustainability has the highest efficiency (α = 0.897), followed by income source diversification (α =0.829), donor-recipient relationship (α =0.784), NGO regulation (α =0.762), Budget control (α =0.753), and Financial reporting (α =0.739). This demonstrates that all six variables were stable when their reliability values met the prescribed criterion of 0.7, as Field contended (2009). The reliability test results also showed that all six variables were stable, as the average index of 0.794 met the threshold of 0.7. This indicates that Financial sustainability, income source diversification, donor-recipient relationship, NGO regulation, Budget control, and Financial reporting have relatively good internal continuity and are measured in the same construct.

4.4. Demographic information

The study aimed to gather demographic knowledge about the respondents. Respondents were asked to show their age group, level of education, and the length of time their organizations had been in service.

Table 4.3: Age Category

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	25-35	112	58.3	58.3	58.3
	36-45	58	30.2	30.2	88.5
	46-55	18	9.4	9.4	97.9
	Above 56	4	2.1	2.1	100.0
	Total	192	100.0	100.0	

Source: Survey data (2021)

Respondents were asked to suggest their age group. The majority of respondents (58.3 percent) said they were between the ages of 25 and 35, 30.2 percent said they were between the ages of 36 and 45, 9.4 percent said they were between the ages of 46 and 55, and 2.1 percent said they were 56 years or older. These results show that respondents were selected from all age groups, with the majority of them being mature in age and life since they were between the ages of 25 and 35. Generally, the majority of the respondents of the sector department were middle-aged. This implies that they could have good productive prospects.

Table 4.4: Education level

	Frequency	Percent	Valid Percent	Cumulative Percent
BA/BSC	121	63.0	63.0	63.0
MA/MSC	68	35.40	35.40	98.4
PhD	3	1.6	1.6	100.0
Total	192	100.0	100.0	

Source: Survey data (2021)

The respondents were asked to suggest their highest level of education. The level of qualification was significant in this study because it aids to determine if the respondents had the necessary knowledge to enable them to understand the notion of the research study. The majority of respondents (63.0 percent) suggested that they had a first degree as their highest qualification, 35.4 percent indicated a Master's Degree, and 1.6 percent indicated a PhD. Therefore, it is possible to conclude that the information obtained from them can be considered reliable and reasonable due to their academic background.

Table 4.5: Period in Service

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 5 year	6	3.1	3.1	3.1
	6-10	9	4.7	4.7	7.8
	11-15	50	26.0	26.0	33.9
	Above 16 years	127	66.1	66.1	100.0
	Total	192	100.0	100.0	

Source: Survey data (2021)

The report tried to ascertain how long the institutions had been in existence. According to the survey results, 66.1 percent of respondents indicated that their organizations had been in service for more than 16 years, 26 percent indicated between 11 and 15 years, 4.7 percent indicated between 6 and 10 years, and 3.1 percent indicated that their organizations had been in operation for less than 5 years. This indicates that the majorities of the local NGOs working in Addis Ababa has been in service for more than 16 years and are assumed to have gained adequate work experience and will be invaluable to the attainment of the research objectives.

4.5. Factors Influencing Financial Sustainability

The study's key goal was to assess the relationship between Financial Management Practices and Financial Sustainability of Local NGOs in Addis Ababa. The researcher used similar questionnaires to examine the financial sustainability of local NGOs working in Addis Ababa. This data will be addressed and examined separately based on the average mean responses and will be relevant to financial management activities in the sector; budget control, financial reporting, income source diversification, donor-recipient relationship, and NGO legislation.

4.5.1. Descriptive Statistics on Budget Control

In descriptive statistics, the quantitative data is described and summarized the respondent sample population, through mean, and Standard deviation about dependent and independent variables in the table below.

The thesis aimed to ascertain the degree to which different budget control activities were implemented in organizations. A Likert scale of 1 to 5 was used to score their responses, with 1 indicating strongly disagreed, 2 indicating strongly disagreed, 3 indicating neutral, 4 indicating agreed, and 5 indicating strongly agreed. The results obtained as seen in Table 4.6.

Table 4.6: Descriptive Statistics on Budget Control

Variables	N	Mean	Sta. Dev
The organization clearly defined responsibilities for budget preparation	192	3.56	0.854
Our activities are based on our budget	192	3.43	1.026
Variance of budget is communicate annual to stakeholders and full justification obtained	192	3.37	1.005
Budget performance reports are always communicated to the donors and other financers	192	3.10	1.028
In our NGO, operational managers are fully involved in budget planning	192	3.53	0.903
Overall Mean Score and Standard Deviation	***192***	***3.398***	***0.9632***

Source: Survey data (2021)

According to the details in table 4.6, respondents showed that their agency had well-specified budget preparation obligations. The mean value of 3.56 indicates that respondents believe that tasks for budget preparation are well defined. The standard deviation for this definition is 0.854, indicating those respondents' perceptions of precisely defined budget preparation responsibilities are less variable. Another aspect of budget management examined by the study is whether NGOs' operations are based on their budget. With a mean score of 3.43, respondents showed that their NGOs' operations are dependent on their budget. The respondents have acknowledged that budget variation is reported to stakeholders on an annual basis and that complete justification is achieved, with a mean score of 3.37. Furthermore, project success reviews are often reported to donors and other financiers, with mean score of 3.10 and operational administrators are fully engaged in budget preparation, with mean scores of and 3.53

The overall mean value of 3.39 indicates that respondents agreed with the implementation of budget control practices to a moderate extent. This overall variable's average standard deviation was 0.9632. Since it is less than one, it means that respondents' perceptions of the execution of budget control activities are less variable.

The study result is consistent with the findings of Wandera & Paul Sang (2017) who investigated the financial management techniques and project sustainability of non-governmental organizations in Juba. According to the study's findings, there is a strong and favorable association between budget management and the financial viability of South Sudanese NGOs. Ebenezer, Musah, & Ahmed (2020) also indicated that the financial sustainability factors of non-governmental organizations (NGOs) in Ghana. The findings indicate that effective financial management techniques, own revenue generation by NGOs, revenue diversification, and solid donor relationships are the most important factors of NGOs' financial sustainability in Ghana.

4.5.2. Descriptive Statistics on Financial Reporting

The thesis aimed to ascertain the degree to which different financial reporting activities were implemented in organizations. A Likert scale of 1 to 5 was used to score their responses, with 1 indicating strongly disagreed, 2 indicating strongly disagreed, 3 indicating neutral, 4 indicating agreed, and 5 indicating strongly agreed. The results obtained as seen in Table 4.7.

