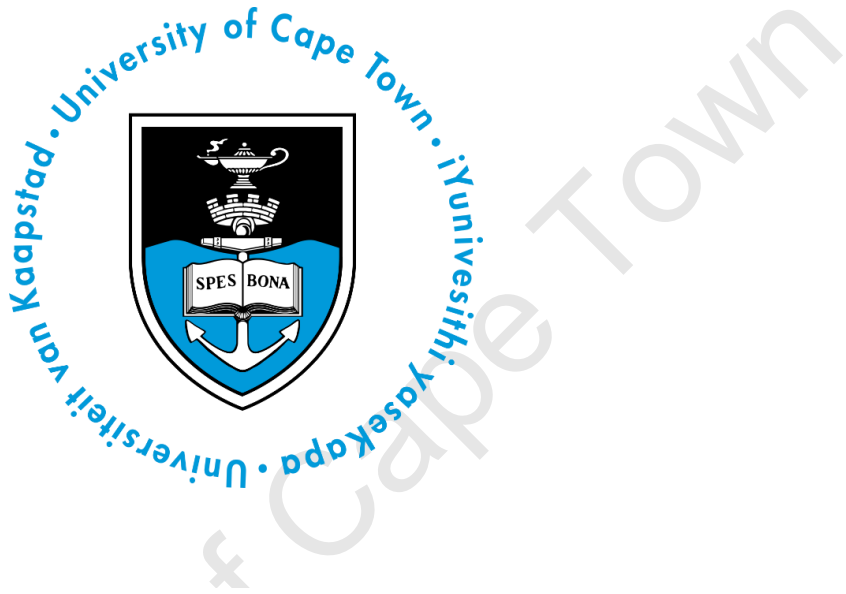


**FINANCIAL MANAGEMENT OF NGOs TOWARDS FINANCIAL  
SUSTAINABILITY: A CASE OF GABORONE, BOTSWANA**



**BY**

**KEAGETSWE ALEX KGOTLAETSILE**

**KGTKEA002**

**A MINOR DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE  
REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER'S IN  
SOCIAL POLICY AND MANAGEMENT**

Supervised by: Adjunct Associate Professor Eric Atmore

Co-supervised by: Dr Emma Campbell

14 February 2022  
University of Cape Town

The copyright of this thesis vests in the author. No quotation from it or information derived from it is to be published without full acknowledgement of the source. The thesis is to be used for private study or non-commercial research purposes only.

Published by the University of Cape Town (UCT) in terms of the non-exclusive license granted to UCT by the author.



## **ACKNOWLEDGEMENTS**

I thank everyone who has been of great support and assistance in undertaking this study. Firstly, I thank God for the strength he gave me to carry out this research. Secondly, I thank the Mastercard Foundation Scholarship for funding my Masters studies. A massive thank you to Dr. Emma Campbell for all the support you gave as a co-supervisor. Thank you to Michelle Myburg, Thato Ramokate and Refilwe Sinkamba for being supportive all the way. Thank you, Adjunct Prof Eric Atmore for your guidance. Lastly a massive thank to my family and friends for the continued support.

To the NGOs that participated in this study, thank you for your time and for the shared experiences. Your immense contribution to literature and research is tremendously appreciated.

## **ABSTRACT**

Financial sustainability remains a key concern for Non-Governmental Organisations (NGOs) in Botswana. Their survival is dependent on the fading donor funding, illustrating a weak financial capacity and poor financial sustainability prospects. To continue operating, NGOs must adopt sound financial management practices to enhance their financial sustainability. The aim for this study is to find out if the financial management practices used by NGOs in Botswana can improve their financial sustainability, thus also determining their financial sustainability potential.

The study employed a convergent parallel mixed method design, using structured surveys and face to face semi-structured interviews. A non-probability purposive sampling was adopted, drawing a sample of 20 participants for surveys representing 20 NGOs and 15 participants for face-to-face structured interviews representing 10 NGOs. The survey responses were analysed using spreadsheet (excel) while face to face interviews were analysed using NVivo Software, following Tech's (1990) process for data analysis. The study sought to answer questions centred around financial management, financial sustainability, sound financial management practices, sources of income and alternative funding for NGOs in Botswana.

The main findings demonstrate a great understanding of financial management and financial sustainability. They also showed a strong practice of financial planning enhanced by strategic planning and budgeting. A strong financial recording process which includes the use of accounting process, systems, and tools. On the other hand, somewhat a weak financial monitoring process, with good use of audits but reluctance in reviewing financial statements. Moreover, the results illustrate diverse but weak income sources, shown by a decline in local and international funding. Lastly the study shows the presence of an alternative funding approach which has ensured some income generation. On the same note NGOs have low financial reserves and survival ratios.

The study recommends the strengthening of NGOs financial capacity, by NGOs, the private sector, and the government. NGOs should prioritise sound financial management and improve their financial capacity. The private sector and other stakeholders should promote sustainable financial support and partnerships with NGOs. The government should view NGOs as key partners and actively support their mandate. NGOs should prioritise financial management, train and enhance capacity of their members to ensure financial prudence.

## TABLE OF CONTENTS

1. CHAPTER ONE: INTRODUCTION.....	1
1.1 Introduction .....	1
1.2 Statement of the Problem .....	1
1.3 Rationale and Significance of the study .....	2
1.4 Aim of the study .....	3
1.5 Research topic .....	3
1.6 Main research questions .....	3
1.7 Research objectives .....	3
1.8 Main assumptions.....	3
1.9 Clarification of concepts .....	4
1.10 Key ethical considerations.....	5
1.11 Summary.....	6
2. CHAPTER TWO: LITERATURE REVIEW .....	7
2.1 Introduction .....	7
2.2 A brief overview of Botswana as a country .....	7
2.3 The state of NGOs in Botswana and their financial sustainability .....	8
2.4 Understanding financial sustainability of NGOs .....	9
2.5 Understanding financial management in NGOs.....	11
2.6 Sound financial management practices to achieve financial sustainability .....	12
2.6.1 Financial and strategic planning .....	12
2.6.2 Financial recording .....	14
2.6.3 Financial Monitoring .....	15
2.7 Funding of NGOs.....	17
2.7.1 Income diversification .....	18
2.7.2 Self-generated income .....	19
2.8 Measuring financial sustainability of NGOs.....	19
2.8.1 Donor dependency ratio.....	20
2.8.2 NGO survival ratio.....	20
2.9 Conceptual Framework .....	20
2.9.1 Contingency Theory.....	21
2.9.2 Resource Based View (RBV) .....	22
2.10 Policy and legislation.....	23
2.10.1 Registration process .....	23

2.10.2	National Policy for Non-Governmental Organisation .....	23
2.11	Conclusion .....	24
3.	CHAPTER THREE: RESEARCH METHODOLOGY .....	25
3.1	Introduction .....	25
3.2	Research approach.....	25
3.3	Research Design.....	25
3.4	Population and Sampling .....	26
3.4.1	Sampling Technique and Procedure .....	26
3.5	Data collection.....	28
3.5.1	Data collection approach and instruments .....	28
3.6	Data analysis .....	30
3.6.1	Quantitative data analysis .....	30
3.6.2	Qualitative data analysis .....	31
3.6.3	Triangulation.....	31
3.7	Data verification.....	32
3.7.1	Credibility .....	32
3.7.2	Transferability.....	32
3.7.3	Dependability .....	33
3.7.4	Confirmability.....	33
3.8	Limitations of the study.....	33
3.9	Reflexivity .....	34
3.10	Summary.....	34
4.	CHAPTER FOUR: PRESENTATION AND DISCUSSION OF FINDINGS.....	35
4.1	Introduction .....	35
4.2	Profile of the Research Study Participants.....	35
4.2.1	Quantitative Socio-demographics.....	35
4.2.2	Qualitative Socio-demographics.....	37
4.3	Framework for analysis.....	39
4.4	Discussion of findings.....	40
4.4.1	Understanding of financial management and financial sustainability .....	40
4.4.2	Sound Financial Management Practices .....	45
4.4.3	Funding of NGOs.....	57
4.5	Summary .....	64
5.	CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS .....	65
5.1	Introduction .....	65

5.2	Main conclusions emanating from findings .....	65
5.2.1	Objective 1: To establish the understanding of financial management and financial sustainability .....	65
5.2.2	Objective 2: To determine the financial management practices NGOs use towards achieving financial sustainability .....	66
5.2.3	Objective 3: To explore the funding sector of the NGOs .....	69
5.2.4	Objective 4: To assess if NGOs in Botswana can sustain themselves.....	70
5.3	Recommendations of the study .....	71
5.4	Suggestions for further research.....	72
5.5	Conclusion.....	73
6.	References.....	74
7.	Appendix A: Invitation Email for Survey.....	79
8.	Appendix B: Online Survey.....	80
9.	Appendix C: Email for interviews .....	87
10.	Appendix D: Interview Guide.....	88
11.	Appendix E: Ethical Clearance Letter .....	91

## Tables

Table 4. 1	Profile of Questionnaire participants .....	36
Table 4. 2	Profile of semi- interview participants.....	38
Table 4. 3	Framework for analysis .....	39

## Figures

Figure 4.1:	A bar graph showing the record keeping tools used in NGOs in Botswana .....	48
Figure 4.2	A pie chart showing the use of strategic planning of NGOs in Botswana .....	50
Figure 4.3	A graph showing the involvement of staff members in the financial planning process of NGOs in Botswana .....	52
Figure 4.4	A graph showing the frequency of financial document review.....	54

Figure 4.5 A pie chart indicating the frequency at which audits are carried out in NGOs in Botswana.....56

Figure 4.6 A graph indicate the type of auditing practiced by the NGOs in Botswana.....57

Figure 4.7 Clustered bar graph showing NGOs income sources .....58

Figure 4.8 A bar graph showing the annual income of NGOs from local sources/sources within Botswana.....59

Figure 4.9 A bar graph showing the annual income that NGOs receive from international sources.....60

Figure 4.10 Pie chart showing whether NGOs generate own income .....62

Figure 4.11 Pie Chart indicating the presence of financial reserves in NGOs .....63

Figure 4.12 Histogram showing the period in which an NGO can survive without income...64

# **1. CHAPTER ONE: INTRODUCTION**

## **1.1 Introduction**

This chapter introduces the study, describes the problem context, the rationale, and the significance of the study. Thereafter, the research topic, aims of the study, main research questions and assumptions as well as the research objectives are outlined. Furthermore, the main concepts and the ethical considerations are defined, and the chapter concludes with a summary.

## **1.2 Statement of the Problem**

Non-governmental organisations continue to play a key role in Botswana's development across several sectors as acknowledged in the national development strategy; Vision 2016, which states that partnerships with the civil society is critical for obtaining developmental targets (European Commission, 2011). However, since the declaration of the country as an upper-middle-income economy, NGO donors have significantly withdrawn and those remaining reduced their funding (Mahambo, Chiguvi & Lynch, 2016). As a result, several NGOs closed and some downsized, whereas some notably withdrew their services and some continue to operate under distressed conditions (Lekorwe & Mpabanga, 2007; Mahambo, Chiguvi & Lynch, 2016). Moreover, local funding in Botswana is limited, and often availed on ad hoc basis (United States Agency for International Development (USAID), 2020).

On the other hand,, there exists a general donor fatigue across the global NGO scope (Abdelkarim, 2002). Several scholars agree that the existing financial challenge is a major threat to NGOs sustainability, however some argue that the inability of NGOs to generate their financial resources is also to blame (Mosweunyane, 2010). This "inability" inevitably leads to their dependency on donors and the government, making them financially vulnerable in times of donor drought (Mahambo, Chiguvi & Lynch, 2016) and ultimately their closure.

The closure of several NGOs leaves a significant number of beneficiaries in vulnerable positions due to the uncertainty of service provision. The lack of support for these communities will ultimately affect the socio-economic sector of the country. As a result, NGOs remain fundamental in the socio-economic development of the country. Therefore, they must establish sound financial management strategies and practices to improve their sustainability. This study seeks to explore NGOs present strategies and practices to determine their financial

sustainability. The recommendations from the study will assist in enhancing NGO financial sustainability and improving the NGO sector.

### **1.3 Rationale and Significance of the study**

Lewis (2014) states that the growing academic literature on NGOs focuses on what NGOs do rather than on how they work. In agreement, Karanth (2015) argues that there is limited awareness on the importance of financial management in NGOs globally. Consequently, the lack of awareness on sound financial management is a financial risk for NGOs, since it impacts their sustainability, or potentially their survival. Conversely, sound financial management knowledge and skills provides an opportunity for NGOs to be sustainable (Lewis, 2014).

Although research on factors affecting NGOs financial sustainability has been conducted, there remains a gap in exploring financial management strategies that influence financial sustainability of NGOs (Weerawardena, McDonald & Mort, 2010). There are relatively few studies carried out on the financial sustainability of NGOs and limited literature exploring the phenomenon.

By focusing on financial management, this study adds to the literature on the management of NGOs financial resources. The exploration of NGOs knowledge of financial management, their financial management practices, and NGOs funding space, as influencers of financial sustainability, provides a pool of knowledge on the financial management of the NGO sector.

Furthermore, this study provides recommendations that will enhance NGOs financial sustainability. The study could assist NGOs with restructuring their practices, increasing their knowledge as well as prompt and assist them to harness opportunities that promote financial sustainability. This could then encourage an improvement in the general management and performance of NGOs, thereby enriching their practices, policies, and programmes. Secondly, it will also contribute to the current literature on this topic as it draws knowledge from theory and practice from the research participants. Most research studies on financial sustainability of NGOs have been conducted in India, United States of America, Kenya, and South Africa, of which contexts differ from that of Botswana (Omeri, 2015). This study will therefore provide Botswana's context and insights on NGO's financial sustainability. Financial sustainability is explored through the following factors: knowledge of financial sustainability, financial management practices, funding market and through calculating NGOs approximate survival period based on some financial management calculations.

#### **1.4 Aim of the study**

The study aims to explore the financial management and sustainability of NGOs in Gaborone, Botswana.

#### **1.5 Research topic**

*“Financial management of NGOs towards financial sustainability: A case of Gaborone, Botswana.”*

#### **1.6 Main research questions**

The main research question of this study aims to explore the financial sustainability of NGOs in Botswana and to determine the financial management practices that influence their sustainability.

Research questions:

- How do NGOs in Botswana understand financial sustainability?
- What financial management practices do NGOs use to enhance financial sustainability?
- What is the nature of the NGO donor/funding sector in Botswana?
- Do NGOs in Botswana have the financial capacity to continue operating without external funding?

#### **1.7 Research objectives**

This study was guided by these four research objectives:

- To establish an understanding of the financial sustainability of NGOs.
- To determine the financial management practices utilized by NGOs.
- To explore the donor funding market of NGOs.
- To assess if NGOs in Botswana can sustain themselves.

#### **1.8 Main assumptions**

The main assumptions of this research study are:

- NGOs are aware of the concept of financial management and financial sustainability
- NGOs use specific financial management practices to enhance financial sustainability.

