

# Assessing Strategies Of Financial Sustainability Of Non-Governmental Organisation

## CASE STUDY Centro International for tropical Agricultura (CIAT)

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**Abstract-** The Non-Governmental Organization sector has been active in delivering important services both economically and socially in Rwanda. This study aim to assessed the Financial sustainability of NGO Case of study Centro International for Tropical Agricultural (CIAT).The objective of this study is To establish the effect of fund-raising strategy on Financial Sustainability for NGOs like Centro International for Tropical Agricultura , To examine the effect of income diversification strategy on financial sustainability for NGOs like Centro International for Tropical Agricultura , To ascertain the effect of management capability on financial Sustainability for Centro International for Tropical Agricultura .The study use Correlational research design and this research design was a productive technique for methodically gathering information from a wide range of people and instructive settings. The population of the study comprised 173 staff. Data collected was purely primary and consisted of data obtained from questionnaires and face-to-face interviews. Data analysis was carried out using Statistical Package for Social Sciences (SPSS) and the results was summarized by use of descriptive statistics such as frequency distributions, percentages, and standard deviation. The findings showed that expansion of fundraising strategy sources which has a mean of 4.96 has a big impact on financial sustainability followed by income diversification that has a mean of 4.394, self-financing and management capability has a mean of 3.72 key money-related arranging all contributed generally to the budgetary supportability of CIAT. From regression test, Income diversification strategy, Management capability, Fundraising strategy accounts for 49.3% of financial sustainability. Hypotheses were tested and all null hypotheses were rejected, showing that study variables influence financial sustainability. The study recommended that CIAT need to frame an expansive and brought together planning discussion, affiliation, or gathering to speak to their advantage and agenda, to strengthen their organizational capacity. There is a need to develop a strong network for more fundraising and support.

### I. INTRODUCTION

#### T1.1 Background to the Study

The sustainability of charitable associations (NGO) has for some time been important to philanthropic association pioneers, current and expected funders, and the Communities that not-for-profits serve. Notwithstanding, not-for-profits face a horde of difficulties in setting up and keeping up Financial sustainability.

With an end goal to improve the sustainability and execution of its less-resourced branches that serve high-need networks Based in Income Generating, while the income is scarce NGO should discover the best approach to back their movement to meet the mission and prerequisite, Balancing Financial sustainability with their Income.

Assessing financial sustainability of Non profit organization requires some objectives. The Objective of this study is; to establish the effect of fund-raising strategy on Financial Sustainability for NGOs like Centro International for Tropical Agricultura; To examine the effect of income diversification strategy on financial sustainability for NGOs like Centro International for Tropical Agricultura; To ascertain the effect of management capability on financial Sustainability for Centro International for Tropical Agricultura.

Financial sustainability strategy tuns into a social enterprise when worked as a business. It applies when the activity was established strategically to create social or economic value for the organization and has a drawn-out vision and is overseen as a going concern. Development and income targets are set for the action in a business or operational arrangement. (Navarro-Flores, 2011), Qualified staffs with business or industry experience manage the activity or give oversight, when contrasted with chartable program staff. Non-Governmental Organizations that need to begin business adventures, while keeping away from unnecessary danger, should focus on businesses that relate to their core mission and take advantage of their existing skills, staff, and facilities. Such endeavors are safer in light of the fact that they can begin little, require minimal capital venture or other beginning up expenses, and cause minimal disturbance to the NGO's center activities.

Financial Sustainability implies that Organizations should utilize no more resources than can be generated. (Hawken,1993), This can be characterized in terms of the carrying capacity of the ecosystem and describe with input-yield models of resource utilization, Financial sustainability require portfolio investment. In picking the optimal mix of investment holdings to give monetary security, private investors coordinate their portfolio to the individual circumstance, i.e., their present living cost, arranged future costs for youngsters' medical services, a greater home retirement need, and so forth, with their own Philosophy or disposition toward the hazard. In choosing a specific venture, they focus on areas where they have special information, experience or premium, and gauge the normal degree of profitability with the time and effort required to oversee it. furthermore, in regulating