Table 4.7: Descriptive Statistics on Financial Reporting

Variables	N	Mean	Sta. Dev
Financial reporting process for donor funds is easy to understand for staff	192	3.19	1.032
Project team strictly follow financial accounting policies	191	3.29	1.029
Program implementation units fully track disbursement flows	192	3.49	.965
The organization has a structured monitoring and evaluation system in place for financial reports	192	3.11	.983
Overall Mean Score and Standard Deviation	***192***	***3.27***	***1.0022***

Source: Survey data (2021)

According to the data in table 4.7, respondents indicated that their organization's financial reporting mechanism for donor funds is simple for workers to understand. The mean value of 3.19 shows that respondents are unsure about the reporting process's comprehension. This definition's standard deviation is 1.032, showing that respondents' expectations of the reporting process are not unanimous. Another part of financial reporting discussed by the analysis is whether the project team of non-governmental organizations exclusively adheres to financial management policies. Respondents demonstrated that their NGOs' project team adheres to financial accounting policies, with a mean score of 3.29 and a standard deviation of 1.029. This shows that respondents are unsure about the project team's commitment to the financial reporting policies. Respondents were also questioned whether or not disbursement flows are completely tracked across program delivery units. With a mean score of 3.49, respondents to some extent agreed that program implementation units completely monitor disbursement flows. This item's standard deviation was 0.965. Since it is less than one, it means that there is less variation in respondents' perceptions regarding disbursement flow control. Furthermore, respondents are unsure with mean scores of 3.11 that the company has a formal reporting and assessment mechanism in place for financial results.

The calculated standard deviation for all variables was 1.0022. Since it is greater than one, it indicates that respondents' views of financial reporting activities are somehow variable.

According to Rono (2012), establishing a competent financial reporting system assists an organization in obtaining funding from donors who understand the organization's present financial status. Iwu et al. (2015) agree that all contributors need to know what impact their contributions make and that an annual financial report issued to contributors may assist them to stay up to date on the organization's activities and success. Financial reporting is also important for long-term engagement and donor loyalty, which will assist NGOs to gain access to donor funding (Harding, 2014). Sontag-Padilla et al. (2012) support the premise that keeping donors informed about the organization's financial position motivates them to connect deeper with the organization and helps them understand that they are making an effect. Onsongo (2012) recognized good financial reporting as one of the critical tactics used by local NGOs to attain financial sustainability in Kenya.

Therefore, local non-governmental organizations (NGOs) should implement sound financial management methods. This would assure the creation of essential financial records, which would be backed up by correct paperwork. This would lessen incidences of fraud while still meeting the regulatory bodies’ and donors' financial criteria.

4.5.3. Descriptive Statistics on Income Source Diversification

The analysis aimed to ascertain respondents' level of compliance with claims about income stream diversification. To interpret the study's findings, a Likert scale of 1 to 5 was used in this question. The outcomes are shown in Table 4.8.

Table 4.8: Descriptive Statistics on Income Source Diversification

Variables	N	Mean	Sta. Dev
My NGO diversifies its income to reduce the risk of closing down in case of withdrawal of donors	192	3.43	.995
My NGO diversifies its income to be able to reject funding whose sources do not fit into its agenda and values	192	3.58	.957
My NGO has a broad funding base consisting of many sources (donors)	192	3.17	.978
My NGO diversifies its income to be able to meet its overhead costs and other expenses not met by the donors	192	3.66	.889
Overall Mean Score and Standard Deviation	***192***	***3.46***	***0.955***

Source: Survey data (2021)

According to the survey results, respondents accepted that their organizations were engaged in revenue-generating operations to some degree, as demonstrated by a mean of 3.43; did diversify their income base to exclude funds whose origins do not fit with their agenda and ideas, as demonstrated by a mean of 3.58; and diversify income to cover their operating costs and other expenditures not covered by donations, as demonstrated by a mean of 3.66. However, respondents are unsure that their revenue has a broad funding base, as shown by a mean of 3.17.

The overall mean score of 3.46 indicates that local NGOs' source of revenue is diversified to a moderate extent. The average standard deviation was 0.955. It is less than one, indicating that respondents' attitudes about income stream diversification practices are less variable.

The study result is in line with Lewis's (2011), a recommendation that LNGOs use fund diversification techniques to become less reliant on a single donor and to minimize the amount of influence a single donor has over their operations Karanja (2014), also noted that one of the major factors influencing the successful management and survival of NGOs is their reliance on donor support. It is also concluded that financing in NGOs is a problem, which has resulted in several projects being terminated prematurely, and that NGOs should rely on more sources of funding their projects and collaborating with more donors rather than focusing on a single donor. NGOs had to work tirelessly to identify new international donors and to establish rigorous plans and programming while still attempting to introduce cost recovery in areas where they were expected to cost-share with them (Waiganjo et al., 2012). NGOs are urged to draw on neighborhood funding to avoid being treated suspiciously by local groups and governments (Waiganjo et al., 2012). The results are confirmed by Nuka (2010), who discovered that local NGOs depend on donors as the primary source of funding for their projects and activities. In his study, Saungweme (2014) also discovered that most local non-governmental organizations were not involved in self-sustaining operations, and their funding sources were not diverse enough to be considered viable.

4.5.4. Descriptive Statistics on Donor-Recipient Relationship

The research tried to ascertain respondents' degree of compliance with donor relationship management claims. The outcomes are shown in Table 4.9.

Table 4.9: Descriptive Statistics on Donor-Recipient Relationship

Variables	N	Mean	Sta. Dev
My NGO has made regular efforts in establishing constructive networks and alliances with various donor organizations	192	3.60	.987
Accountability in the use of donor funds has helped improve my NGO donor relations	192	3.28	1.054
My NGO maintains regular meaningful communications with its donors	192	3.63	1.000
My NGO actively implements donor visibility/recognition activities	192	3.64	.987
My NGO always involves donors in project implementation	192	3.49	.850
Overall Mean Score and Standard Deviation	***192***	***3.52***	***0.9756***

Source: Survey data (2021)

According to the study findings, respondents agreed to a moderate extent that their organizations had established networks with donors for funding, as demonstrated by a mean of 3.60; had regular and meaningful communication with donors on funding, as demonstrated by a mean of 3.63; actively implements donor recognition activities, as demonstrated by a mean of 3.64; and did involve donors in project implementation, as demonstrated by a mean of 3.49. However, with a mean value of 3.28, respondents are unsure if accountability through the use of donor funds has strengthened their NGOs' donor ties. The variable's average means value (3.52) suggests that respondents accepted to a modest degree that their non-governmental organizations (NGOs) had maintained a good donor-recipient relationship.