- There is a strong dependence on donor funding for NGOs in Botswana.
- Effective financial management practices and income diversification will improve NGOs financial sustainability.

## 1.9 Clarification of concepts

**Non-governmental organisation (NGO):** It is a legally formed autonomous organisations that possess a non-profit status, whose primary motivation is to improve the well-being of the people (Ministry of Labour and Home Affairs, 2001).

**Management:** This is the process of managing (making decisions and using resources to achieve desired ends) or it could also simultaneously refer to the people responsible for the process. (Adirondack, 2006).

**Financial management:** refers to the determination, acquisition, allocation, and utilisation of financial resources, usually with the aim of achieving specific goals. It is concerned with analysing financial situations, making financial decisions, setting financial objectives, formulating financial plans to attain those objectives while providing effective systems [processes] of financial control. (McMenamin, 2005: 9).

**Sound financial management practices:** According to Lewis (2011) sound financial management practices encompass financing of long-term objectives of the NGOs while minimising the threats to the organisation's financial capacity. This involves examining and acting on financial issues of an NGO that will impact and alter its objectives and goals thereby impeding it from reaching its current and future goals (Lewis, 2011).

**Financial planning:** the process of mapping the future financial direction of a firm [NGO] and detailing how its financial objectives are going to be achieved. This will determine the short, medium- term and long-term financial plans of a firm (McMenamin, 2005: 36).

**Financial control:** encompasses processes which ensure that the directions on the financial map (determined through financial planning) are being followed (McMenamin, 2005: 22).

**Organisational Sustainability:** is the ability of administrators to maintain an organisation over a long term (Sontag-Padilla, Staplefoote & Morganti, 2012).

**Financial sustainability:** is the ability of an organisation to have a resource base that will allow for its continued functioning. It refers to the ability of an organisation to maintain financial capacity over time (Bowman, 2011). Financial capacity in this context consists of the resources that allow the NGO to seize opportunities and react to unexpected threats (Bowman, 2011: 38).

### **1.10 Key ethical considerations**

Ethical considerations refer to the principles, rules, and standards by which a researcher needs to abide and be guided by, to ensure that data is not collected at the expense of humans (De Vos, Strydom, Fouché & Delpont, 2005). Ethical clearance was applied for and granted prior data collection from the Department of Social Development through the Research Ethics Committee (See Appendix D). In the light of the Coronavirus (COVID-19) pandemic, alterations were made in how data was collected as guided by the government of Botswana Covid-19 regulations. The data was collected both electronically and physically where necessary, with minimum contact between participants and the researcher during data collection. In addition, the following ethics were reinforced during the whole period of the study:

**Informed consent:** The researcher followed recommendations by De Vos et al. (2005), by ensuring that the information about the research, inclusive of potential risks and benefits were shared with participants, to ensure a transparent process and for them to make informed decisions with regards to being involved in the study. Electronic mails were sent to all the participants, explaining the purpose of the study and the processes that will be taken to participate in the study (See Appendix A and C). When participating in interviews, participants were requested to give a verbally recorded consent prior the interview process, whilst for questionnaires, the participants had to click an “agree” or “disagree” to give consent before filling in the questionnaire (online). Data was collected online through google forms; therefore, their consent was recorded.

**Voluntary participation:** To ensure voluntary participation, an electronic consent form was sent to both questionnaire and interview participants to ensure that no one is forced to be part of the study (Babbie & Mouton, 2001). They were made aware of their liberty to decide to continue or to withdraw at any point during the study, therefore participants engaged in this study voluntarily.

***Privacy, anonymity, and confidentiality:*** Privacy refers to “personal privacy” while confidentiality ensures the continuation of privacy by “handling the information in a confident manner” and anonymity ensures both privacy and confidentiality (De Vos et.al., 2005: 61). The participants were given their personal privacy as they filled the questionnaires at their own time and space, they also indicated the way they wanted the interview to be run, either physically in the office or virtually at their comfort. To protect the identity of the participants as suggested by Creswell (2014) participants’ responses were disassociated with their response wherein their names were replaced by pseudonyms such as “Participant 1, Participant 2”. Moreover, confidentiality was ensured by keeping the data in an encrypted device (De Vos et al., 2005) with limited access to only the researcher and the supervisor.

### **1.11 Summary**

This chapter has set out the background of the study, by providing the significance of the study, discussion of the problem context, aims of the study, the research objectives, and the definition of the key concepts relevant to exploring the topic under study. Furthermore, it provided the assumptions of the study and the ethical considerations which were followed during the study. The next chapter provides the literature review of the topic at hand, discuss theories and the relevant policy and legislation relevant to the financial sustainability of NGOs.

## **2. CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter provides a comprehensive review of the literature in relation to the research questions provided in the first chapter. It examines literature on NGOs financial sustainability, financial management, sources of income and on ways of establishing the financial sustainability of an NGO. The chapter also discusses theoretical frameworks applied and then sets the legislation that guides NGOs functioning in Botswana. The chapter ends with a summary.

### **2.2 A brief overview of Botswana as a country**

Having gained independence in 1966, Botswana currently hosts a population of over two million people (Mahambo, Chiguvi & Lynch, 2016). Before 1966, the country was defined as poor, a dimension changed by the discovery of diamonds (Honde & Abraha, 2015). Diamond mining became the bigger sector of the economy, as diamond exports increased, so did the revenue. This was channelled towards improving infrastructure and human development, where a positive impact was noticed in the education, health, and welfare sectors (Besada & O'Bright, 2018). As a result of effective economic management of the diamond revenue, rapid economic growth and human development was noticed (Honde & Abraha, 2015),

Botswana was dubbed “a success story” for many countries to admire and learn from. The remarkable economic growth and development, registering a GDP growth of approximately 15% annually from 1966 to 2008 (Kapunda, 2010). This saw Botswana ranked from a poor country to a middle-income economy (Mahambo, Chiguvi & Lynch, 2016). Between 1990 and 2019, Botswana has achieved an appreciable reduction in poverty, an increase in its Human Development Index from 0.573 to 0.735; driven by improvements in life expectancy, mean years of schooling and GDP per capita (Honde & Abraha, 2015: United Nations Development Programme, 2020: 3). Despite this improvement, human development factors remain below the norms of an “upper middle-income country” (Honde & Abraha, 2015: 8). Incidences of chronic unemployment, high poverty and inequality levels remain present, alluding to the need for an effort from the government, private and the NGO sector (Seanama Conservation Consultancy, 2012).

### **2.3 The state of NGOs in Botswana and their financial sustainability**

Botswana's NGOs sector emerged primarily after independence in 1966 to supplement the government, especially in the social service sector (Mahambo, Chiguvi & Lynch, 2016; Lekorwe & Mpabanga, 2007). It constitutes of several small organisations, particularly with the focus on education, health, women empowerment, and environment (Mooketsane, Bodilenyane & Motshegwa, 2018; European Commission, 2011). Many of the NGOs are located within the greater capital city area, with a few dispersed across the country (European Commission, 2018). For an NGO to be considered legal it must be registered with the Registrar of Societies, Registrar of Companies or Deeds Registry (European Commission, 2011; Kebonang & Lebotse, 2010). Most of the registered NGOs are affiliated with the Botswana Council of Non-Governmental Organisations (BOCONGO), established in 1995 as the national coordinating body for NGOs (Mooketsane, Bodilenyane & Motshegwa, 2018).

Non-governmental Organisations continue to positively contribute to the country's socio-economic development, through employment generation, poverty reduction and the improvement of social welfare among others. Even though their aim is to sustainably do so, their financial capacity indicates otherwise. The majority of NGOs in Botswana are dependent on the unreliable government funding; unreliable because it is dependent on the economic outlook of the country (USAID, 2020). Botswana's revenue is mainly based on diamond exports; which are vulnerable to external shocks (Honde & Abraha, 2015; European Commission, 2011). For instance, in 2015 the economy dipped due to the low demand of diamonds, while in 2017 mining output shrunk by 14.4 % between the first quarter of year 2016 and 2017 leading to low export earnings (Statistics Botswana, 2017: 4; Honde & Abraha, 2015). These unanticipated fluctuations in diamond exports earnings, illustrate the vulnerability of the economy which subsequently influence government's social spending. A negative social spending will negatively impact NGOs financial capacity, directly limiting their socio-economic inputs (Seanama Conservation Consultancy, 2012).

Also, international donors (developed countries, international institutions, and other foreign donors) have either exited or limited their funding to the country, since its recognition as an Upper-Middle-Income Country in 2005 (USAID, 2020; Honde, 2018; Seanama Conversation Consultancy, 2012). The idea being that the country has the efficacy to support its NGOs, as reflected by this classification. Non-government funded NGOs such as Ditshwanelo felt a

significant brunt of it, as they lost a substantial amount of funding (Lekorwe & Mpabanga, 2007).

Despite the loss of funders, Lekorwe and Mpabanga (2007) argue that NGOs lack financial resources because of poor management, a lack of diverse income sources and the inadequate use of financial management processes. This is demonstrated by the presence of weak internal processes for accountability; particularly the lack of financial reporting (Mooketsane, Bodilenyane & Motshegwa, 2018). Further, the lack of collaboration and partnerships, wherein NGOs can combine their efforts towards financial sustainability, is another factor limiting their financial capacity (European Commission, 2011).

Non-governmental organisations' financial operations need to be strengthened for effective and sustainable implementation of their activities (European Commission, 2011). The establishment of effective management requires good governance (Lekorwe & Mpabanga, 2007). A requirement for good governance is for NGOs to ensure upward, horizontal, and downward accountability (Mooketsane, Bodilenyane & Motshegwa, 2018) and accountability is improved through sound financial management processes and practices, quality accounting, budgeting, and monitoring systems as well as employees with profound knowledge and skills.

#### **2.4 Understanding financial sustainability of NGOs**

Financial sustainability of an NGO refers to its capacity to generate revenue and ensure that there is continuous available income to support its programmes and the NGO in its entirety (Lewis, 2011). An NGOs financial sustainability reflects its managerial flexibility to assess and respond to opportunities and threats (Sontag-Padilla, Staplefoote & Morganti, 2012), with the aim of obtaining revenue to sustain the NGO at a steady or growing rate to produce results and to obtain surplus (Leon, 2001).

Bowman (2011) states that both long-term and short-term goals remain important in ensuring financial sustainability. The short-term sustainability is represented by the annual surplus while long term sustainability is represented by asset growth (Bowman 2011). Bowman (2011) stresses that an NGO that is viable in the long term but not in the short term will be chronically cash-strapped while an NGO viable in the short term but not in the long term may have sufficient cash, but inflation will erode the assets' value with time. This, in turn, will reduce the quantity and quality of services unless capital campaigns bring new assets on a regular basis (Bowman, 2011). Essentially, NGOs need to ensure that short-term objectives are met without

compromising the ability to meet long-term objectives, thus short-term and long-term strategies should align. Understanding the long-term goals of the organisation in other words strategic goals, is closely knitted with the organisation's financial sustainability (Sontag-Padilla, Staplefoote & Morganti, 2012). Bell, Masaoka and Zimmerman (2010) urges NGOs to ensure a balance between their financial sustainability and the pursuit of their social mission. For an NGO to have impactful programmes without an effective financial sustainability strategy or for one to have a financially sustainable strategy, without an impact is not enough (Bell, Masaoka & Zimmerman, 2010). The authors pointed out that NGOs need to balance the two by addressing short-term financial challenges while ensuring that the long-term goals remain uncompromised.

The NGO sector's financial sustainability is challenged by the lack of human resources, high staff turnover, poor financial management skills, poor leadership skills, and a decline in funding, which is often insufficient (Batti, 2014; Bromideh, 2011; USAID, n.d.; Leon, 2001). These challenges are seen universally; findings from Abdelkarim (2002) on the Palestinian NGO sector, show that 75% of NGO funding comes from external donors, even though external donors are declining in the country. In Kenya 61% of NGOs have reported a reduction in funding from the government whilst 48% have indicated a reduction in foundation funding (Chepkemoi & Njeru, 2017: 27). South Africa is seeing a significant number of NGOs close due to their lack of financial resources (Monyane, 2014), whereas NGOs in Botswana are struggling to reach their beneficiaries due to lack of funding (Mahambo, Chiguvi & Lynch, 2016). In addition, they express a concern about possible closure due to a decline in international aid (Lekorwe & Mpabanga, 2007).

These difficulties sometimes stray NGOs from their mission and vision in the chase of financial support to stay afloat (Bowman, 2011; Elghamrawy, 2015). This casts doubt on the viability of the NGO sector, as such desperation points to the lack of financial capacity, which often leads to failure to pay their personnel or execute programs, and thus closure becomes the only realistic option. This leaves a lot of questions with regards to how social problems which many of the NGOs are providing solutions to, will be addressed if NGOs close.

## **2.5 Understanding financial management in NGOs**

Even though NGOs do not aim to make profits, the basic principles and practices of financial management still apply to them (McMenamin, 2005). The primary focus of financial management is to ensure that financial resources are properly sourced, allocated and accounted for (McMenamin, 2005). This is accomplished through financial planning, recording, control, monitoring, and reporting (Masters & Tyler, 2017). It also involves the adoption of existing accounting policies to govern the spending of funds (Chepkemoui & Njeru, 2017). When sound financial management is practiced an NGO's accountability and integrity improves, which in return attracts potential donors and ultimately cultivates for financial sustainability (Pajas & Vilain, 2004).

A study by Chepkemoui and Njeru (2017) in Kenya illustrates that financial management practices in NGOs affect their financial sustainability to a great extent. The authors highlight that financial management provides information for sound financial decisions, ensure cost-analysis to develop strategies that save money, and promotes the development of strategies towards mobilising resources (Chepkemoui & Njeru, 2017). To reinforce financial sustainability, NGOs need to adopt sound financial management practices (Lewis, 2011). Moreover, scholars have consistently suggested the application of financial and strategic planning, income diversification, generation of own income and an establishment of a good donor relationship (Ebenezer, Musah & Ahmed, 2020; Saungweme, 2014; Leon, 2001). In addition, a study by Omeri (2015) on factors influencing the financial sustainability of NGOs in Kenya identifies staff competence as a significant factor towards achieving financial sustainability. Okorley and Nkrumah (2012) also state that supportive leadership and improved human capacity is critical for NGOs [financial] sustainability.

This study focuses on the dominant components from the above list which NGOs are encouraged to adopt, to induce financial sustainability. Leon (2001:15) describes them as the "four pillars of financial sustainability". These include financial and strategic planning, sound financial management, income diversification and own income generation. Under sound financial management three concepts will be discussed: financial and strategic planning, financial recording, and financial monitoring.