their portfolio they stay update concerning development influencing their venture and changes the blend as situation dictate This cycle matches how effective NGOs deal with their arrangement of subsidizing sources to meet their financial security needs (PDA and UNAIDS,2001). Taking at the perspective of donors and NGOs, sustainability of a project simply implies the continuation of project activities and sustenance of project outcomes after the initial essential grant expires. Most givers are worried about the sustainability aspect of a project and regularly fund projects which have a very much characterized sustainability plan in place. It is a test for NGOs to guarantee a consistent progression of resources for executing their activities and projects. Integrating sustainability standards in their continuous guarantee long-haul sway. projects can be an effective way to ensure long term impact. The continuation of performing and convey project advantage to the essential target group after the financing from a donor terminates. All in all, supportability is to keep up and proceed with your endeavors after the financing is finished. One should comprehend that sustainability requires long-term planning to facilitate diverse donor engagement and for improving the institutional capacity of the target population. Sustainability arranging is a significant advance for not-for-profits as it readies an association to convey positive results without essential funding.

## II. LITERATURE REVIEW

### 2.2 Theoretical Review

Nonprofit organizations can finance their activity and capital venture through internal funds (such as Aggregated benefits), outside funds (such as obligation), or a blend of the two. The current charitable finance literature offers two contending speculations that clarify financing choices: Communication theory trust commitment, satisfaction, and the relationship between Nonprofit organization and donors, while the pecking order theory recommends that managers basically prefer internal funds to external resources. While Resource dependence Theory distinguishes the usage and Assessment of the strategy of resource reliance, Resource dependence theory argue the influence of the external environment.

#### 2.2.1 Legitimacy theory

Legitimacy offers to an organization the right to perform its activities in consensus with stakeholders' interests (Suchman 1995). Legitimacy theory is value system centered (Rogowski, 2015). A dichotomy exists between the value system of organizations and those of the society. Cost recovery legitimacy exists at the organizational level when there is congruence between organization and society value system. Legitimacy is important in enhancing accountability in operations of nongovernmental organizations. Legitimacy is crucial because the NGOs must declare to that they represent the poor people against poverty and other societal ills which are seen to have brought laxity in the government. Government and business leaders would like to know how NGOs were appointed to speak for the people and whether they represent the will of those they purport to represent (Songco, 2007).

#### 2.2 Communication Theory

Hon and Grunig (1999) offer communication theory that trust, commitment, satisfaction, and power of the relationship can be used to measure the relationship between nonprofit organizations

and donors. Trust can be demonstrated by organizations by “doing what an organization says will do” (Ledingham & Bruning, 1998) and allows to predict what donors will behave in the future relationship (Mayer, Davis, & Schoorman, 1995). Responsibility can be defined based on the belief that "the relationship is worth spending energy to maintain and promote" (Hon & Grunig, 1999) as it tends to be seen at the most significant level of a relationship (Dwyer, Schurr, and Oh, 1987). Satisfaction indicates whether parties in a relationship have positive feelings for the partner, which commits to maintaining the relationship by determining that the benefits of the relationship are much greater than the costs (Dwyer, Schurr, & Oh, 1987). As a result, following the dimensions of the interpersonal communication theory, nonprofit organizations must focus more on investing in the formation of the relationship based on trust, commitment, and satisfaction to guarantee donors, which can carry long-term advantage to the organization (Rosso, 1991). Applying this Hypothesis, Waters (2011) contends that trust and fulfillment are the strongest indicators and can be a hint to predict which donors will maintain their relationships according to the degree of the indicators. This suggests how important it is to focus on strategies that build strong trust and satisfaction through fundraising marketing. As statistical data have shown that donors are no longer contributing to blindly (Light, 2003), it is critical to adequately guarantee what benefactors might be worried about the donations (Waters, 2011).

#### 2.2.3 Resource Dependence Theory

The Resource Dependence Theory is based on the theory that how NPOs obtain resources affects the actions of the organizations, helps explore revenue diversification and concentration strategies to meet challenges that NPOs face during economic downturns.