The overall mean value of 3.52 indicates that local NGOs maintain donor-recipient relationships to a moderate extent. The fact that the average standard deviation (0.9756) is less than one suggests that respondents' perceptions of the donor-recipient relationship are less variable.

This finding is supported by Moore (2010) who recommends that there is a need to maintain donor relationships through constant consultation, correct use of funds, planning and presentation of financial reporting to donors, and satisfying the requirements set by the donors. Lewis (2011), discovered a clear positive association between donor relationship management and the financial viability of local NGOs. According to Moreno (2017), direct coordination and tight partnerships between NGOs and donor organizations are vital elements in developing good relationships with donors, which serve as the foundation for long-term engagements. Close contact with donor organizations was described by Pratt and Hailey (2012) as one of the characteristics of donor ties that have a direct impact on the potential survival of NGOs. Furthermore, through productive partnerships and continuous contact, donor agencies can appreciate an NGO's procedures and operations, increasing their sense of control of the services being implemented and, as a result, their ability to continue supporting the NGO in its efforts (Twum-Darko & Tengeh, 2015).

4.5.5. Descriptive Statistics on NGO Regulation

The study sought to determine how the NGO regulation framework applied to the organization's different financial facets. Table 4.10 displays the results received.

Table 4.10: Descriptive Statistics on NGO Regulation

Variables	N	Mean	Sta. Dev
Laws and regulations for NGOs and civil society in our country are very convenient for raising funds	192	2.74	.746
Government involve NGOs in consultation during the overall legislative process	192	2.75	.671
The legal environment for NGOs and civil society in Ethiopia is enabling one	192	2.78	.848
The NGO regulation allows NGOs more scope to obtain funding from abroad	192	2.99	.865
The law appears more liberal with respect to some aspects of funding and spending	192	2.48	1.001
Overall Mean Score and Standard Deviation	***192***	***2.748***	***0.8262***

Source: Survey data (2021)

The results on the NGO regulatory framework in table 4.10, the responses indicated that laws and regulations for NGOs and civil society in our country are very convenient for raising funds (mean of 2.74 and standard deviation of 0.746) and the legal environment for NGOs and civil society in Ethiopia is enabling one (mean value of 2.78 and standard deviation of 0.848) to a lower extent, the law did not appear more liberal to some aspects of funding and spending with the mean value of 2.48. Respondents were not certain whether the government involves NGOs in consultation during the overall legislative process and the NGO regulation allows NGOs more scope to obtain funding from abroad with a mean score of 2.75 and 2.99 respectively. The results showed that the regulatory system had a significant or modest effect on NGOs. This meant that NGO policy has a huge impact on NGOs' financial activities. This suggests that NGO policy impacting the amount of funding available to NGOs was the least enforced, while the others were implemented to varying degrees. This is consistent with Lambert's (2015) finding that restricting the volume of funding available has a restrictive impact on how other financial activities are carried out.

4.5.6. Descriptive Statistics on Financial Sustainability

The study sought to determine how the NGO regulation framework applied to the organization's different financial facets. Table 4.11 displays the results received.

Table 4.11: Descriptive Statistics on Financial Sustainability

Variables	N	Mean	Sta. Dev
We can survive without financial support from overseas	192	3.29	.766
We can raise the funds we need from our local community	192	3.04	.846
My NGO has reserves/unrestricted funds set aside to meet unexpected events in the future	192	3.67	1.070
The NGO has a stable financial position	192	3.38	1.051
My NGO find it easy to raise funds to pay for its core costs	192	3.39	1.023
Overall Mean Score and Standard Deviation	***192***	***3.354***	***0.9512***

Source: Survey data (2021)

The results in table 4.11 revealed that, to a lesser degree, NGOs would thrive without financial assistance from outside sources, with a mean of 3.29 and a standard deviation of 0.766. With a mean of 3.67 and a standard deviation of 1.070, NGO had contingency funds set aside to meet unforeseen incidents in the future to a modest degree. Furthermore, to a lower extent, non-governmental organizations had a steady financial situation, and respondents concluded that it is simple to collect funds to cover their key expenses, with a mean score of 3.38 and 3.39, respectively. However, respondents were indifferent it indicate that they would be able to collect the necessary funds from the local population with a mean value of 3.04 and standard deviation of 0.846.

The overall average mean score (3.354) suggests that most local NGOs sustainable to a lower extent, meaning that the NGOs were not very sustainable. This contrasts with Obo (2009), who found that most NGOs have a poor level of sustainability. Financial sustainability is crucial for the long-term survival and effectiveness of all types of NGOs (Dresner, 2002). The financial sustainability of an NGO depends on its ability to source funding especially from donor agencies (Guruprasad et al., 2013). This is maybe since local NGOs are not sufficiently diversified their source of income.

4.6. Summary of the descriptive statistics of variables

Table 4.12: Summary of the Variables

Variables	***N***	***Mean***	***Sta. Dev***
Budget Control	192	3.39	0.963
Financial Reporting	192	3.27	1.002
Income Source Diversification	192	3.46	0.955
Donor-Recipient Relationship	192	3.52	0.975
NGO regulation	192	2.74	0.826
Financial Sustainability	192	3.35	0.951

Source: Survey data (2021)

The overall mean value of budget control (3.34) indicates local NGOs' implementation of budget control practices is to a moderate extent. This result conforms with Ayom (2013) who discovered that financial budgeting practices have a positive impact on NGO sustainability. As a result, local NGOs should implement proper financial budgeting practices to greatly boost their financial sustainability. The average mean score of financial reporting (3.27) indicates financial reporting practice of local NGOs is to a lower extent. This implies that local non-governmental organizations (NGOs) should implement sound financial management practices to lessen incidences of fraud while still meeting the regulatory bodies' and donors' financial criteria. The overall mean score of income source diversification (3.46) indicates that local NGOs' source of revenue is diversified to a moderate extent. The study result is in line with Lewis's (2011), the recommendation that LNGOs use fund diversification techniques. This implies that local NGOs in Ethiopia should embark on income source diversification activities. The overall mean value of 3.52 indicates that local NGOs maintain donor-recipient relationship to a moderate extent. Close contact with donor organizations was described by Pratt and Hailey (2012) as one of the characteristics of donor ties. Lewis (2011) discovered a positive association between donor relationship management and the financial viability of local NGOs. This implies that local NGOs operating in Addis Ababa needs to work on maintaining effective ties with their donor. The average mean score of 2.74 showed that the regulatory system had a significant or modest effect on NGOs. This meant that NGO policy has a huge impact on NGOs' financial activities. This implies that restricting the volume of funding available has a restrictive impact on how other financial activities are carried out (Lambert, 2015). The overall average mean score (3.354) suggests that most local NGOs are sustainable to a lower extent. Financial sustainability is crucial for the long-term survival and effectiveness of all types of NGOs.