## **2.6 Sound financial management practices to achieve financial sustainability**

Studies on factors affecting financial sustainability of NGOs by Ebenezer, Musah, and Ahmed (2020) in Ghana, Chepkemoi and Njeru (2017) in Kenya, Saungweme (2014) in Zimbabwe, Okorley and Nkrumah (2012) in Ghana, and Hendrickse (2008) in South Africa show a strong positive correlation between sound financial management and financial sustainability. Sound financial management entails the efficient and effective management of an NGO's present and future finances accordance with the organisation's strategic plan (Saungweme, 2014). It guarantees that long term objectives are financed, and financial risks are minimised (Lewis, 2011). Sound financial management ensures that an NGO does not only focus on day-to-day financial issues but rather the short- and long-term financial objectives (MacLeod, León & Esquivias, 2001). In this light, financial sustainability can be achieved through applying sound financial management practices discussed below.

### **2.6.1 Financial and strategic planning**

Financial planning and strategic planning are intertwined processes, where strategic planning involves the application of procedures and tools in designing an organisation's thought process, to ensure that its goals, structure, systems, and resources are conducive for it to continuously function (MacLeod, León & Esquivias, 2001; Bennet & Gibbs, 1996). The financial plan effectively translates the actions established in the strategic plan into financial figures (Saugweme, 2014; Leon, 2001), for clear measurement purposes. As the strategic plan outlines the what and why of the organisation's plans, the financial plan ensures the how and when of the set goals by establishing the number of financial resources available to meet the set goals (Leon, 2001). Because there is an awareness of the financial figures, the organisation can meet its financial obligations, cover its liabilities, pay its debts now and in the future which improves the organisation's solvency ratio and protects it against liquidation.

Financial planning allows managers to determine their priorities before allocating the available funds (MacLeod, León & Esquivias, 2001). Once the priority areas have been allocated funding for, medium-term fundraising objectives can be set and specific amounts needed be identified and forecasts made (MacLeod, León & Esquivias, 2001). It is through this process that employees become aware of the programmes that would receive funds, which allows them to plan for their operations and set out their monitoring and evaluating tools on time (MacLeod,

León & Esquivias, 2001). This gives donors an idea of where the organisation is headed, henceforth attract their interests and funding (Saungweme, 2014).

### **2.6.1.1 Budgeting**

The process of financial planning where expected income and expenditure over a period of time, is matched with the obligations of the organisation is called budgeting (Masters & Tyler, 2017). A budget is a tool used for financial planning, to estimate the costs and income of the activities set to be carried out. It can be drawn for a month, an organisation's financial year or for three to five years, however the end goal is to ensure that the unknown future is planned for, and that the expenditure does not exceed the income (Masters & Tyler, 2017).

Budgeting should involve managers and staff, and the budget should be reviewed by the staff before it is presented to the management team and then the board (Masters & Tyler, 2017). This allows for the overall budget to be communicated to the rest of the organisation, which improves the use of the financial resources (Chepkemoi & Njeru, 2017). Importantly so, it should be sent to the board for review within a reasonable time. Leon (2001) suggests at least 30 days before the end of the fiscal year, whereas Masters and Tyler (2017) suggest it to be 2 months before the new financial year. Chepkemoi and Njeru's (2017) study in Kenya, showed that the use and review of budgets and financial plans improved an NGO's financial outlook.

To ensure accountability and transparency, the NGO should identify specific personnel to be responsible for the budgeting activity, processes followed should be documented and timeliness be set (Masters & Tyler, 2017). Also, a key aspect of the budgeting process is cashflow forecasting. Cash flow forecast refers to the projection of income (inflow) and expenditure (outflow) (Masters & Tyler, 2017). It provides details of the expected payments and cash receipts for the time ahead, so that money received can be used to make returns and for payments to be managed as soon as possible (Masters & Tyler, 2017). It provides clarity on the possibilities of the NGO's future financial situation, so that the NGO plans to either reinvest the expected surplus or raise funds for the expected deficits (Francois, 2014). For efficiency, cash flow forecast needs to be reviewed monthly to ensure that the organisation is aware of its over/under spending well on time, giving it time to adapt accordingly (Leon, 2001).

## 2.6.2 Financial recording

Financial recording is the basic step of ensuring accountability in the financial management scope. It provides the opportunity for accounting to others, be it staff, management, board, funder, or other stakeholders. (Masters & Tyler, 2017). It enables the recording of all financial transactions in the organisation, generation of financial reports and the tracking of cashflow (Master & Tyler, 2017). Financial records are usually a combination of cash books, detailed ledgers, spreadsheets, and computerised packaged systems (Masters & Tyler, 2017; Lewis, 2012). The basis of recording is to ensure that all the transactions are recorded in the charts of accounts (Lewis, 2012). The chart of accounts provides the labels and categories for which each transaction is recorded and classified for consistency and transparency (Lewis, 2012).

The accounting process, viz the process of recording financial transactions, provides the summary of the day-to-day financial transactions. Masters and Tyler (2017) state that the use of computerised accounting packages is best suited for this process, as it ensures accuracy which gives a great confidence on the integrity of the financial reports extracted from this data. For example, it is flexible enough to allow for more detailed coding of transactions unlike the spreadsheet. For further guarantee of accurate financial reports, Masters and Tyler (2017) and Lewis (2012) urge a careful, consistent, and accurate coding of transactions as it promotes transparency.

Moreover, the use of internal documents such as order forms, requisition forms and receipts provide the ground for consistent and constant financial recording (Masters & Tyler, 2017). Furthermore, the authorisation processes are enhanced by the use of these forms, as there are sections needed to be filled by relevant personnel before transactions are done. The process of authorisation should be well documented and known across the organisation. This is well captured through financial policies and procedures (financial manual) which NGOs are encouraged to have (Lewis, 2012) to provide a regulatory guidance and governance by defining how transactions are to be carried out, inhibiting one person's control of the authorisation, approval as well as how other processes are carried out (Chepkemoi & Njeru, 2017; Omeri, 2015).

### **2.6.3 Financial Monitoring**

Organisations need to ensure that they keep financial records which they prepare financial reports for. This ensures that they can account for how they used the funds, know their financial capacity at any given time, promote accountability and provide information for management team to make decisions (Master and Tyler, 2017). This section will highlight the financial statements used for financial monitoring as well as auditing.

#### **2.6.3.1 Financial Statements**

Financial statements refer to the written records of the organisation's financial activities. These are core financial tools used to assess and analyse the organisation's financial health; together they create an Annual Financial Statement (AFS) (Leon, 2001). These are the statement of financial position (balance sheet), comprehensive income and statement of cash flows (Masters & Tyler, 2017).

##### **2.6.3.1.1 Statement of financial position**

The statement of financial position provides information on an organisation's ability to continue operating as well as its liquidity (Larkin & DiTamaso, 2014). In overall it sets out the organisation's financial flexibility in terms of meeting its obligations and its needs for external financing (Larkin and DiTamaso, 2014).

It provides rich financial information about the health of the organisation; that which it owns and owes. It establishes whether an NGO's debts can be covered, shows the general financial performance of the NGO as well as whether it has a good cash management in place (Pajas & Villain, 2004). Leon (2001) states that balance sheets should be reviewed semi-annually, whereas Masters and Tyler (2017) suggest that it be reviewed monthly by management and quarterly by the board of directors.

##### **2.6.3.1.2 Statement of Comprehensive Income**

The income and expenditure statement gives a general financial performance of the organisation over a given period, which allows managers to determine if the organisation is managing its finances consistent to the expected levels of expenditure and income (Masters & Tyler, 2017). Once this has been established, the organisation's financial capacity to meet the set goals will be monitored (Navaro-Galera et.al, 2016). In most instances this is done by

comparing the budgeted income and expenditure with the actual income and expenditure. Managers can establish the variance between the budgeted and actual income and expenditure, here the variance refers to the difference between the actual and planned income/expenditure (Masters & Tyler, 2017).

Establishing the expenditure/income variances allows for further probing, to determine the reasons for the reported variance. For example, with income variances it is important to understand why income is falling short, exceeding, or equal to the predicted budget. An income may fall short because it is not received at the anticipated rate or there is no income at all (Masters & Tyler, 2017). Income shortage would negatively impact the organisation's financial capacity, which then limits NGO's prospects of being financially sustainable. It is therefore vital that managers review the statement of comprehensive income, so that reasons for variances can be determined and appropriate action be taken at the earliest possible time. Leon (2001) suggests that the income statement be reviewed monthly or every two months.

#### **2.6.3.1.3 Statement of cash flows**

The statement of cash flows indicates a summary of the cash flow in the organisation. As discussed earlier, cash flow refers to the movement of money into and out of an organisation. The statement of cash flow indicates how the cash moved from operations, financing and investing, illustrating the decisions and commitments made within a specific period. It gives vital and specific information on the movement of cash in the organisation, which allows for important financial decisions to be made. For example, it assists in assessing the organisation's ability to generate a positive cash flow in the future, ability to pay for its liabilities and establish reasons for difference between actual income and payments (Larkin & DiTommaso, 2014). Together with the balance sheet, they can be used to assess liquidity, solvency, and financial flexibility (Pajas & Vilain, 2004). The results from such assessments can be used by the organisation to reinforce its financial capacity and viability for the future.

#### **2.6.3.2 Audit**

An audit examines the records, procedures, and activities of an organisation, for internal and external benefits, where internal audits are presented to the management and trustees while external audits are presented to the stakeholders and donors (Lewis, 2012). An audited NGO shows its commitment to upholding transparency and accountability, which in return builds its credibility (Lewis, 2012). Masters and Tyler (2017) stated that an audit should be carried out

by an external qualified person, who then scrutinizes the given financial reports, by establishing their accuracy through running several tests. Through auditing the auditor provides an opinion on the statements reviewed, gives feedback on their accounting practices as well as areas of concern and recommendations for improvement of systems and processes in place (Masters & Tyler, 2017). Audits should be carried at the end of the fiscal year (Leon, 2001).

## **2.7 Funding of NGOs**

Non-government organisations' source of income can be categorised into internal or external. Internal source income includes membership fees, sponsorship, sales, and interests from the bank while external sources include funds collected from outside sources (Karanth, 2015). External sources come from inside the country (local funding) or outside (international funding) the country. In-county external sources of funding is mostly from the government, followed by financial institutions, foundations, and other members of the private sector (USAID, 2010). These funds are delivered to NGOs as grants, contracts, fee for service, donations, and contracts (Sontag-Padilla, Staplefoote & Morganti, 2012). Out of country external sources includes bilateral, multilateral, and private institutions funding (Karanth, 2015). Bilateral funding is the aid directly from one donor country to the receiving country, whereas multilateral funding is provided by an international organisation though with pooled funds from several countries (Gulrajani, 2016).

It is very important to note that, although income sources of NGOs are largely defined by their line of work, governments play a huge role in influencing access to this funding. For example, governments have placed restrictions on funding of NGOs through the premise of being guided by their foreign and economic policies and interests (Karanth, 2015). Leon (2001) believes that this is due to governments' regard of NGOs as competitors for international funds since they rely on these funds. Some countries like Egypt and Russia, have overtly restricted NGOs access to international aid through laws that require them to receive funding only upon government approval (Dupuy, Ron & Prakash, 2015). On the same note, USAID (2010) states that this is done to narrow or restrict NGOs activities. Such laws and restrictions are a limitation to NGOs sources of funding, which impedes their financial flexibility thereof their financial sustainability.

### **2.7.1 Income diversification**

The traditional way of funding through international funders remains dominant in the NGO space but building an income base away from relying on traditional donor funds, increases the chances of long-term survival (Masters & Tyler, 2017). Omeri (2015) encourages NGOs to avoid relying on international funding for their financial sustainability, instead Lewis (2014) encourages them to build active instead of dependent partnerships with the international aid community. Alternative to international funding, Omeri (2015), Masters and Tyler (2017) suggests domestic (local) funding and self-financing or social enterprises, payment for provision of services, membership fees and investment income as options to rely on for long term financial sustainability.

In addition, relying on external funding or specifically one donor is common across NGOs, however having several funders or income streams would increase their financial capacity (Masters & Tyler, 2017). Resonating with this, a case study in Toronto, by Akingbola (2004) and in Kenya by Mbuya and Osodo (2018) indicate that the reliance on one or limited sources of funding has negative implications on the NGO's finances. Chepkemoi and Njeru (2017), Lewis (2011) and Leon (2001) advice NGOs to have a diverse and multiple types of income to reduce dependency on a single funder. In agreement, Omeri (2015) identifies income diversification as the most sustainable financing strategy. This is supported by Mbuya and Osodo (2018) and Elghamrawy's (2015) NGO case studies in Kenya and Bangladesh, which confirmed that income diversification does increase NGO's financial sustainability. Leon (2001) states that at least 60% of an NGO's income should be from at least 5 sources, for financial sustainability to be established.

When deciding to diversify income, NGOs should make a thorough decision on how they will diversify, whether by focusing on donors and grants, or run income-generating activities, nor establishing social enterprises (Omeri, 2015). These decisions should be guided by the vision and objectives of the NGO and their capacity to take up options as well as the support they can receive from the stakeholders (Elghamrawy, 2015).

Another source of concern is that donors tend to cover overhead costs at a very low rate or with stringent financial procedures, resulting in project costs that exceed the amount provided (Chepkemoi & Njeru, 2017; Leon, 2001). Organisations find themselves burdened by these overhead costs but still take on such donors seemingly because they have no alternative income

sources (Leon, 2001). Viravaidya and Hayssen (2001) suggests that NGOs could either diversify their donors or find donors and grants which can cover the overhead costs and capital costs. The goal should be to meet the overhead costs whilst being able to direct the priorities of the organisation independent from the donors` influence (Omeri, 2015).

### **2.7.2 Self-generated income**

Another alternative source of income for NGOs is the idea of raising own income, to build on unrestricted income. Having unrestricted income strengthens NGO financial flexibility, allows it to work through difficult times, thereby improving its financial sustainability (Masters & Tyler, 2017; Lewis 2011). Raising own income reduces donor dependency, overcomes cash-flow shortages, and strengthens the NGO's capacity to survive external financial shocks (Lewis, 2011).

Even though, Saungweme (2014) indicates that African NGOs have little to no self-generated income, together with Masters and Tyler (2017) they identify fees for service, consultation charges, contributions to an endowment fund, sale of goods and interests on investments as some self-generating options. Non-government organisations in Zimbabwe raise funds through entrepreneurship, consultancy, and training services, though not enough to sustain its programmes, it positively influences its cashflow (Munyoro, Langton & Chenyika, 2017; Saungweme, 2014).

Non-government Organisations must raise at least enough funds to cover over-head costs, so that they only seek funding for programme costs (Omeri, 2015). Sontag-Padilla, Staplefoote & Morganti (2012) and Chepkemoi & Njeru (2015) suggest that NGOs should have fundraising plans for unrestricted funds incorporated in the financial planning process and have the board at the forefront of fundraising, as it would attract more funders.