Nonprofit Organization pioneers have exploited the standards of RDT to recognize, implement, and assess strategies targeting resource reliance (Mitchell, 2012). Proponents of RDT argue that an NPO is subject to outside influence when it relies on the external environment for a substantive proportion of its funding (Pfeffer & Salancik, 1978). The theory acknowledges the influence of external elements on organizational ecology and, even though the context inhibits leaders, they can play a central role in diminishing environmental volatility and dependence. Resource disparity between a donor and an NPO can spike organizational subservience and eventually a loss of organizational freedom (Mitchell, 2012). NPOs' dependence on donative income influences organizational freedom to execute strategic decision such as outlining the nonprofit's purpose statement, the target population, the foreseen outcomes, and the working protocols (Ketola, 2016). Thus, based on the RDT framework, NPOs that rely on a financially influential sponsor, which receive pressure to comply with benchmarks enforced by the sponsor, will experience reduced degrees of organizational freedom in tactical decision-making.

## III. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

### 5.1 Introduction

This chapter deals with a summary of the research findings, the conclusions made thereof, and the recommendations that the researcher provided on factors affecting the financial

sustainability of NGOs (Centro International for Tropical Agricultura)

## 5.2 Summary

This section provides, in brief, a summary of the findings reported in the previous chapter based on the objectives of the study. This study focused on the financial sustainability of CIAT. The first objective was to establish the effect of a fund-raising strategy on Financial Sustainability for NGOs like Centro International for Tropical Agricultura (Mean = 4.96, std. dev =1.252).

It was not clear whether CIAT has begun to systematize resource time works out; the arrangement of donor contacts and assembling pledges endeavors or most of such organizations". It was also found that multiple sources of funds raise the financial stability of CIAT, and this is very critical for the continuity of core functions of other organizations. However, there was uncertainty whether CIAT is well-financed from various sources and whether CIAT has a broad funding base for its projects. There was also a contrary assertion that domestic sources of funding for CIAT are becoming increasingly reliable affirming that most financial supports are provided by foreign bodies.

The second objective was to examine the effect of income diversification strategy on financial sustainability for NGOs like Centro International for Tropical Agricultura (Mean = 4.394, std. dev =1.5) The findings showed that most NGOs have integrated financial administrative systems with income-generating initiative and that they monitor and adjust on an ongoing basis. It was found that NGOs clearly define "income generation goals in view of the association's budgetary/key arrangements and duties that are shared among a few people and that there is unhindered salary represents more than half of the association's aggregate yearly 49spending plan. It was not clear whether NGOs have started to systematize asset era exercises; designation of contributor contacts and gathering pledges endeavors".

The third objectives were to ascertain the effect of management capability on financial Sustainability for Centro International for Tropical Agricultura. (Mean = 3.388, std. dev =1.2). The finding showed that NGO staff has "learning in cost investigation and distinguishing proof of cost sparing procedures and they have gone to preparing on innovation and developing issues in the previous one year. It was additionally found that preparation facilitators who offered training were extremely educated and even more, so most NGOs has a completely operational back division with experienced fund workforce".

The connection examination demonstrated that there is a relationship between all the predictors (Income diversification Strategy, Management Capability, Fundraising strategy) and the financial stability of CIAT. From the regression test, the same variables account for 49.3% of financial sustainability. Every unit change on income diversification strategy shall increase by 0.084, while management capability shall increase on financial sustainability by 0.002, Fundraising strategy shall increase on financial sustainability by 0.053. And all the variables proved positively influencing the financial sustainability of CIAT. Hypothesis testing resulted in the rejection of all stated null hypotheses, that "Income diversification strategy, Management capability, Fundraising strategy impact money related manageability of CIAT".

## 5.3 Conclusions

Lately, despite the immeasurable distinction among the world's NGOs, most share a typical predicament that is restricted subsidizing. This has ascribed to the restricted amount and low nature of their projects and exercises. Boundless necessities pursuing restricted income are a central reality of financial life in poor nations that most NGOs work. Therefore, supervisors of CIAT should regularly establish fundraising strategy of income which has a mean of 4.08 and standard deviation of 1.52 as they do to utilizing that Income on the financial sustainability, the study reveal that the source of fundraising 4.5, it is evident that most funding comes from an International organization with the highest mean score of 4.5 followed by a Private foundation with 4.44, and Local government at third place with a mean score of 4.35. It was clear that the effect of income diversification strategy has a mean of 4.394 and standard deviation of 1.5. The effect of management capability on financial sustainability has a mean score of 3.72 and standard deviation of 1.5. For this study fundraising strategy has a big impact and contribute to the financial stability of CIAT, This study focused on factors that influence financial sustainability,

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