4.7. Diagnostic Tests

4.7.1. Test for Multicollinearity

The independent variables need not be heavily correlated with each other to achieve successful outcomes. Collinearity in multiple regression analysis refers to the association of the independent variables (Pallant, 2007). To ensure that there is low collinearity, the Tolerance and VIF (Variance Inflation Factor) values should be tested. According to Pallant (2007), tolerance specifies how often the independent variables do not describe of a given independent variable's variability, and the value should not be tiny (less than 0.10) to suggest the absence of collinearity. Furthermore, VIF, the opposite of tolerance value, should be less than 10 to preclude any questions about collinearity (Pallant, 2007). The findings obtained are presented in Table 4.12.

Table 4.13 Collinearity Statistics

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Budget controls	.810	1.235
	Financial Reporting	.702	1.424
	Income Source diversification	.738	1.355
	Donor Recipient Relationship	.630	1.587
	NGO Regulation	.650	1.538

Source: Survey data (2021)

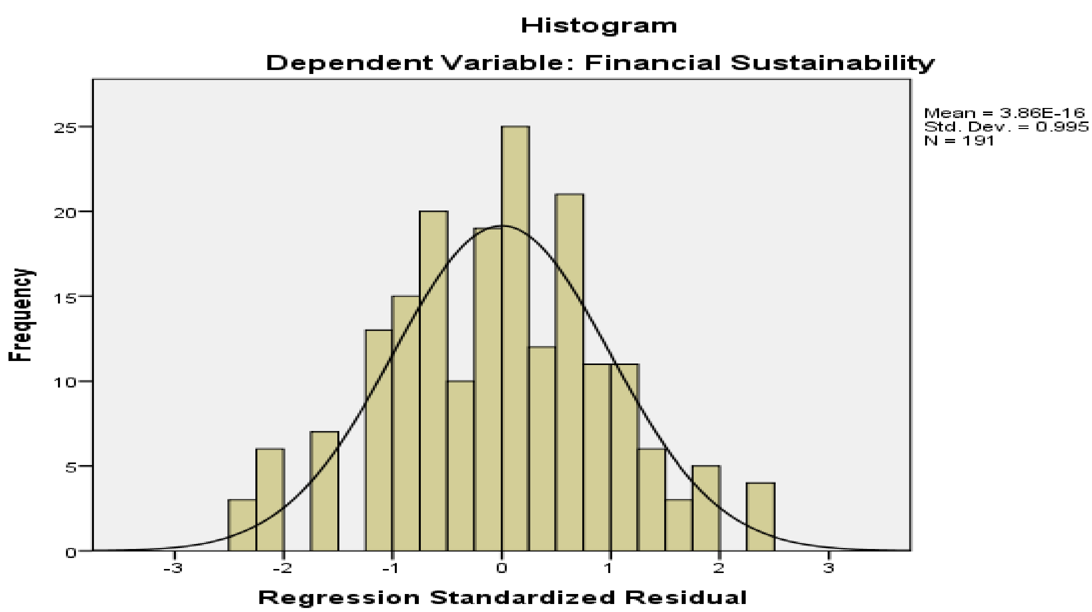
Table 4.13 shows that budget control has a tolerance of 0.0.810 and a VIF of 1.235, financial reporting has a tolerance of 0.702 and a VIF of 1.424, income source diversification has a tolerance of 0.738 and a VIF of 1.355, the donor-recipient relationship has a tolerance of 0.630

and a VIF of 1.587, and NGO regulation has a tolerance of 0.650 and a VIF of 1.538. When tolerance is less than 0.1 and VIF is greater than 10, multicollinearity occurs (Pallant, 2007). However, the tests for all factors were within suitable ranges, so the matter of multicollinearity did not arise.

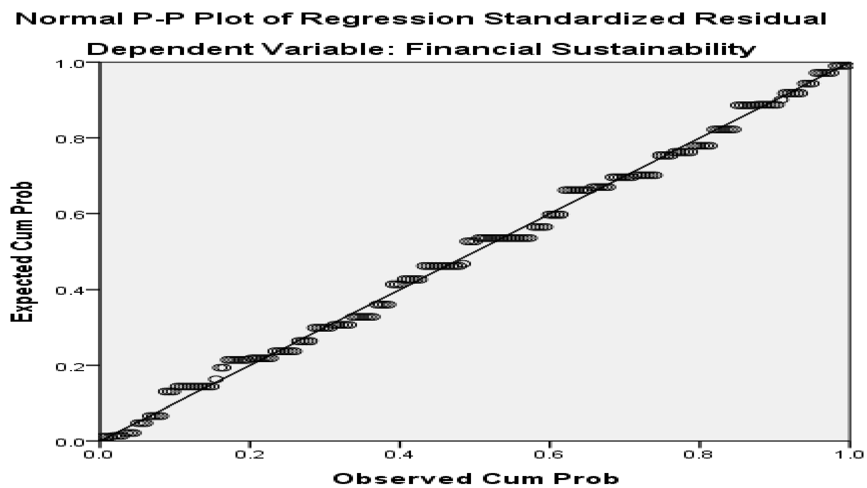
4.7.2. Test for Normality

One of the most important statistical procedures is the normal distribution. A normal distribution with a mean of zero and a standard deviation of one is referred to as a standard normal distribution (Garson, 2012). Multiple regression analysis demands that the variables in the sample be naturally distributed. Assume that the histogram was bell-shaped and that the residuals were usually spread around its mean of zero. As seen in Figure 4.1, residuals were normally spread around their mean of zero, indicating that the results were normally distributed and conformed to the normal distribution assumption. Since the figures validated the data's normality assumption, it follows that the inferences drawn regarding population parameters from survey statistics are likely to be correct.