## **2.8 Measuring financial sustainability of NGOs**

Several factors contribute to the financial sustainability of NGOs, Lewis (2011) and Abdelkarim (2002) posit that the existence of diverse funding sources can be used to measure sustainability. Lewis (2012) adds that the availability of both unrestricted funding and financial reserves are key measures of financial sustainability. In cognizant of these suggestions, Omeri (2015) suggests the following financial sustainability ratios to measure financial sustainability of NGOs:

### 2.8.1 Donor dependency ratio

Saungweme (2014), used this ratio to determine the sustainability of NGOs, of which Lewis (2011) also recommended. The higher the dependency ratio the lower the sustainability of the NGO, as this would mean that it is less likely to be able to function once its donors pull out.

The ratio is calculated as:

$$\frac{\text{Total donor income}}{\text{Total Income}} \times 100 \text{ (results expressed as percentage)}$$

*NB: The higher the dependency ratio the lower the sustainability*

### 2.8.2 NGO survival ratio

Lewis (2011) explains that unrestricted funds are important in achieving financial sustainability. They are available for use when there is no income and they are independent of donor influence, therefore can be used for survival and to curtail the NGO in the right direction (Lewis 2012). The survival ratio shows the availability of unrestricted funds by presenting the number of days an NGO could continue functioning without funding (Saungweme, 2014).

The ratio is calculated as:

$$\frac{\text{General reserves}}{\text{Total Expenditure}} \times 365 \text{ (results expressed in days)}$$

*NB: This ratio determines the period for which the NGO can function based on its reserves (thereby without additional income).*

## 2.9 Conceptual Framework

The concept of financial sustainability in NGOs can be described and analysed using several concepts. In this study Contingency, Systems and Resource dependency theories are incorporated. They will define and describe the narrative of financial sustainability, its influences, and nuances in NGOs.

### **2.9.1 Contingency Theory**

Contingency theory holds the view that organisational effectiveness is the result of fitting organisational characteristics to contingent factors (Donaldson, 2001). Contingent factors such as the environment, organisation size and strategy are seen to be influential to the organisation's structure. A change in a contingent factor shifts an organisation out of fit with its structure, lowering its performance. To resolve this, the organisation needs to adopt new characteristics that fits the new level of contingency (Donaldson, 2001), taking into consideration its internal and external influences.

Non-governmental organisations function in an ever-changing political, social, and economic environment (Akingbola, 2004). An environmental change such as the change in the NGO funding landscape, will prompt a change in the organisation's characteristics (Donaldson, 2001). An organisation must ensure that there are strategies in place, or they should modify their strategies to accommodate this environmental change. The focus for NGOs shifts towards securing and managing the available financial resources as well as adopting sound financial management practices to stay put through this environmental change.

Organisations continue to face similar problems concerning planning, organizing, budgeting, and staffing, but decisions about which management tools and practices to use and how to use them depends on their purposes, context, and leadership (Tompkins, 2005: XIV). Effective leadership is vital in addressing these challenges resulting from the change in the external environment (Wadongo & Abdel-Kader, 2014). Managers need to develop the necessary understanding and confidence to maximise the use of financial management tools to achieve financial sustainability (Lewis, 2012). They should be able to adopt approaches relevant to the internal and external aspects of their organisations (Harney, 2006), thus ensuring that their practices align with their organisational structure yet befitting the change in their financial environment (Lewis, 2011). They must acquire resources and adjust to the external environment, develop plans to achieve their goals, as well as involve and invest in their employees (Tompkins, 2005).

An environmental change gives way for opportunities and threats to the organisation's financial capacity, and this requires financial decisions to be made (McMenamin, 2005). According to this theory, NGOs should adjust to these threats and opportunities by executing their contingencies. It is these contingency actions (which should be planned before hand) that help

the organisation to sustain itself. In this regard, organisations should have financial policies, procedure, regulations, and thoughtful management practices that will ensure that the organisation stay afloat in midst of donor drought and other threats. Lewis (2011) emphasises that finding an optimal management composition that allows the NGO to be more effective than others. As Lewis (2011) suggests the contingencies put in place should be specific, in that a focus on generating more financial resources should be paired with a deliberate focus on business management while the focus on government services should ensure a deliberate focus on public management.

### **2.9.2 Resource Based View (RBV)**

The resource-based theory looks at the competitive difference of organisations based on their resources (Miles, 2012). Resource based theory “makes two assumptions; (1) organisations within an industry may differ in resources, and (2) these resources may not be perfectly mobile across organisations” (Miles, 2021:217). It explains how organizations can maintain distinct and long-term positions in competitive environments (Miles, 2012). It posits that an organisation with valuable, rare, and inimitable yet organised resources at their disposal may be competitive than others (Omeri, 2015), since the competition is based on their resources and capabilities (Barney & Arikan, 2005).

Resources includes but not limited to employee skills, technology, knowledge and efficient processes and procedures while strategies refer to the theoretical and practical ways in which an organisation gains superior output in their field (Barney & Arikan, 2005). In this light, the organisation’s strength lies on how it employs different strategies for using its resources (Coates & McDermott, 2002). An organisation that applies unique strategies thus develops a competitive advantage (Miles, 2012).

This perspective dictates that those organisations with unique strategic processes and financial management practices have a better chance of being financially sustainable (Coates & McDermott, 2002). They would maximise their resources and capabilities to ensure financial sustainability (Coates & McDermott, 2002). In this light, organisations need to maximise on their processes, human resource capabilities, skills, and abilities as well as assets. For example, managers and employees need to acquire skills, experience, and have the necessary qualifications, to positively influence the organisation’s financial capacity. In times of funding

drought, organisations should tend to reconfigure their resources and capabilities to adapt to the changing environments (Miles, 2012).

## **2.10 Policy and legislation**

This section discusses the legislation and policy relevant to NGO registration and financial management. Since there is no act that deliberate on NGOs, section within the National Policy for NGOs referencing financial management will be discussed.

### **2.10.1 Registration process**

In Botswana, registration of NGOs can be done under the Societies Act or under the Deeds of Trust in the Deed Registry (Keabonang & Lebotse, 2010). The Societies Act allows for applications for registration to be made, of which after some level of scrutiny of the application, a certificate of registration is issued (Keabonang & Lebotse, 2010).

### **2.10.2 National Policy for Non-Governmental Organisation**

This policy aims to guide the current and future development of the NGO sector in Botswana (Ministry of Labour and Home Affairs, 2001). Section 9.4 of the policy talks to the context of accountability and financial management (Ministry of Labour and Home Affairs, 2001).

Section 9.4, firstly, subsection (i) states that it will encourage NGOs to be accountable to both beneficiaries, donors, and the government, secondly, subsection (ii) indicates that it will ensure that NGOs account for financial resources received from the different sources. Thirdly, Subsection (iii) requires NGOs to fulfil all statutory financial management and reporting requirements. The next sub section (iv, v) specify that the policy will support NGOs in the establishment of proper and effective financial management policies and procedures as well as financial monitoring and accounting systems. Thereafter, it stipulates that (vi) the government will provide financial support to NGOs that meet the criteria for accountability. Lastly (vii) it states that the government reserves the right to withhold funding in case an NGO is found to be un-accountable (Ministry of Labour and Home Affairs, 2001:15). Section 8, subsection 8.4; the policy established the need to develop management tools for accountability, such tools not being limited to “a code of conduct and guidelines for financial accounting” (Ministry of Labour and Home Affairs, 2001: 12)

Evidently the policy is framed in the future terms, however it does not have a statutory document to implement these aspects to this day, seeing that it was made 21 years ago. The lack of such a document, makes the policy insignificant in ensuring sound financial management practices. There is no governmental Act that guides NGOs in improving their financial management. Unlike in South Africa, The Non-Profit Organisation Act, No 71 of 1997 extensively states that it “establishes an administrative and regulatory framework within which NPOs can conduct their affairs” (Republic of South Africa, 1997: 2). Moreover section 17 talks about accounting records and reports while section 18 talks about the duties of reporting by registered NGOs, which needs to be carried out within 9 months after the end of the fiscal year (Republic of South Africa, 1997). In Kenya, section 30 of the non-governmental organisation coordination act talks about books of accounts while section 31 talks about auditing and how it should be done (Republic of Kenya, 2012). On the contrary, there is no legislation particular to NGOs processes in Botswana.

## **2.11 Conclusion**

This chapter has explored the literature review on the financial sustainability and financial management of NGOs. The literature shows that there is a huge concern for the financial sustainability of NGOs, especially for those in the global south. Moreover, studies have indicated that NGOs financial sustainability is largely influenced by several financial management practices, therefore a probe into how NGOs use these financial management practices for financial sustainability remains essential. In addition, despite several research studies, there is not much literature on financial management in NGOs. Moreover, this has shown that there is little to no literature on NGOs in Botswana. The above two reasons points to the need for this research study to contribute and increase knowledge both for financial management in NGOs and for NGOs in Botswana. Further, the chapter discussed relevant theories, policy and regulations to contextualise the study to NGO practice. The next chapter unpacks the methodology adopted for this study.

### **3. CHAPTER THREE: RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter introduces the research design, explains the research method, defines the study population, outlines the population sampling, data collection approach and its process. It further explains the data analysis approach, data verification, limitations of the study, then closes with a summary of the chapter.

#### **3.2 Research approach**

This study employed a mixed method research approach, by using a combination of qualitative and quantitative research designs (De Vos et.al., 2005). This approach was chosen due to the philosophical worldview of the researcher, who sought to answer the “what” and “how” of the research problem (Creswell, 2014: 39). Also, the use of a mixed method approach provided rich data and understanding of the phenomenon under study since two data sets were integrated. Coupled with different perspectives and experiences, this approach brought about a better understanding of the NGO financial management strategies and processes; hence it was efficient for this study.

#### **3.3 Research Design**

Research design is a plan of how the researcher intends on conducting their study (Barbie & Mouton, 2001), it determines the nature of data and the process in which it will be collected and analysed (De Vos et al., 2005). The purpose of the study influences the type of research design chosen, the right research design should be efficient in gathering information purposefully and specific to the study (Babbie & Mouton, 2001).

This study sought to explore the financial management practices of NGOS towards being financially sustainable. Exploratory research provides an insight and comprehension into the topic at hand and is considered effective for a relatively new area of interest, such as this study (Creswell, 2014; De Vos et al., 2005; Babbie & Mouton, 2001). To achieve this a convergent parallel mixed method design was required. This design used a combination of qualitative and quantitative methods to collect data, the collected data was analysed separately, however, the results from both methods were compared to cross reference the findings (Creswell, 2014). This corroboration of findings yielded rich, comprehensive, and detailed data for this exploratory study. The quantitative research design gathered numerical data on NGO financial management practices, while qualitative research design focused on

providing individuals experiences on the financial management practices they use as well as perspectives on the same topic.

### **3.4 Population and Sampling**

The study population of study is NGOs in Gaborone, the capital city of Botswana. Botswana has a small number of NGOs with most of them populated in urban areas, making Gaborone highly conducive for a fair representation of the NGO population compared to other places country wide. Botswana's NGOs are either sectoral or multi sectoral in their services, wherein those sectoral engage in one sector while the multi-sectoral engage in several sectors of development (e.g., education, health, and social welfare). The Botswana Council of Non-Governmental Organisations (BOCONGO) established in 1995 serves as the coordinating body for NGOs in Botswana (Ministry of Labour and Home Affairs, 2001). By the time of the study, there were 167 NGOs across all sectors registered with BOCONGO, which is not the official number as many others are not registered. Of the 167 registered NGOs, 128 (76.6%) are based in Gaborone, though others in this percentile serve in other locations as well.

A sample refers to the subset of the population, which in this case it refers to some of the NGOs from above (De Vos et.al., 2005). For this study, NGOs were represented by CEOs, Directors, Financial Managers, and any senior management employee in that order of preference. These representatives were chosen because they have rich experiences and knowledge of their financial management of practices of the NGOs. The study collected surveys quantitatively from 20 representatives, while 10 organisations were represented qualitatively, through interviews of 15 participants.

#### **3.4.1 Sampling Technique and Procedure**

The researcher used a non-probability purposive sampling design to draw a sample from the population. As De Vos et al. (2005:202) highlights that "...purposive sampling is based entirely on the judgement of the researcher, hence a sample is composed of elements that contain the most characteristic, representative of the population". This allowed for the selection of NGOs where the specific process of financial management most likely occurred, thereby creating a conducive environment to maximise the acquisition of rich details and specific information about the context of the study (De Vos et al., 2005).

A non-probability purposive sampling design, through a single stage procedure, was used to get the sample from the population. A database from BOCONGO of NGOs registered with BOCONGO was

obtained, then the list was filtered so that only NGOs based in Gaborone were selected. A total sample list of 128 NGOs based in Gaborone, with contact details consisting of e-mail addresses and phone numbers was obtained.

For the quantitative method, electronic mails inviting NGOs to participate in the online survey as well as explaining the purpose of the research were sent to the 128 identified NGOs. Access to the survey (appendix A) was provided through the link in the email, wherein everyone was required to give consent by selecting to progress with the questionnaire. With 128 sent emails, 34 bounced back due to several NGOs having outdated email addresses. This resulted in the delivery of only 93 emails of which only 20 responses were received.

For the qualitative method, the non-probability purposive sampling design was used on the same sample of the 128 NGOs based in Gaborone. This was to ensure that the researcher uses their expertise, knowledge and gathered information to select the NGOs with richer information (Patton, 1990). Using the same sample for both methods allowed for a better data comparison (Creswell, 2014). The following criteria was used to select participants:

- NGOs must be registered with Botswana Council of Non-Governmental Organisations (BOCONGO)
- The NGO should have been functional for more than 5 years.
- The NGO must have a good reputation. Consultations with experts on the field and professional colleagues helped in determining the idea of an NGO with a good reputation and they advised on the selections.
- Participants representing the NGOs were senior managers; CEO, Director, Finance Manager, and any other senior management staff, in that order following their availability.

The compiled list of the 128 NGOs based in Gaborone was combed through, based on this criterion. Twenty NGOs based in Gaborone were established, upon selection the NGOs were contacted through phone calls and electronic mails (Appendix C) to request for NGO's consent to be part of the semi-interviews. In the end, only ten (10) organisations were interviewed, of which 15 participants took part. To increase the richness of the data, the researcher allowed two participants to represent an NGO where possible. Participants from the same NGO were interviewed together at the same time and data from these interviews was then consolidated and treated as a representation of that specific NGO.

### **3.5 Data collection**

Data collection refers to a sequence of interconnected activities aimed at capturing data that enables the researcher to answer the research questions (Creswell, 2014). The study used convergent parallel mixed method design, wherein questionnaires and semi-structured interviews were administered simultaneously for data collection. Questionnaires provided wide statistical and representative data allowing for generalisations to be made on NGOs in Botswana as it reaches a larger population (Creswell, 2014). In addition, semi-structured interviews were conducted both face-to-face and virtually with the participants. According to Babbie and Mouton (2001) semi-structured interviews are conducive for an exploratory study as they provide an opportunity for participants to relate to the study as they express their opinions and experiences, allowing the researcher to probe along. Moreover, it allowed the researcher to control the line of questioning through paraphrasing, clarification and reflecting on the experiences of the participant (Creswell, 2014). This allowed the conversation to be flexible, permitting the researcher to probe along.

Given that the study aimed at exploring the topic, these methods of data collection were appropriate for the study: semi-structured interview provided comprehensive data, which is supported by the statistical data, yielding rich data which gave a thorough understanding of the research question (Creswell, 2014).

#### **3.5.1 Data collection approach and instruments**

##### **3.5.1.1 The Questionnaire**

Questionnaires provide numerous descriptions and opinions wherein inferences can be drawn about the population (Creswell, 2014). An online questionnaire (see appendix B) through google forms was used to collect facts and opinions from the participants. A consent form, and a link to the online survey was sent to the participants through electronic mail (e-mails). The questionnaire had clear and carefully written instructions, short and closed ended questions (De Vos, 2005). A total of 128 e-mails were sent to the participants, of which:

- 20 responses were received.
- 34 bounced back.
- 93 emails were delivered, and 9 of the participants provided acknowledgement of the emails.
- 73 participants did not respond at all.

The researcher aimed to have the 30% response rate as suggested by De Vos et al., (2005). To ensure this, the researcher sent follow-up emails and made weekly telephonic contact for a period of 2 months. The information gathered through the online questionnaire provided through google forms was transferred into a password encrypted Excel document, from where it was analysed. The encrypted Excel document was kept in the same encrypted folder as the interview recordings to ensure confidentiality.

The low response is largely attributed to COVID-19 pandemic, which brought a huge strain on NGOs, more especially with a lot of financial cuts from several donors. This led to understaffing, low production and distress in NGOs where there was no urgency for employees to participate in the research. The urgency was on ensuring that they survive through the financial turmoil they were experiencing. Even though the researcher followed up consistently, an increase response rate was difficult to achieve.

### **3.5.1.2 Semi-structured interviews**

According to De Vos et al. (2005) semi-structured interviews are interest focused and flexible interviews used to gain a detailed picture of participants' insights on a particular topic. They captured the experiences of NGOs on financial management while allowing participants to be flexible with their responses. The researcher followed up interesting information provided by the participant, and the participant gave a "...fuller picture" as an expert on the subject (De Vos et al, 2005: 296). As such, semi-structured interview was the best tool to capture information on the financial management practices that NGOs use in their work.

An interview guide (see appendix D) was developed together with the questionnaire to ensure that the questions in the questionnaire are explored further through the interview. The interview guide was used to ensure that the themes devised by the researcher are covered, whilst allowing participants to tell their story. A pilot interview was carried out with a Director of an NGO and a colleague to ensure that the interview guide was appropriately suited for the interviews (De Vos et al., 2005). Upon feedback from the pilot interviewees, the question requesting NGOs details was modified to include the NGOs registration date and number and the general wording of other questions was modified in the interview guide, to provide clarity on questions asked and their relevance to the research question.

Adhering to the UCT-research committee commitments and the Botswana government COVID-19 regulations, the researcher ensured social distancing, had a mask and sanitiser throughout the data collection period. Interviews were done in well ventilated offices with one or two participants, while

for those who had COVID-19 symptoms, their interviews were done through Google meet and Microsoft Office application (Microsoft Teams).

As recommended by De Vos et al. (2005) the semi-interviews were recorded using a recording device and the researcher took additional notes during interviews. The participants were informed about the need to record interviews and they were asked for consent before recording commenced. The recordings were kept in a password encrypted folder both on the phone and on the one drive folder for confidentiality purposes. The data was then transcribed into a word document which was also encrypted and kept in the encrypted folder. Moreover, the participants (NGOs) information was replaced with pseudonyms: participant A, B and C with continuity respectively.

### **3.6 Data analysis**

Data analysis refers to the “categorising, ordering and summarising of data to obtain answers to the research questions” (De Vos et al., 2005: 218). As the study employed a convergent parallel mixed method, the quantitative and qualitative data of the same concept was analysed separately then merged (Greene, Caracelli & Graham, 1989). The quantitative data was analysed through Microsoft Excel, while the other research questions were automatically analysed by google forms. For qualitative data, the researcher transcribed the data from the recording device then used NVivo Software to analyse the transcribed data. To achieve the essence of mixed methods, the data was then integrated during interpretation of the findings (Creswell, 2014).

#### **3.6.1 Quantitative data analysis**

Quantitative data was collected through google forms which provided an easy transfer of the data into Microsoft Excel as well as an automatic analysis of the data as it was provided by participants. To ensure a further analysis, the researcher began by outlining the number of participants who returned the surveys and those who did not, where 20 responses were noted. Following this, the researcher used the data in the Excel spreadsheet to generate the demographic information of the participants, the trends, similarities, and variances of their financial management practices. This data was consolidated into tables, charts, and bar graphs, allowing for interpretations to be made (Creswell, 2014).

### **3.6.2 Qualitative data analysis**

The researcher began the first instance of data analysis at the site by taking notes through the interviews (De Vos et al., 2005). The second instance happened between site visits and after data collection. Through NVivo Software, the research applied Tesch's data analysis model of 1990 (Creswell, 2014), which is as follows:

1. Firstly, the researcher transcribed the audios into a word document, then read through all the transcriptions to familiarise and understand the responses in relation to the research objectives.
2. Secondly, all the transcriptions were loaded into NVivo software.
3. Thirdly, individual transcriptions were read to try and understand the underlying meanings of the responses. Notes were made throughout this process to note the general ideas made.
4. Fourthly, the researcher repeated the third step for all the transcripts. At this point, the researcher made a list of all the topics from the response and clustered similar ones together into themes relative to the research questions.
5. After that the themes were reduced into codes, of which appropriate segments (nodes) were assigned. Any new emerging topic was noted and assigned appropriately.
6. Next, the themes (codes) were grouped into categories and sub-categories, to reduce the overall number of themes, as well as to create a flowing structure.
7. Subsequently, the data was assembled by creating a table for themes, wherein categories were placed under themes for preliminary analysis. The participant comments are linked to these themes during this process.
8. Lastly, the researcher revisited the data for further review.

The table of themes was used as guidance framework for discussing the findings. Furthermore, participants comments were used to support the presented themes and categories, and lastly these are linked with the literature review discussed in chapter 2.

### **3.6.3 Triangulation**

Triangulation as a way of validating data was achieved through the incorporation of qualitative and quantitative methods as well as several data sources (Mathison, 1988). The use of qualitative and quantitative methods in tandem reduced biasness, while providing converging themes to corroborate the findings (Creswell, 2014). While qualitative methods provided rich data for enhanced understanding of the studied phenomenon, quantitative methods allowed for statistical inferences to

be made, thus the combination of these methods validates the accuracy of the findings (Sandelowski, 2000).

The researcher used the quantitative and qualitative data side by side, where descriptive quotes supported the statistical data results and vice versa to compare the data for variances, trends, and similarities (Creswell, 1999).

### **3.7 Data verification**

De Vos et al. (2005) emphasise that all research must respond to the criteria set to establish the trustworthiness of the study. This criterion focuses on the credibility, transferability, dependability, and transformability of the study.

#### **3.7.1 Credibility**

De Vos et al. (2005) presents credibility as an internal validity of the study, where for Creswell (2014), validity requires that the researcher make certain, the accuracy of the findings by employing several procedures. Subsequently, Babbie and Mouton (2001) indicate that credibility answers whether there is compatibility between the participants realities and that which is ascribed to them. It seeks to “demonstrate that the inquiry was conducted in a manner that ensured that the participants were accurately identified and described” (De Vos et al., 2005: 346). Firstly, this was ensured in this study by using a recording device, therefore the recordings are available for examination. Secondly, triangulation was applied, where both qualitative and quantitative approaches were used to collect, establishing the coherence of the data which yields a strong study credibility (Creswell, 2014).

#### **3.7.2 Transferability**

Transferability refers to the “extent to which findings can be applied in other contexts or with other participants” (Babbie and Mouton, 2001: 277). It refers to the “generalising of the findings to other populations and settings” (De Vos et al. 2005: 346). This is an external validity since the responsibility to judge the transferability of the research is more on the other researchers (De Vos et al., 2005). To aid others in judging the transferability of this research, the researcher provided a good documentation of the procedures followed by the study: the study sample, data collection method and approach as well as the geographical context of the study. Moreover, the use of thick, detailed, accurate descriptions and the use of participants quotes in the study gives sufficient information for others to judge the degree of transferability of the study (Babbie & Mouton, 2001).

### **3.7.3 Dependability**

This refers to the ability of the inquiry to stay unchanged even when conditions are changed (De Vos et al., 2005). It examines whether, if the study was to be repeated, other researchers will come to the same results. The researcher is required to provide evidence that if the research was to be duplicated with the same or similar participants, in the same context then its findings will be consistent. The documentation of the processes, methods, and approaches used for conducting this study provides this evidence. Moreover, Babbie and Mouton (2001) state that the demonstration of credibility satisfies that of dependability, of which is provided.

### **3.7.4 Confirmability**

De Vos et.al (2005) posit that confirmability is focused on the objectivity of the study. It ensures the confirmation that the findings are a representation of the data with absence of biasness from the researcher (Babbie & Mouton, 2001). The transcripts and notes made during the interview were given to the research supervisor for auditing, and the use of triangulation reduced any potential biasness.

## **3.8 Limitations of the study**

A mixed method approach requires a satisfactory sample size for both qualitative and quantitative data to allow for generalisability as well as the access to rich detailed data (Creswell, 2014). The researcher noted that the sample size (20) of the quantitative data limited the ability to confidently generalise, while that of qualitative data (10) limited access to rich data. An increase in the study sample could improve the confidence in findings. Despite this limitation, the researcher increased the number of participants in face-to-face interviews by having more than one participant in NGOs where possible.

Another limitation was that the researcher had limited access to other data sources such as the NGOs qualitative documents. The study sought to use qualitative documents such as annual reports and financial statements, to promote triangulation and provide further analysis in relation to measuring financial sustainability of NGOs, however the participants were reluctant to share them, largely due to the sensitivity of sharing financial information. To minimise the impact of this limitation the researcher used their websites to access some of the qualitative sources and followed up on the participants for further requests. Only a few complete annual reports and financial statements were received, which made it hard for analysis to be carried out.

Moreover, data collection process took place during COVID-19 pandemic, when there were several regulations in terms of people's movement and interaction. This inhibited the natural flow of face-to-face interviews, in that participants kept on changing the dates and times for interviews to take place due to unpredictable schedules. Internet connections were poor thereby, virtual interviews were difficult to conduct. These impacted the quality and timeframe for data collection, as the processes extended for more than 4 months, compared to the anticipated 2 months. The researcher ensured a constant follow up with potential participants, which increased the response rate.

Lastly, the study population was not easily accessible due to; (a) many NGOs not registered with BOCONGO, (b) the contact details in the database being outdated and (c) NGOs seemingly uncomfortable to discuss issues of financial management. The researcher physically visited the potential participants' offices, as a way of following up. Even though contact and schedules were made, participants were non-committal. Despite that, several contact updates were made, which improved the process of following up.

### **3.9 Reflexivity**

Reflexivity refers to the ability of the researcher to be aware of their influence in research and research processes (Gilgun, 2008). The researcher's role as the investigator, their background and experiences have the potential to influence or shape their interpretation of the data (Creswell, 2014). The researcher believes that financial management is important for NGO's financial sustainability, therefore the research sought to find out the true reflection of NGOs financial management relative to financial sustainability. The researcher had the view that there was a general poor financial management in NGOs in Botswana based on their experiences and conversations in the NGO space. Aware of this biasness, the researcher introspected their views and behaviour throughout the study, to ensure that such biasness did not influence any processes in the study, be it the literature review, data collection and on the discussion of the findings. Moreover, the use of triangulation limited the influence of such biasness.

### **3.10 Summary**

This chapter defined and discussed the research design, research methodology, study population, and sampling procedure. This was followed by a description of the data collection approaches, data collection instruments and data recording processes. Thereafter the data analysis procedure was set out, the data verification discussed, and the limitations of the study provided. The chapter then concluded by discussing the reflexivity of the researcher, relative to the research study.

## **4. CHAPTER FOUR: PRESENTATION AND DISCUSSION OF FINDINGS**

### **4.1 Introduction**

This chapter presents the profiles for both quantitative and qualitative aspects of the research study. It further provides the framework for discussing the findings as derived from data analysis in the previous chapter. The discussion of findings follows, of which conclusions and recommendations are derived.

### **4.2 Profile of the Research Study Participants**

A presentation of the socio-demographic data of the participants from both the qualitative (face-to-face interviews) data and quantitative (online questionnaires) data is presented below. beginning with data from questionnaires subsequently followed by data from face-to-face interviews.

#### **4.2.1 Quantitative Socio-Demographics**

A quantitative approach gathered twenty (20) questionnaires from NGOs through senior level managers. Table 4.1 represents the socio-demographics of these participants as representatives of the NGOs.

*Table 4. 1 Profile of Quantitative participants*

<b>Socio-demographic profile of the quantitative participants</b>			
<b>Socio-demographic characteristics</b>		<b>n=20</b>	<b>Percentage (%)</b>
Position in NGO	Chief Executive Officer (CEO)	2	10
	Executive Director	5	25
	Accountant	1	5
	Finance and Accounts Director	1	5
	Member of Board	2	10
	Programs Manager	2	10
	Treasurer	1	5
	Administrative Oversight	1	5
	Business Development Manager	1	5
	Director Operations	1	5
	Executive Coordinator	1	5
	Managing Partner	1	5
	Partnership Officer	1	5
Period of NGO's service	Less than 5 years	1	5
	5-10 years	4	20
	11-16 years	3	15
	17-22 years	4	20
	23-28 years	5	25
	29-35 years	1	5
	Above 35 years	2	10
Qualification	PhD	1	5
	Masters	6	30
	Degree	5	25
	Diploma	3	15
	ACCA	2	10
	Finance and Sound	1	5
	Cambridge (BGCSE)	1	5
	Other (30 years of experience)	1	5

A total of 35% of the participants were Executives (25% Executive Directors and 10% CEOs), 15% of the participants were finance managers (5% Accountant, 5% Finance and Account Director as well as 5% Treasure). This was followed by members of the Board and Program Managers, each at 10% representation. The remaining 40% was represented by other senior management participants all at 5% each.

Majority of the participants held higher education qualifications, with 35% of postgraduate degree holders (PhD at 5% and Masters at 30%), followed by Degree holders at 25% and Diploma holders at 15%. The other qualifications represented 25% of the participants; ACCA at 10 %, Finance and Sound as well as Cambridge at 5% each and one participant who indicated 30 years of experience.