Figure 4.1: Normality Test, Histogram



Furthermore, the normal likelihood plots were used to verify the normality statement, as seen in **Figure 4.2 of the Normal P P-Plot.**



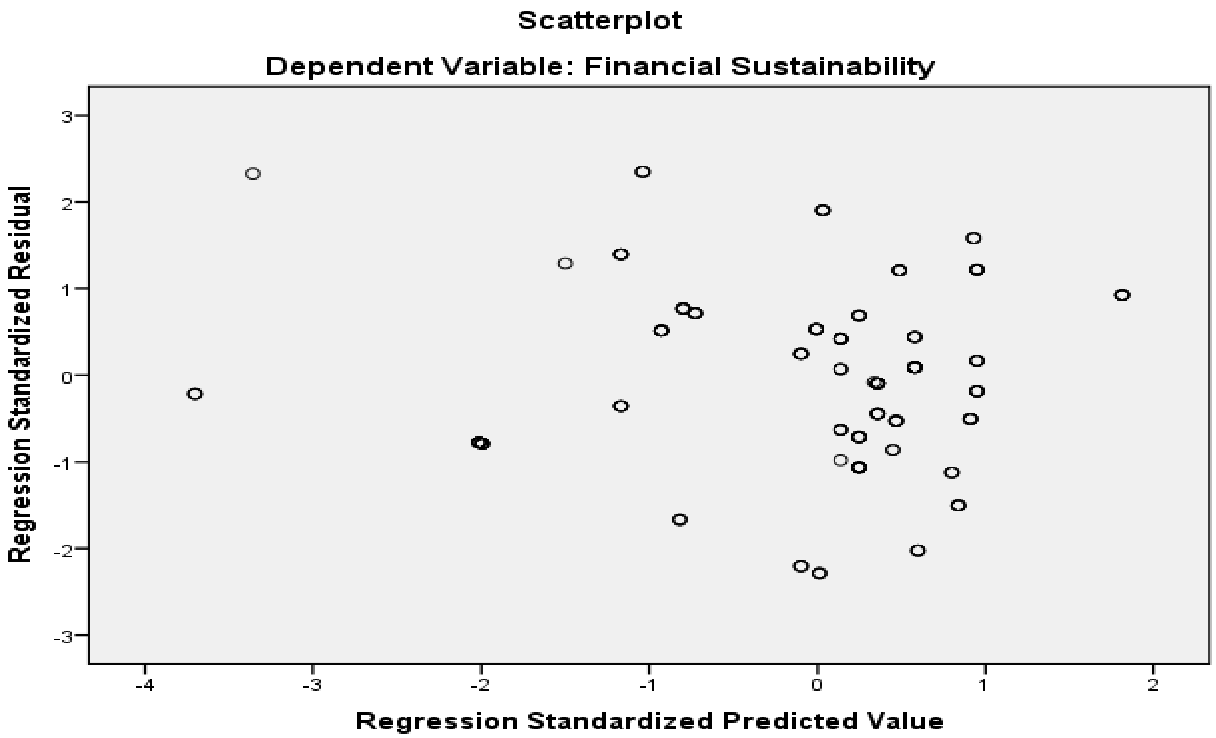
A normal probability plot is a graphical tool that may be used to determine whether or not a data set is normally distributed (Chambers et al., 1983). It aids us in examining the probability plot and determining how closely the data points match the fitted distribution line. The points fall closely along the straight line if the provided theoretical distribution is a good fit. The data is displayed in comparison to a theoretical normal distribution, with the dots forming an almost straight line. Deviations from this straight line denote a departure from normality.

The preceding graphic indicates that the normal probability plot has a significantly linear structure. There are just slight variations from the line fit to the probability plot points. For this data, the normal distribution looks to be a viable model. The probability plot displays a significant linear trend. As a result, the residuals' normal probability plot indicates that the error terms are indeed normally distributed.

4.7.3. Test for Homoscedasticity and Linearity

To test for homoscedasticity and linearity, a Scatter plot was used. The scatter plot compares the normalized residuals (ZRESID) to the standardized expected (ZPRED) values. The data graph is depicted in Figure 4.3.

Figure. 4.3 Scatter Plot of ZPRESID and the ZPRED values of the Data



To evaluate if the residuals in regression analysis are random, we simply check if they are randomly distributed around zero throughout the whole range of fitted values. When the residuals are centered on zero, it means that the model's predictions are on average correct rather than systematically excessively high or low. In addition, regression presupposes that the residuals have a normal distribution and that the degree of scattering is the same for all fitted values (Pallant, 2007). Figure 4.3 shows that the data is evenly and randomly spread around zero. It does not appear to funnel out and no curve is evident. It does not have an obvious pattern, there are points equally distributed above and below zero on the X-axis, and to the left and right of zero on the Y-axis. This is indicative of the fact that the conditions necessary for linearity and homoscedasticity have been fulfilled.

4.8. Inferential Analysis

The analysis aimed to determine the underlying relationships between variables and the degree to which the independent variables affected the dependent variables. Correlation analysis and multiple regression analysis were used to achieve this aim.

4.8.1. Correlation Analysis

Correlation analysis is used to determine the relationship between two or more sets of variables. Table 4.14 shows the relationship between the various sets of variables that were collected.

Table 4.14: Correlations

		Budget controls	Financial Reporting	Income Source diversification	Donor Recipient Relationship	NGO Regulation	Financial Sustainability
Budget controls	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	192					
Financial Reporting	Pearson Correlation	.312**	1				
	Sig. (2-tailed)	.000					
	N	192	192				
Income Source diversification	Pearson Correlation	.342**	.286**	1			
	Sig. (2-tailed)	.000	.000				
	N	192	192	192			
Donor Recipent Relationship	Pearson Correlation	.180*	-.076	.350**	1		
	Sig. (2-tailed)	.012	.294	.000			
	N	192	192	192	192		
NGO Regulation	Pearson Correlation	.258**	.327**	.201**	.449**	1	
	Sig. (2-tailed)	.000	.000	.005	.000		
	N	192	191	192	192	192	
Financial Sustainability	Pearson Correlation	.096	.010	.685	.340**	-.570**	1
	Sig. (2-tailed)	.187	.894	.013	.000	.000	
	N	192	192	192	192	192	192

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

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

As a result, the correlation matrix reveals that income source diversification has the strongest positive correlation with NGOs' financial sustainability (r=.685, p=0.013). Except for budget control and financial reporting, the other factors had a favorable and significant association with financial sustainability, namely donor-recipient relationship (r=.340, p<0.01) and NGO regulation with the value of (r=-.570, p<0.01) has a negative and significant relationship with NGOs financial sustainability.

Notably, all of the financial management practice indicators analyzed separately, except for budget control and financial reporting, affected the financial sustainability of local NGOs working in Addis Ababa. Correlations between independent variables were used to demonstrate the association between variables and validate the absence of multicollinearity. Since the independent variables were not highly correlated, multicollinearity was not an issue.

4.8.2. Model Summary

The overall results of the subject study are as shown in Table 4.14.