Ninety-five (95%) of the NGOs represented have been in service for more than 5 years, where 20 % had been operational for 5-10 years, 15% for 11 to 16 years, 20% for 17 to 22 years, 25% for 23 to 28 years, 5% for 29-35 years and lastly 10% above 35 years. Only 5 % of the NGOs have been operational for less than 5 years old. This suggests that majority of the participants were able to provide rich data relative to their experiences on financial management and financial sustainability during the years.

#### **4.2.2 Qualitative Socio-demographics**

A qualitative approach gathered data from 10 NGOs, who were represented by senior level managers purposively selected based on a criterion. This ensured that only specific NGOs participating in the study presented certain characteristics. To facilitate extensive and detailed data, where possible other NGOs were represented by two participants.

*Table 4. 2 Profile of qualitative participants*

<b>Socio-demographic profile of the qualitative participants</b>				
<b>Participants</b>	<b>No. of Participants. n=15</b>	<b>Role in NGO</b>	<b>Qualification</b>	<b>Year of Operation</b>
Participant 1	1	Director of Operations	Chartered Accountant	2000
Participant 2	2	Executive Officer	Master's in arts and Counselling	1996
		Finance Manager	Chartered Accountant	
Participant 3	2	Executive Director	Bachelor of Arts in Humanities and a Postgrad in Education	2002
		Accountant	Accounting	
Participant 4	2	Executive Director	Health Education Officer	2008
		Accountant	Honours Degree in accounting and finance	
Participant 5	2	Executive Director	Sociology, now doing MBA	1990
		Accountant	Advanced Diploma in Accounting (AAT)	
Participant 6	1	Finance and Administration Officer.	Advanced Diploma in Accounting (AAT)	1986
Participant 7	1	Country Director	Teacher + 10 years in NGO sector	2006
Participant 8	1	Finance Manager	Chartered Accountant, with a Bachelor of Accountancy	2001
Participant 9	1	Programmes Manager	Postgraduate diploma in Education Bachelor's Degree in Social sciences	2006
Participant 10	2	Finance Manager	Bachelor of Commerce degree holder in finance (Hons) Chartered accountant who chatters through ACCA in the UK	2014
		Business development manager	30 years with NGOs 22 years in Grant writing	

A total of 15 participants represented 10 NGOs, where 5 NGOs were represented by 2 participants each to increase the richness of the data. Majority of participants work directly on the NGO's finances (46%), these were finance managers (20%), accountants (20%) and Finance and Administration officers at (6%). In addition, Directors represented a significant number of participants at 26%. The other participants who were neither Directors nor Finance and Account officer were from senior management positions, making up to 33%. This suggests that the participants had experience and knowledge on the financial management and financial sustainability of the NGOs they were representing.

### 4.3 Framework for analysis

This section provides a framework to present and discuss the findings of the research study. It sets out the themes and categories to accentuate the findings. This is set out through the table 4.3 below.

*Table 4. 3 Framework for analysis*

Theme	Category	Sub-Category
Understanding of financial management and financial sustainability	Understanding of financial Management	Making financial plans Managing risks Managing financial resources
	Understanding of Financial Sustainability	Going Concern Exist now and in the future Ability to generate Income
Sound Financial Management Practices	Financial Planning	Strategic Planning
		Budgeting
	Financial Recording	Processes
		Systems and tools
	Financial Monitoring	Financial statements
Auditing		
Funding of NGOs	Source of funding	
	Alternative Funding	

## 4.4 Discussion of findings

This section provides a thorough interpretation and discussion of the research findings. The framework for analysis will be used as a guide throughout this section. This will follow a side-by-side comparison approach, where the qualitative data will be reported then supported by the quantitative data (Creswell, 2014).

### 4.4.1 Understanding of financial management and financial sustainability

This theme discusses the understanding of financial management and financial sustainability, in the context of the non-profit world. Herein, the participants were asked to explain what they understand financial management and financial sustainability to be.

#### 4.4.1.1 Understanding of financial management

How financial management is understood largely influences how it is practiced and translated in the organisation. Three main points were raised when defining financial management.

##### 4.4.1.1.1 Making financial plans and allocating accordingly

Financial management is understood as a process which incorporates financial plans, budgeting, managing, and directing of financial resources to ensure that they are enough to fulfil the mission of the NGO. Moreover, participants indicated that within these plans, there should be controls put in place to ensure that the plans go accordingly and that risks are minimized. This is captured in participants' responses below:

*“Financial management is taking care of the finances, budgeting well, making sure that the expenditure is allocated accordingly, in the NGO world is making sure of what we call ‘is what you are doing allowable, allocable and reasonable’... ‘the accounting principles’; which talks about do you have the right mechanism to curb the risk of...in the NGO world there is a lot of things that can happen... so do you have the systems in place to make sure that the finances that you are given, they are running them accordingly” Participant 7.*

*“It’s the allocation of resources as you receive them towards attaining the entity’s goals. How you allocate your resources and how you manage the resources that you have.” Participant 5.*

Understanding financial management as a process of making financial plans and allocating funds, following processes and procedures is similar to that of Masters and Tyler (2017) who stated that the

primary source of financial management is to ensure that financial resources are sourced and allocated accordingly. Similarly, Chepkemoi and Njeru (2017) state that this should involve the use of existing policies to guide the spending of funds, of which the participants called “systems” and “internal controls”.

#### **4.4.1.1.2 Managing risks**

Participants echoed that financial management as a process, allows organisations to manage their risks, as the NGO sector is prone to experiencing risks. They further indicated that using policies, procedures and the enforcement of the accounting principles, risks can be averted or better managed. This was discussed as:

*“Financial management for me is the management of financial resources and financial risks that face the organisation... income that comes through, making sure that it is allocated according to the plan, to achieve a plan and objectives of the organisation...addressing any risks...whether its fraud or any all-other control issues... complying with donor requirements... All the relevant internal controls that need to be in place to ensure that the objectives of the organisation are met.” **Participant 8.***

*It’s a way of avoiding risk concerning organisation funds, because if you do not manage your finances then it means, you will run the risk of maybe not finishing the activities you asked those funds for, so that is why it is important to manage your finances”. **Participant 6.***

*“So basically, that is in simple terms what I understand financial management to be. It’s about being able to measure the risks and then making sure that you have the right policies to make sure that everything is complying...” **Participant 9.***

The above sentiments align with Masters and Tyler (2017) who state that financial management requires management of risks such as errors and incidents of fraud. Moreover, the authors add that a good management of risks include the use of effective financial controls as well other monitoring tools (Masters & Tyler, 2017). The participants highlighted the importance of such financial controls and policies as an aspect of financial management.

#### **4.4.1.1.3 Managing financial resources to sustain the NGO**

Noting the broadness of how financial management can be defined, participants explained that it generally means the management of financial resources. They explained that the management of finances drives the mandate of the NGOs and sustain them. In addition, they explained that there should be systems in place to facilitate this process. In their explanations, it became clear that for them, a better financially managed organisation improves the confidence of the organisation and promotes accountability. To illustrate this some participants commented:

*“financial management in its broadest sense refers to how an institution manages its financial resources and, in our case, our financial management is to make sure that we have enough financial resources to drive the mandate of the organization, that is to make sure that all the resources as you can categorize them, human and non-human, are managed in a way that will sustain our money because everything translates to money... so the whole essence of financial management is to make sure that you are confident to be carrying and managing your resources to achieve mandate in the foreseeable future together with the going concern...”*. **Participant 2.**

*“So, if you do get the funding, it’s about, do you have systems in a place to manage the funding, especially looking at issues around expenditure, accountability in terms of who is responsible for what-to-what extent, and ensuring that you are able to also report how you have used that money”*  
**Participant 3.**

Defining financial management as a process that anticipates a foreseeable future while incorporating the importance of having systems in place to ensure the achievement of that future is essential. Risks generate potential financial loss, therefore proactive management is required to limit such loss (Spikin, 2013).

#### **4.4.1.2 Understanding financial sustainability**

Understanding how managers understand financial sustainability sheds light into how they incorporate it in their organisations. Their understanding of financial sustainability influences their financial management practices and decisions. Their specific context of financial sustainability will translate into their financial practices. Phrases such as “going concern”, “exist now and the future” as well as “ability to generate income” were dominant in their definitions.

#### 4.4.1.2.1 Going Concern

In defining financial sustainability, the participants stated that it refers to their ability to be a going concern. For them going concern refers to their ability to function for a period of more than 12 months, which is usually reported by auditors.

*“It’s your ability to be a going concern as an organisation.” Participant 5.*

*“Are we able to carry on, for more than 12 months. Is our organisation able to survive another year or continue to another financial year? ...actually, I just got to understand that word, sustainability, or non-sustainability, when we couldn’t satisfy our auditors that we will be surviving for the next 12 months and then they just say, then your audit will just be qualified because of going concern...” Participant 4.*

Navarro-Galera et.al (2016) defines financial sustainability as the ability of the organisation to continue delivering its services while meeting its financial obligations without having an increase in debts. Similarly, participants defined it as their ability to continue operating without debts that they are not able to pay, hence the concept of going concern, which is established through auditing the financial statements of the NGO.

#### 4.4.1.2.2 Ability to generate income or have unrestricted income

When asked to define financial sustainability, participants indicated that it is has to do with the ability of an organisation to generate own income or have unrestricted income. Additionally, they put a time frame for which their organisations should be able to function, without any additional funding.

*“Is whereby an organisation is able to function...with available funding for a certain period of time... yeah. I think for an NGO, I think, you should have enough money in your account to be able to sustain the organisation for at least 6 months without an income...” Participant 3.*

*“Financial sustainability is dependent on a number of factors, it’s not about how much money you have that determines its financial sustainability but its ability to generate income in the medium to long term. And in that context, even if you do not have the cash in the bank.” Participant 5.*

*I understand financial sustainability is a way of...if you have like other sources of funding or fundraises, so that if you are given P100 000 you find a way of increasing that, so that you can sustain the organisation by doing some fundraising and other things.” Participant 6.*

While expanding on the ability of the organisation to generate income, they indicated that it is very important that organisation's services become relevant, because that is how one can continue generating income and or attract more funds.

*“Like I said financial sustainability, I do not view it from the perspective of money only, I also look at it from the relevance to the mandate, the quality of the work that we provide, it speaks to our sustainability”* **Participant 5.**

Financial sustainability has been defined based on the ability to source income, in that the organisation must have ways in which it creates or source its income to build on their unrestricted income to allow them to function for some time. Similarly, Bowman (2011), defines financial sustainability as the ability to maintain financial capacity for a period of time. On the same note, Francois (2014) defines it as the ability to maintain multiple sources of funding to be able to serve their clients over time.

#### **4.4.1.2.3 Ensuring that the organisation exist now and, in the future.**

In addition, participants defined financial sustainability as the ability of the organisation to exist now and in the future. In this context, factors such as managing financial resources and using financial management systems were some of the ways mentioned to be of an influence in ensuring that organisations exist now and in the future. Lastly, the participants also highlighted the importance of being able to survive the period of “up” and “downs”. This is highlighted below:

*“Financial sustainability is probably just the ability to sustain the organization and its operation is programs for longer term. Uhm, yeah, so you sort of like the ultimate objective of your financial management systems is just to ensure that you are sustainable in the long term.”* **Participant 10.**

*“Are we able to carry on, for more than 12 months. Is our organisation able to survive another year or continue to another financial year?”* **Participant 4.**

*“For me, you are looking at the ability of the organisation to continue operating from its own resources, when you are dealing with NGO's, donors come and go but the organisation needs to survive all those ups and downs of those ins and outs.... So, we need to be sustainable in that regard. So, you need to survive those cycles otherwise the organisation will close.”* **Participant 8.**

Financial sustainability is understood as ensuring that the present activities allow for a continuous functioning towards the future. This is illustrated by use of words like “longer term”, “more than 12 months” and “survive” to mention a few. These narratives echoes Francois (2014) point, that financial

sustainability is not an end but a process; it is the process of ensuring that NGOs continue to function in the future. They should be able to maintain or expand their services while withstanding present external shocks.

#### **4.4.2 Sound Financial Management Practices**

This theme discusses the financial management practices which NGOs use towards financial sustainability. Practising sound financial management is critical in achieving financial sustainability, in that light participants discussed financial management practices that which they find vital for achieving financial sustainability. Four practices are discussed in detail below.

##### **4.4.2.1 Financial Recording**

Financial recording provides an opportunity to establish how financial sustainability is enhanced in NGOs, as it provides financial data, based on transactions made. Such data can be analysed to determine some essence of transparency and possibility of fraud, which all influence financial sustainability. The following section will discuss the financial recording aspects of the NGOs as communicated by the participants.

###### **4.4.2.1.1 Process of financial recording (accounting process)**

This section provides an insight on NGOs financial recording processes. Participants described their financial recording process in detail, such as the specific individuals who are responsible for the financial recording process and also highlighted some of the tools that they use for this process. This is captured below:

*“It starts with the request, if there are activities to be done... you have to request for that activity and you have to prepare a brief budget of that activity and then we look at it and see if it is within the overall budget of the organisation and then it gets approved...it gets checked and approved... after approving it... normally it gets done by the programme officer or programme manager...so when it’s done, that’s when you can fill the request form... you also state where that money will be from... and then the cheque will be prepared by the assistant admin, then it passes through me [Finance Manager]...before preparing the cheque, there is a request that is done by the project officer, depending on which project the money is coming from... then it gets checked by the finance officer, goes to the assistant to prepare the cheques and then there is what is called request payment voucher, which is being signed by the person preparing the cheques, authorised by the director, approved by*

*the board member and then signed by the receiver... that is when the cheque is signed and disbursed... because when we give you that cash, we call it advance for expenses, so when you come back, you have to retire those...the change, the whole...everything, the receipts the change, even if there is no change, you have to retire everything... **Participant 6.***

*“Ok, we have a records management policy within our organisation, we also have a records management officer who is charged with ensuring that all the records for the organization are kept in a safe or acceptable way. So, what happens is that she keeps her own registers, if a document is moving from one department to the other, let's talk about a travel requisition for example, it's initiated at the programs department. There is a program assistant that basically has their own register. Once the person has completed the travel requisition, she takes it from that officer to the approval levels which are probably the manager then director. In all of them, I think there is a register that they complete, it's brought here in operations, depending on where it goes, it either goes to the procurement unit or the finance unit. So, if it goes to the procurement unit, she basically takes the travel form, leaves it with the procurement unit so that they also must complete some of her registers to ensure the timing surrounding their receipt. Same applies to finance, if it's a per diem that is supposed to be loaded, they also sign. What happens after that processing is done, they bring all the paperwork when the signatories sign.... After all the manual transactions, we basically load that in the system and ensure that we reconcile our general ledger monthly for us to be able to draw some of these reports that we give to the progress teams and all the manual documentation we file in the storeroom and keep for the number of years that is required which is normally five years, by the accounting standards.”*

**Participant 1.**

In addition, participants explained that there are specific policies that they follow, templates they use for different transactions, as well as an authorisation, vetting and approval processes that is incorporated in this process. The following comments will highlight these elements:

*“Usually when you go to travel, the financial policy states that you must inform admin in a certain period and for the admin to process that request, there has to be an authorisation from the supervisor ... there is a line of authorisation... you request, it has to be approved, authorised and then it moves to the next level...then followed by quotations and vetting.” **Participant 9.***

*So monthly, we consolidate all the spending into our journal entry template, and everything is done in Excel, where now you consolidate all the spending for the month, and we categorize them according to programs and then we do the donor allocations in that spreadsheet. Our general Ledger is*

*fragmented into 5 sub ledgers so you can track your expenses by function, by location, by, donor, by activity. We like to do it that way so that you can be able to pull specific reports, and so if we are doing programming in Place X, for example, we are able to actually pull-out certain information, you can actually see the printing costs related to Place X, so we just like to be very detailed in the way we are allocating. So once that template has been consolidated and reconciled the finance manager will review, and once the finance manager is happy, it also goes through a second layer of review by the director or financing and admin development before it's now uploaded in our actual general Ledger. So, we do that to minimize the number of errors so by virtue of going through the multiple reviews, within the Excel template we know that by the time that is exported to our General Ledger, the information is accurate and is correct. **Participant 10.***

The process of financial recording provides the foundation for financial reports, it records and summarises the financial transactions on a day-to-day basis ensuring that accountability on the use of funds is asserted (Masters & Tyler, 2017). These sentiments are highlighted by the above comments; where they illustrated how they pay attention to details, ensure transparency and accountability through following policies and procedures as well as using the standardised tools for financial recording. In addition, the use of policies, procedures, and templates, as elaborated above provides a regulatory guidance and instils good governance as they provide internal control of financial resources (Chepkemoi & Njeru, 2017). Given this, NGO's financial recording process shows a positive move towards financial sustainability as it minimises opportunities for risks and fraud.

#### **4.4.2.1.2 Systems and Tools**

The financial recording process requires the use several tools and systems to efficient data capturing and storage to facilitate for an easy review, analysis, and report production. When talking about the financial recording process of their organisations, participants indicated that they use several tools and accounting systems to capture, analyse and store their data. They commented:

*“We basically use our accounting system, which is an ERP system, it is called delta.” **Participant 1***

*“There is evolution and pastel, we have an interfacing payroll, standard forms used by everyone like request forms, vouchers, meal vouchers in compliance with the financial policy and procedure.” **Participant 2.***

*“We use Pastel system, normally ...today we are using Evolution. Evolution is a live data system where we record all the finance transaction every day and monthly, we compile all the information and we*

*produce a report, like normally, it builds up into a cashbook for a month and then cashbook and then other management accounts and we give to the manager” Participant 3.*

The above comments indicated that there are several tools and systems used to ensure sound financial recording. The results from the survey illustrate the same sentiments of using several tools and systems for financial recording, but with more details on usage of each tool. The bar graph (figure 4.1) below indicates these tools. This strong convergence confirms that NGOs use financial tools and systems to facilitate sound financial recording.

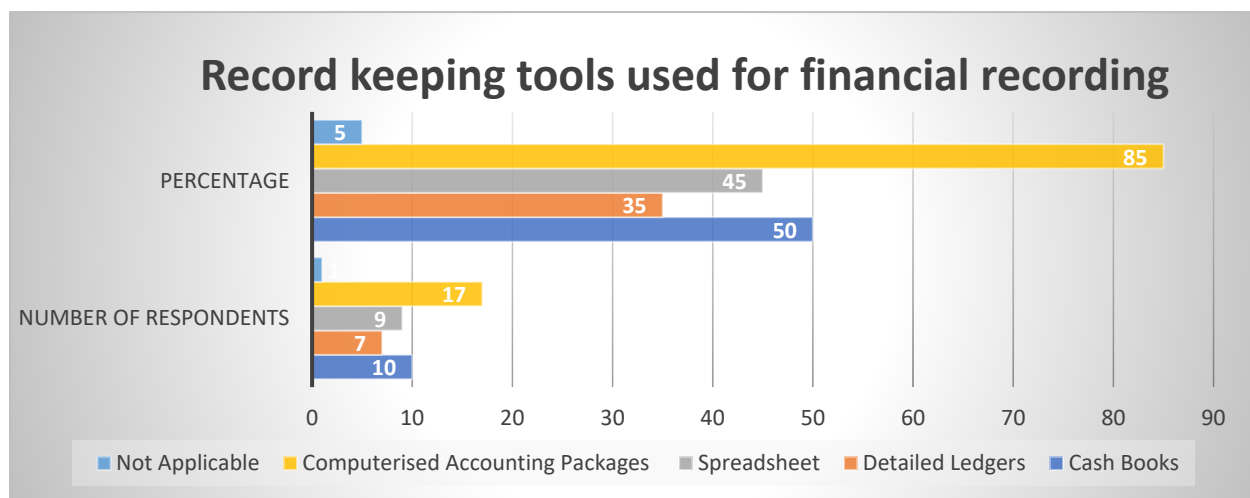


Figure 4.1: A bar graph showing the record keeping tools used in NGOs in Botswana

Computerised accounting packages are the mostly used tools (85%), followed by Cash books (50%), then Spreadsheets/Excel (45%) and lastly Detailed Ledgers (35%). There is one Participant whose response was “not applicable” which may indicate that none of the tools above are used in the financial recording process of their NGO. This outlier can be attributed to a random error, where the participant might have not understood or rather chose not to answer the question. Since the data was captured through the survey, follow up on the error could not be carried out.

Computerised accounting systems such as Delta, Pastel and Evolution are the common tools for financial recording. Literature has indicated that it is necessary to use such systems to ensure that there is increased confidence in the financial reports as well as minimised risks. Masters and Tyler (2017) highlight that using computerised accounting packages automatically provides checks and balances, ensuring accurate financial reports, which gives paramount confidence on the accounting process. This practice indicates that NGOs, have taken progressive steps to ensure sound financial recording processes. In the long term, this will enhance their ability of being financial sustainable.

#### 4.4.2.2 Financial Planning

For NGOs to ensure proper funds management, they need to ensure that they plan and allocate funds efficiently. This requires planning that is guided by the NGO's objectives, tools for monitoring organisational performance in the short and long term. Their aim should focus on managing the financial resources for now and the future. When asked about their financial planning, participants outlined several elements such as strategic plan, financial plans, and budgeting. The following was discussed under these aspects.

##### 4.4.2.2.1 Strategic Plan

Participants were asked whether they have strategic and financial plans, as well as how they incorporate the essence of financial sustainability in such plans. Most of the participants indicated that they have strategic plans, ranging from a period of 3 to 5 years, as suggested by Masters and Tyler (2017). The strategic plans allow them to identify their organisational needs, come out with ways of addressing them in a form of plans. Moreover, they indicated that as they make these plans, they pay attention to the trends in their surroundings, so that they take that into context when planning. The following were the discussed sentiments:

*“You establish your strategic plan, you establish where you want to go and how you want to get there... throughout our strategic plan we make reference to what we intend to do, to achieve the objectives that we set forth in the plan and a constant theme throughout these mentions is the need to diversify our funding...so yeah, our strategic plan recognizes that nothing we do happens without securing funding for it, and so it has numerous mentions throughout the plan... so once the strategic plan has been established and usually it's disseminated to the teams so that they are aware of the strategic direction that the organization is going and from there the various departments now breakdown the strategic plan into their own departmental... what we call as milestones and so basically you are you are saying within the next 12 months, this is where we... these are the activities that we are going to be undertaking and contributing to the overall strategic goals. So once the milestones have been completed and approved, then the next phase will be for them now to draw their either departmental budgets or program budgets.” **Participant 10.***

*“As an organization we have a strategic plan which is usually 5 years, but we do operational plans every year and it's my responsibility to make sure that we implement the strategic plan that we have set for ourselves... we are currently working on our next 5-year plan that will make us to see where we will be in 5 years to come and we then say this is what we want to achieve in 5 years and what we*

*need to get where we want to get, do we want to cover the entire nation and how are we going to do it, so we then break it down to how we want to achieve that and then it goes down to the resources that we need....do we need to fundraise to finance that activity or do we need to use existing resources or do we need to diversify and this we do in consultation with our stakeholders and predominantly the Board which has to approve our mandate.” **Participant 2.***

*“We do have a 5-year strategy...financial sustainability like I had just highlighted we start we the organisation vision, where do we want to go, what is the goal? That means that your strategy must look at those trends basically, right? To see what is happening in the word right now. So, your strategy should address those trends, you should situate yourself in the next 5 years and beyond.” **Participant 9.***

There is a consistent use of strategic plans as indicated by the above comments. Participants indicated that they ensure that the strategic plan is guided by the organisation’s vision and mission, to dictate the direction that they should take. This is important because through that, they can single out their priorities and identify the areas that need to be focused on. Francois (2014) states that strategic priorities, provides clarity for both the internal and external stakeholders, therefore making it easier for NGOs to identify more reliable funding sources, as the vision and strategy of the organisation can be easily articulated and understood. Importantly, participants iterated income diversification as a priority element in their strategic plan. This shows that NGOs remain proactive towards planning for continuous income. In addition, the survey corroborates this, as indicates that majority of NGOs have strategic plans in place, illustrated by the pie chart below:

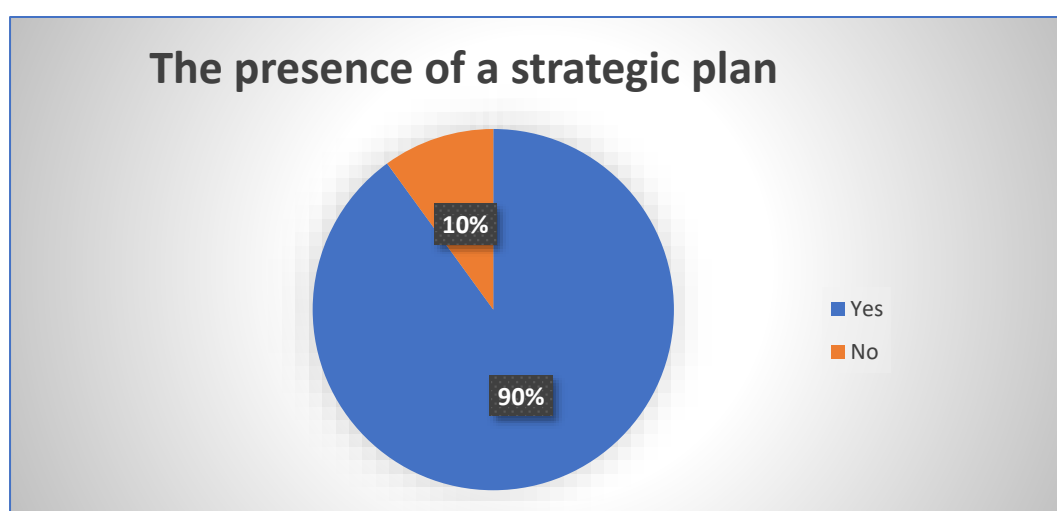


Figure 4.2 A pie chart showing the presence of strategic plans in NGOs.

The pie chart (figure 4.2) indicates that majority of the organisation use strategic planning in their organisations, as highlighted by 90% (n=20) of the participants. The high presence of strategic plans corroborates the results from the interviews which indicates that there is a strong focus on strategic planning which fosters for financial sustainability. Participants stated that they link the organisation's vision with the trends and opportunities in their environment through strategic planning, allowing them to execute relevant decisions and strategies.

#### 4.4.2.2.2 Budgeting

When discussing budgeting, participants indicated that it usually follows the establishment of the strategic plan. The strategic plan is communicated across the organisation so that the set priorities are outlined and known to the whole team. Following this, budgets can be made with reference to both the strategic plan. Participants were asked to explain how their budgeting process is carried out, they said:

*“Once the strategic plan has been established... it's disseminated to the teams so that they are aware of the strategic direction that the organization is going and from there the various departments now breakdown the strategic plan into their own departmental milestones... these are the activities that we are going to be undertaking and contributing to the overall strategic goals. So once the milestones have been completed and approved, then the next phase will be for them to draw either their departmental or program budgets. So, we are now translating those activities into financial terms, how much will it cost for you to undertake those activities. So this process is done through a bottom-up budgeting process where departmental managers will sit with their various teams, we finance and administration provides a standard template to try and structure their budget in a certain way...they will now populate those templates based on what they have in their master documents... Usually when we come back ... around the January period, we do expect managers to provide their budgets to finance department and financing we'll do the first level review; I'm just looking at how sensible the activities are in relation to the amounts and then we will provide sort of like usually sometimes we provide each department with the funding cap, given that we would have previewed information on generally how much funding do we have, I will put it for that particular year. Uhm, so once the back-and-forth iterations have been completed, finance we would then approve the individual departmental budgets and then we start a process where we now consolidate all these piece meal budgets into an organisation budget which will be presented to senior management for approval and then it will be presented to the board for their final approval uhm, yeah so... **Participant 1.***

*“The various departments, the people who deal with our core business will indicate what they would like to be doing in the year and how much they would want for that. Of course, we also review whether what they are asking for is attainable or sustainable and then we adjust accordingly, but they do make their submissions and then the finance office compiles the budget into one document, which we review of course, there is also the finance and audit committee of the board, which looks at it before it gets passed to the board... The finance person compiles, and I look at it to give it thumbs up before it can be taken to the board committee afterwards it’s taken to the board...”* **Participant 5.**

Even though budgeting is well carried out, some NGOs stated that their budgeting is dependent on the ceiling provided by their funders. They highlighted that:

*“Our budgeting is led by what is out there, in terms of where are you...who are you budgeting for. If the Government calls for proposals, it will give you a ceiling and that ceiling will lead you to how you should budget. The budgeting happens from the office first and foremost, the management team of the office sits together and work through that budget, to say what are our activities, how much do we need to spend on them, who are our staff, how much are they getting, what are our operations, how much do we want to spend on operations, what is the income that we can get from...and so on and so forth.”* **Participant 4.**

The overall responses articulate the importance of budgeting in achieving their strategic plans. Their budgeting setting process mimics that of Masters and Tyler (2017), which states that it is good to involve project managers and other project supporting staff in the budgeting process as it motivates them to be proactive in sticking to the budget. It can be seen here, where the participants indicate that they convene as teams to deliberate of budgets, that they use a bottom-up approach to keep everyone engaged in the process. The following graph expands further on who the budget process involve.