Table 4.15: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.617[a]	.380	.364	.56460

a. Predictors: (Constant), NGO Regulation, Income Source diversification, Budget controls, Financial Reporting, Donor Recipient Relationship

The model summary results revealed a relationship (R=.617a) between the independent variables (budget control, financial reporting, income source diversification, donor-recipient relationship, and NGO regulation) and the dependent variable (NGOs financial sustainability). The goodness of fit of the explanatory variables in describing the fluctuations independent variables is calculated using R-square. The adjusted R-Square (R2= 0.364) demonstrates the predictive capacity of all independent variables in the analysis. As a result, budget control, financial reporting, income source diversification, donor-recipient relationship, and NGO regulation account for 36.4 percent of the difference in NGOs' financial sustainability. In contrast, 63.6 percent of financial sustainability was calculated by factors that were not included in the model.

4.8.3. Analysis of Variance (ANOVA)

The thesis went on to use ANOVA statistics to determine the regression model's goodness of fit. According to Mugenda and Mugenda (2003), ANOVA is a statistical method for data processing that is used to determine whether or not there are any major discrepancies between two or more groups of samples at a given degree of probability. If the absolute t-values of the regression coefficients associated with the independent variable are greater than the absolute critical t-values, the explanatory variable is said to be a significant predictor of the dependent variable. The study's findings are summarized in the table below.

Table 4.16: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	36.198	5	7.240	22.711	.000[b]
	Residual	58.973	185	.319		
	Total	95.171	190			

a. Dependent Variable: Financial Sustainability

b. Predictors: (Constant), NGO Regulation, Income Source diversification, Budget controls, Financial Reporting, Donor Recipient Relationship

According to the study's results, the regression model had a significance level of 0.0 percent, indicating that the regression model is ideal for forecasting the financial survival of local NGOs provided financial management practice variables. This is because the significant value (p-value), which was used as a measure of statistical importance, was less than 5%. As a consequence of the findings, it is possible to infer that financial sustainability is significant at 36.4 percent of the variance (adjusted R-Square) and that the model accurately measures it.

4.8.4. Coefficients of Determination

The direction of the relationship between dependent and independent variables is shown by the regression coefficient. Table 4.17 shows the findings of this analysis.

Table 4.17: Regression Coefficient Analysis of the Model

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.485	.379		3.919	.000
	Budget controls	.016	.073	.014	.223	.824
	Financial Reporting	.122	.067	.125	1.817	.071
	Income Source diversification	.181	.080	.152	2.257	.025
	Donor Recipient Relationship	.181	.100	.133	1.819	.070
	NGO Regulation	-.679	.084	-.579	-8.075	.000

a. Dependent Variable: Financial Sustainability

The unstandardized Beta Coefficients (β) reflect the influence of each independent variable on the dependent variable. Furthermore, since the variance described by all other independent variables in the model is regulated, the values of the unstandardized Beta Coefficients in the Beta column of Table 4.16 above show which independent variable makes the greatest contribution to explaining the dependent variable (Financial Sustainability). Only income source diversification and NGO regulation have a major impact on the dependent variable, according to the regression study. The analysis also demonstrates that NGO regulation has a negative and statistically significant association with the financial sustainability of NGOs.

The hypothesis testing for the analysis was done using β and P values. As a result, the proposed hypothesis for this analysis was evaluated using the coefficient findings as follows.

H_1: Budgetary control has a positive and statistically significant effect on financial sustainability of NGOs in Addis Ababa.

To validate the hypothesis, SPSS was used to run multiple regressions, which provides the total fitness of the model presented in the preceding paragraphs as well as the importance of each independent variable in influencing the dependent variable. The findings of multiple regressions, as seen in Table 4.16, showed that budget control had a positive but insignificant impact on the financial sustainability of local NGOs (β = 0.016, t = 0.223, p=0.824). As a result, the researcher rejects the argument that state budget control has a statistically significant impact on financial sustainability.

The study's conclusions contradict those of Wandera and Paul Sang (2017), who investigated the financial management practices and sustainability of non-governmental agency projects in Juba. According to the study's conclusions, there is a significant and optimistic association between budget control and the financial sustainability of South Sudanese NGOs. Ebenezer, Musah, and Ahmed (2020) also investigated the financial sustainability determinants of non-governmental organizations (NGOs) in Ghana. The findings indicate that good financial management practices, own revenue generation by NGOs, income diversification, and good donor relationships are the most important determinants of NGOs' financial survival in Ghana. According to Kumar (2004), many firms have diverse management techniques that differ in nature and application. Some, though, are deceptive and corrupt. This may restrict their success as well as their financial sustainability.

H_2: Financial reporting has a positive and statistically significant effect on financial sustainability of NGOs in Addis Ababa.

The findings of multiple regressions, as seen in Table 4.16, showed that financial reporting had a positive but insignificant impact on the financial sustainability of local NGOs (β = 0.122, t = 1.817, p=0.071). As a result, the researcher rejects the argument that states financial reporting has a statistically significant impact on financial sustainability.

This study's results contradict those of Sontag-Padilla et al. (2012), who discovered that keeping donors updated about the organization's financial state motivates them to participate more with the organization and helps them realize that they are indeed making an effect. Onsongo (2012) has described accurate financial management as one of the critical strategies employed by local NGOs to achieve financial sustainability. Wandera and Paul Sang (2017) have investigated the financial management activities and long-term viability of non-governmental agency ventures in Juba. According to the study's findings, there is a significant and optimistic association between financial statements and the financial sustainability of South Sudanese NGOs. Rono (2012) adds to this notion by stating that implementing a successful financial reporting scheme assists an organization in obtaining funding from supporters who understand the organization's actual financial condition.

H_3: Income source diversification has a positive and statistically significant effect on financial sustainability of NGOs in Addis Ababa.

According to the multiple regression table 4.16 above, income source diversification has a significant and positive impact on the financial sustainability of local NGOs with (β = 0.181, t = 2.257, p =0.025). In this case, the beta coefficient explains how, while the other factors remain stable, a one-unit increase in income source diversification results in 18.1% increase in the financial sustainability of local NGOs. This implies that NGOs should rely on more sources of funding their projects and collaborating with more donors rather than focusing on a single donor. As a result, the researcher fails to reject the hypothesis that income source diversification has a statistically significant effect on the financial sustainability of local NGOs.

The study findings are consistent with Lewis (2011), who recommended that LNGOs use fund diversification techniques to become less reliant on a single donor and to minimize the amount of influence a single donor has over their operations. According to Karanja (2014), one of the major factors influencing the successful management and survival of NGOs is their reliance on donor support. It is also concluded that financing in NGOs is a problem, which has resulted in several projects being terminated prematurely, and that NGOs should rely on more sources of funding their projects and collaborating with more donors rather than focusing on a single donor. NGOs had to work tirelessly to identify new international donors and to establish rigorous plans and programming while still attempting to introduce cost recovery in areas where they were expected to cost-share with them (Waiganjo et al., 2012). NGOs are urged to draw on neighborhood funding in order to avoid being treated suspiciously by local groups and governments (Waiganjo et al., 2012).

***H_4*: Donor to recipient relationship has a positive and statistically significant effect on financial sustainability of NGOs in Addis Ababa.**

As seen in Table 4.16, the results of multiple regressions revealed that the donor-recipient relationship had a favorable yet negligible effect on the financial viability of local NGOs (β = 0.181, t = 1.819, p=0.070). As a result, the researcher rejects the argument that the donor-recipient relationship has a statistically significant effect on financial sustainability.

The study's results contrast those of Lewis (2011), who discovered a clear positive association between donor relationship management and the financial viability of local NGOs. According to Moreno (2017), direct coordination and tight partnerships between NGOs and donor organizations are vital elements in developing good relationships with donors, which serve as the foundation for long-term engagements. Close contact with donor organizations was described by Pratt and Hailey (2012) as one of the characteristics of donor ties that have a direct impact on the potential survival of NGOs. Furthermore, through productive partnerships and continuous contact, donor agencies can appreciate an NGO's procedures and operations, increasing their sense of control of the services being implemented and, as a result, their ability to continue supporting the NGO in its efforts (Twum-Darko & Tengeh, 2015).

H_5: NGO regulation has negative and statistically significant effect on financial sustainability of NGOs in Addis Ababa.

The study found a negative and significant association between NGO regulation and financial sustainability (β = -0.679, t = -8.075, p=0.000). If we raise our predictor variable (NGO regulation) by one unit while keeping all other variables stable, the financial survival of local NGOs would be reduced by 67.9 percent. Among the independent variables examined in this report, NGO regulation has the most important impact on the financial sustainability of Addis Ababa-based local NGOs. As a result, the researcher is unable to reject the hypothesis.

The findings are consistent with Nuka (2010), who investigated the viability of NGOs in Kosovo, USA, by exploring the problems of the third sector and possible solutions. The results from the funding questions showed that NGOs had difficulties finding donors due to reasons that played an important role in survival, and this served them to recruit only international donors. NGOs were discovered to lack sponsorship from local or institutional governments, making it difficult for them to obtain funding. Mpofu (2012) investigated the cultural capital and long-term viability of non-governmental organization (NGO) development projects in Zimbabwe. According to the report, the development projects initiated by non-governmental organizations (NGOs) in Zimbabwe were predestined because they were established without taking into account the cultures of the communities and Zimbabwean regulations.

The study yielded the following regression equation:

$Y = 1.485 + 0.016 X_1 + 0.122X_2 + 0.181X_3 + 0.181X_4 - 0.679X_5$

Where Y = Financial Sustainability

X_1= Budget control

X_2= Financial reporting

X_3 = Income source diversification

X_4= Donor-recipient relationship

X_5= NGO regulation

CHAPTER FIVE: SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.1. Introduction

This chapter summarizes the findings from Chapter 4, as well as the conclusions and suggestions. The chapter also includes recommendations for future research to answer the research question or achieve the research aim.

5.2. Summary of Findings

The study attempted to ascertain the impact of financial management methods on the financial viability of Addis Ababa-based local NGOs. Only budget control was determined to have a high level of acceptance, while the other had moderate levels, with stakeholders' engagement having the lowest level of adoption. Income source diversification and financial sustainability showed a Pearson Correlation of 0.685 and a p-value of 0.013, according to the correlation study. The positive coefficient suggested that diversifying income sources has a positive influence on the financial sustainability of local NGOs. The p-value of 0.05 suggested that income source diversification had a significant favorable effect at 95% confidence level. As a result, an NGO that implements adequate income source diversification will considerably enhance its financial sustainability.

The research also intended to determine how financial reporting affects the financial viability of local non-profit making organizations. Financial reporting methods in local NGOs have a low level of adoption, whereas program implementation units completely follow disbursement flows have a moderate level of adoption. Financial reporting and financial sustainability were shown to be correlated with a Pearson's coefficient of 0.010 and a p-value of 0.894. Financial reporting has a favorable but negligible influence on the viability of local NGOs, according to the positive coefficient. The fact that the p-value was more than 0.05 suggested that the positive effect of financial reporting was insignificant.

Furthermore, the study sought to determine the impact of the donor-recipient relationship on the financial viability of local NGOs functioning in Addis Ababa. The findings show that donor-recipient relationships in local NGOs had intermediate levels of adoption, with local non-governmental organizations having established networks with donors for financing, meaningful communication with donors about financing, actively implementing donor appreciation activities, and including donors in project execution being moderate. The Pearson's coefficient of correlation between the donor-recipient connection and financial sustainability was 0.340, with a p-value of 0.000. The positive coefficient suggested that the donor-recipient connection had a positive influence on the financial viability of local non-governmental organizations. At the 95 percent confidence level, the p-value0.05 revealed that the positive effect of the donor-recipient link was significant. As a result, adopting proper donor-recipient interaction procedures by an NGO will considerably increase financial sustainability.

The study's ultimate goal was to investigate the impact of financial management practices on the financial viability of local NGOs in Addis Ababa. Multiple regression analysis was carried out to discover which independent variable (budget control, financial reporting, revenue source diversification, donor-recipient relationship, and NGO regulation) contributes the most to explaining the dependent variable (Financial Sustainability). According to the regression result, only revenue source diversification and NGO regulation had a significant influence on the dependent variable. The results of the investigation also revealed that NGO regulation has a negative and statistically significant relationship with the financial viability of local NGOs.

5.3. Conclusions of the study

Based on the data, the researcher concluded that the budget control measures used by local NGOs were modest. Financial reporting methods in non-governmental organizations (NGOs) showed lower levels of adoption, whereas program implementation units completely followed disbursement flows had a moderate degree of adoption. Similarly, the study suggests that revenue source diversification and donor-recipient relationship strategies in local NGOs were adopted to a modest level. This suggests that financial management practices in local NGOs are not properly implemented, which might explain why the majority of local NGOs are suffering from poor levels of sustainability. The study result implicates that financial management practices must be implemented in proper way. According to the findings of the study, revenue source diversification and NGO regulation have a substantial impact on the financial viability of local NGOs. It has also been shown that NGO regulation has a negative and statistically significant impact on financial sustainability. As a result, the study finds that revenue source diversification has a significant impact on the financial viability of local NGOs. Donors finance the majority of local NGOs in Addis Ababa. Donors are extremely important to local non-governmental organizations (NGOs). In addition, the study suggests that NGO regulation has had a detrimental influence on local NGOs.

The study's ultimate goal was to investigate the impact of financial management practices on the financial viability of local NGOs in Addis Ababa. The study suggests that, though financial management techniques had a minimal influence on the financial sustainability of local NGOs, improving NGO financial management practices will increase NGOs' sustainability, as evidenced by prior research done outside of Ethiopia. As a result, the low financial sustainability faced by NGOs may be attributable to a lack of adequate financial management techniques in the NGOs. As a result, financial management practices are critical in achieving increased financial sustainability in local NGOs.

5.4. Recommendations

Based on the results of the analysis and conclusion made the following recommendations are forwarded which help local NGOs operating in Addis Ababa to improve their financial sustainability.

- The study found that diversifying income sources has a positive and substantial impact on the financial viability of local NGOs in Addis Ababa. According to the survey, local NGOs should develop their revenue-generating projects. This would assure project continuance in the time that donor funds were withdrawn. The study also advised that NGOs diversify their income sources, such as charity donations from people and businesses, grants, fees, commission, contracts for service, and sales of items, to improve their financial viability. Furthermore, improving techniques for obtaining membership fees and minimal beneficiary contributions, as well as collecting consultation fees for unique services that the local NGO may provide to other organizations, are all techniques that organizations may use to diversify their revenue streams.
- It was discovered that NGO regulation has a considerable and detrimental impact on the financial viability of local NGOs. Some areas of financing and expenditures appear to be restricted by the legislation. The legislation predicts that local NGOs will raise the

majority of their funds from local sources solely. It also imposed impractical limits on administrative and operational expenditures. This makes it difficult for local NGOs to diversify their funding sources and so assure financial sustainability. As a result, the research suggests that the Civil Society Organizations Agency makes the legislation more permissive in terms of several areas of funding and expenditures. It should also remove the restrictions on local non-governmental organizations' ownership and disposition rights. The agency should also give local NGOs more latitude in collecting outside funding, as well as make fundraising and spending regulations more flexible.

5.5. Suggestion for Further Study

The purpose of this study was to look at the impact of financial management practices on the financial sustainability of local NGOs in Addis Ababa. The study suggests that more research be conducted on the impact of financial management practices on the financial sustainability of local NGOs, as well as those functioning in other regions of the country. This will validate the findings and allow them to be generalized. The research was also restricted to local NGOs operating in Addis Ababa; therefore the findings are confined to those groups. Another examination of various sorts of NGOs is also recommended.

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Appendices

Appendix II: Questionnaire

Section I: Organization/Respondents' Characteristics

1. What is your age bracket?

   Below 25 years [ ]

   25-35 years [ ]

   36-45 years [ ]

   46-55 years [ ]

   56 years and above [ ]

2. What is your highest level of education?

   Diploma [ ]

   First Degree [ ]

   Master's degree [ ]

   PhD [ ]

3. How long has your organization been in operation?

   Less than 5 years [ ]

   6-10years [ ]

   11-15 years [ ]

   16 years and above [ ]

Section II: Financial Sustainability

4. What is your level of agreement with the following statements relating to financial sustainability in NGOs (1- strongly disagree, 2- Disagree, 3-Neutral, 4-Agree, 5-Strongly Agree)?

Financial Sustainability

No.	Statements	SD	D	N	A	SA
1	We can survive without financial support from overseas.					
2	We are able to raise the funds we need from our locality					
3	My NGO has reserves/unrestricted funds set aside to meet unexpected events in the future.					
4	The NGO has a stable financial position					
5	My NGO find it easy to raise funds to pay for its core costs.					

Section III: Budget Controls

5. What is your level of agreement with the following statements relating to budget controls in local NGOs? (1- strongly disagree, 2- Disagree, 3-Neutral, 4-Agree, 5-Strongly agree)

Budget Controls

No.	Statement	SD	D	N	A	SA
1	In our NGO, operational managers are fully involved in budget planning					
2	The organization clearly identify responsibilities for budget preparation.					
3	Our activities are based on our budget					
4	Variances of budgets is communicated annually to stakeholders and full justification obtained					
5	Budget performance reports are always communicated to the donors and other financiers					

Section IV: Financial Reporting

6. What is your level of agreement with the following statements relating to financial reporting in local NGOs? (1- strongly disagree, 2- Disagree, 3-Neutral, 4-Agree, 5-Strongly agree)

Financial Reporting

No.	Statement	SD	D	N	A	SA
1	Financial reporting process for donor funds is easy to understand for staff					
2	Project team strictly follow financial accounting policies.					
3	Program Implementation Units fully track disbursement flows					
4	The organization has a structured monitoring and evaluation system in place for financial reports					

Section V: Income Source Diversification/ Self-Financing

7. What is your level of agreement with the following statements relating to income source diversification in local NGOs? (1- strongly disagree, 2- Disagree, 3-Neutral, 4-Agree, 5-Strongly Agree)?

Income Source Diversification

No.	Statement	SD	D	N	A	SA
1	My NGO has a broad funding base consisting of many sources (donors)					
2	My NGO diversifies its income to reduces the risk of closing down in case of withdrawal of donors					
3	My NGO diversifies its income to be able to reject funding whose sources do not fit into its agenda and values					
4	My NGO diversifies its income to be able to meet its overhead costs and other expenses not met by the donors					

Section VI: Donor-Recipient Relationship

8. What is your level of agreement with the following statements relating to donor-recipient relationship in local NGOs? (1- strongly disagree, 2- Disagree, 3-Neutral, 4-Agree, 5-Strongly Agree)?

Donor-Recipient Relationship

No.	Statement	SD	D	N	A	SA
1	My NGO maintains regular meaningful communications with its donors					
2	My NGO actively implements donor visibility/recognition activities					
3	Accountability in the use of donor funds has helped improve my NGO donor relations					
4	My NGO has made regular efforts in establishing constructive networks and alliances with various donor organizations					
5	My NGO always Involves donors in project implementation					
6	My NGO has effective network with donor for funding					

Section VI: NGO Regulation

9. What is your level of agreement with the following statements relating to NGO regulatory framework? (1- strongly disagree, 2- Disagree, 3-Neutral, 4-Agree, 5-Strongly Agree)?

NGO Regulation

No.	Statement	SD	D	N	A	SA
1	Laws and regulations for NGOs and civil society in our county are very convenient for raising funds.					
2	Government involve NGOs in consultations during overall legislative process?					
3	The legal environment for NGOs and civil society in Ethiopia is enabling one					
4	The NGO regulation allows NGOs more scope to obtain funding from abroad.					
5	The law appears more liberal with respect to some aspects of funding and spending					