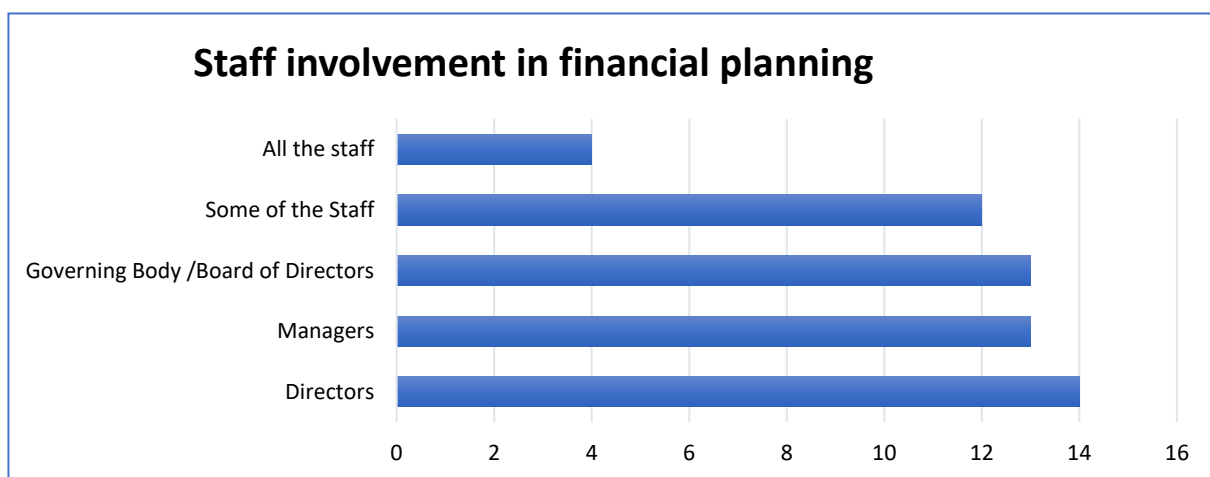


Figure 4.3 A graph showing staff involvement in financial planning

The result from the graph (figure 4.3) indicates that Directors are mostly involved (70%) in the financial planning (budgeting) process of the organisations, followed by Managers and the Board of Directors at (65%). Moreover, the results indicates that other staff members (60%) who neither Directors nor Managers are involved in the financial planning. Overall, this shows that the budgeting process has a strong staff participation, that 20% of the time all the staff members are involved in the budgeting process. It could, however, be argued that staff participation can be increased if NGOs are to stimulate financial sustainability in the organisation.

#### **4.4.2.3 Financial Monitoring**

The financial monitoring prospects stem from the idea of establishing whether there is progress or not in terms of the NGOs proposed targets, forecasted expenditure and income. This process gives an opportunity for organisations to know if they are financially secure to continue pursuing those targets. When commenting on their monitoring and auditing practices, participants discussed the following:

##### **4.4.2.3.1 Financial statements review/analysis**

This process provides the opportunity for NGOs to understand their financial health as well as both their financial strength and weaknesses (Francois, 2014). NGOs can establish whether they are effectively and efficiently managing their financial resources towards financial sustainability or if they are falling short of achieving it (Francois, 2014). Participants were asked to discuss how they review their work and their financial statements in the light of achieving financial sustainability:

*“So, what we do on an annual basis as management, we go on a retreat just before the board meeting, to try and review our milestones, what we have achieved basically in terms of ...we normally measure our performance using the balance score card. So, we normally just go there and ensure that we review our progress vs targets and then we do a plan at the end of the year.” **Participant 1.***

*“We use the forecast uhm, we also use the budget and then of course the reports, which shows the expenditure.” **Participant 3.***

*“The status is done monthly, us we call it status report for the project....so we focus mainly on the expenditure; how far are we on the expenditure against the budget and that tells us whether we over or underperforming, and which activities are falling behind and all that. The cashflow we keep updating it monthly depending on working pressure because we try to forecast for the whole year, so*

*we just keep an eye mainly on the inflows. The expenditure we have monthly meetings where we keep tracks of where we are in terms of expenditure, so when you keep track of your expenditure you can know whether or when your inflows are coming, will it work out.” Participant 8.*

Participants indicate that they use the end of year review meetings, balance score cards, status reports (budget and actual expenditure comparison) and cashflow to monitor their finances and their general progress. The graph (figure 4.4) below, expands more on the financial documents used for monitoring.

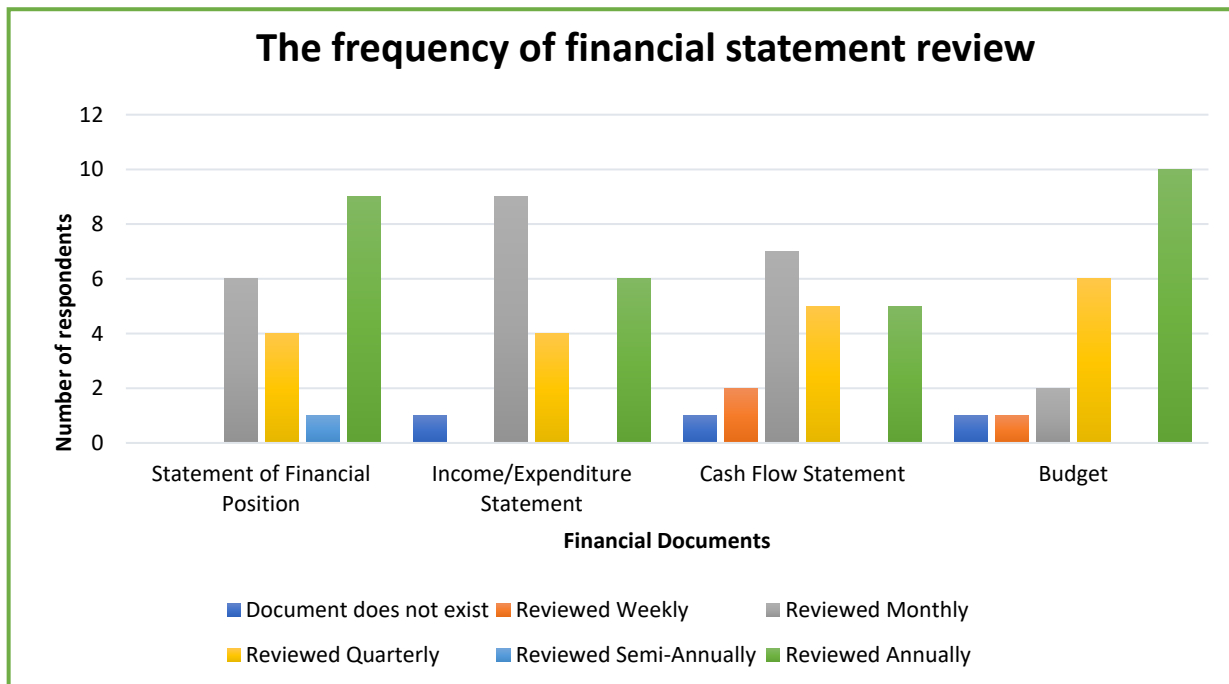


Figure 4.4 A graph showing the frequency of financial document review

Results show that the statement of financial position is mostly reviewed annually as indicated by 45% of the participants, followed by a monthly review at 30%, then the quarterly review at 20%, lastly with 5% indicating a semi-annual review. From this, one can take note that when combining monthly and quarterly reviews 50% of the participants look at their statement of financial position within a period of 6 months. As highlighted by Larkin and DiTommaso (2014), the statement of financial position is the basis for which an organisation can establish its ability to continue providing services. It provides rich information about the organisation’s health such as its liquidity, financial flexibility, and the ability to cover liabilities. It is thus advisable that it gets reviewed semi-annually (Leon, 2001), such is done by 50% of the participants. On the contrary, there is a concern as 45% of the participants only review the statement annually, as this could compromise their ability to identify risks early.

The income/expenditure is reviewed monthly as indicated by 45% of the participants, 30% reviewing it annually, followed by 20% reviewing it quarterly. One outlier indicated that they do not have an income/expenditure statement. Exploring the data further, it shows that the organisation has been in existence for almost 6 years, as it was established in 2015. This therefore questions the validity of their response, however, follow up to explore this further was not possible.

The income and expenditure statement shows how the organisation performed financially within a period, be it monthly, quarterly, or annually (Masters & Tyler, 2017). Through this statement an actual comparison between the financial plan and the actual spending or income can be made thereof establishing the variances. It is thus advisable that it gets reviewed monthly or every 2 months (Leon, 2001).

The cash flow statement is mostly reviewed monthly by 35% of participants then quarterly 25%, followed by annually 25%, then weekly 10%. One participant indicated that they do not have a cashflow statement. These results indicate a strong commitment towards monitoring the cash flow statements. Since NGOs survival relies on cash inflow, it remains vital for management to ensure that it is consistently monitored to guard against unpredictable changes. A monthly review of cash flow will allow the NGOs to be aware of its spending, ensure that the data is correct and up to date and evaluate its capacity to meet its obligations (Leon, 2001). The results indicate that most of the NGOs (70%) review their cash flow statements within a 6-month period, of which 50% of the 70% review it monthly while 14% review it weekly. It is however important to not dismiss that one of the participants indicated the lack of such a statement in their NGO.

Lastly the budget is mostly reviewed annually (50%), followed by quarterly (30%), monthly (10%), then weekly (5%), with 5% saying that the document, does not exist in their organisation. In most circumstance, budgets are either organisational or programme/project based, of which the latter is aligned to the former, where the former is aligned to the strategic plan. This makes the consolidation of budgets easier, which reinforce good financial management (Masters & Tyler, 2017). It is primarily important that budgets are reviewed regularly, to see if they are in line with the organisation's objectives and the strategic plan. Those that review it quarterly can anticipate changes, and make relative contingencies, unlike those who only review it annually. In this study, only 30% of the participants seem to be on the way to achieving financial sustainability.

Throughout the discussion, there has been one participant whose input created an outlier on how they monitor their finances. Following up on the participant would allow a better understanding of their inputs, however since the data was collected through questionnaires, this was not possible.

#### 4.4.2.3.2 Auditing

It is very important to ensure that the financial statements are reviewed, both by the staff and the board. At the same time, it is important to ensure that these statements are reviewed within the right premises of accountability and guidelines to limit opportunities for fraud and financial mismanagement. Auditing provides an opportunity for the financial statements to be reviewed and analysed. The pie chart (figure 4.5) below represents the NGOs' use of audits.

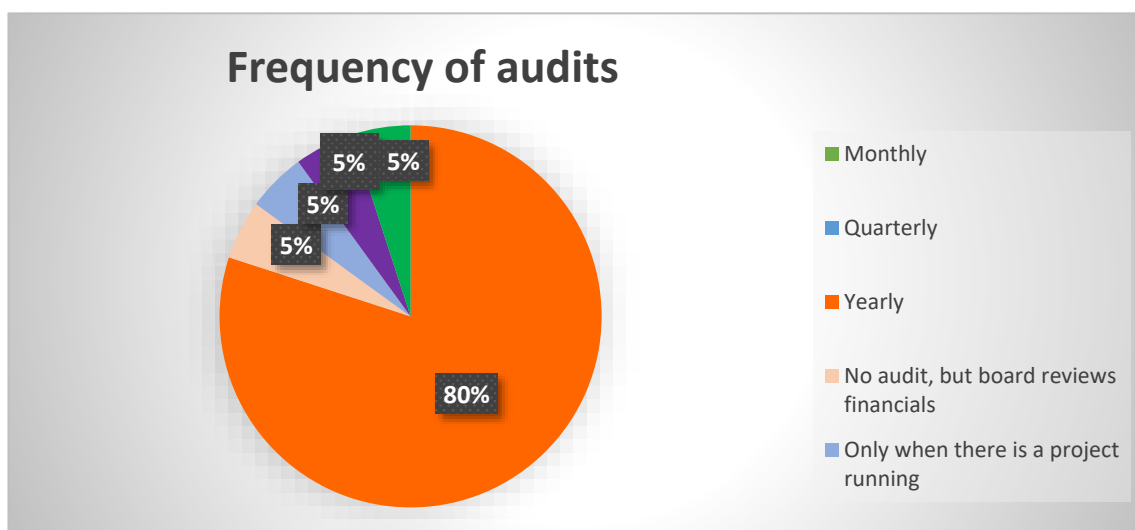


Figure 4.5 A pie chart indicating the frequency at which audits are carried out

The above results indicates that audits are usually done on a yearly basis, as indicated by 80% of the participants. Even though this is the case, there are other contexts in which auditing takes place; 5 % of the participants indicate that they audit only when there is a project running. In addition, 5% of the participants indicate that their audits are not carried by an auditor but the board. Lastly, 10% indicate that auditing is either not applicable or not carried out in their organisations.

Quantitative data through the graph (figure 4.6) below explores the practice of auditing in NGOs, by identifying the type of auditing that the NGOs use.

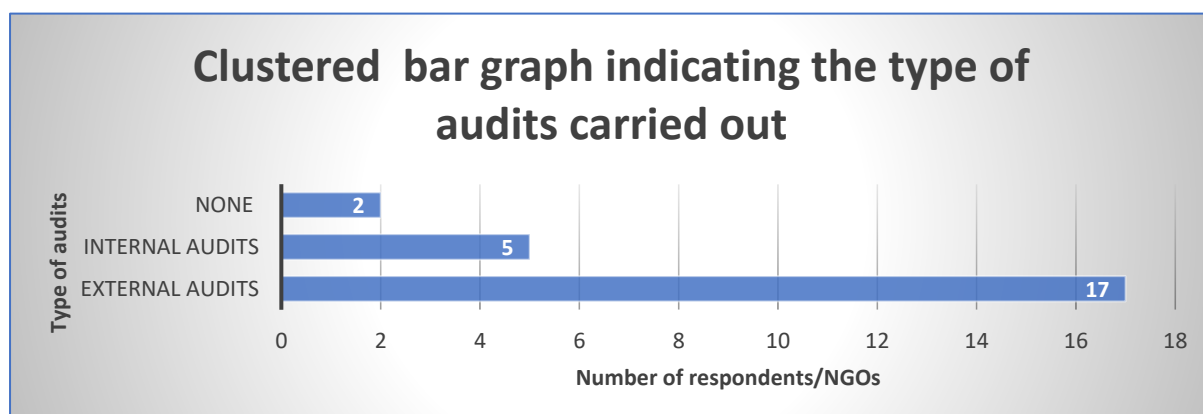


Figure 4.6 A graph indicate the type of auditing practiced by the NGOs in Botswana

The results above indicate that 85% of the audits carried out in NGOs, are done by external auditors, whereas 25% of the organisation do have internal audits. There is also a 10% of the NGOs who do not carry out audits. Auditing is considered a monitoring tool as well as a risk management tool. Through audits, the accuracy and soundness of the financial records of the NGOs are tested (Masters & Tyler, 2017). Conducting audits provides a clearer understanding of their financial status, more so an external auditor ensures accountability and transparency to stakeholders as suggested by Masters and Tyler (2017). This can be noticed with the above results, where majority of the audits are carried out by external auditors.

#### 4.4.3 Funding of NGOs

Literature has shown that the funding sector of NGOs is declining, a situation unfavourable for NGOs opportunities to make an impact. In this light, this section seeks to establish if this is observed with respect to NGOs in Botswana.

##### 4.4.3.1 Income Sources

Literature indicates that NGOs funding is largely provided through donations, government, and the private sector. To explore this in Botswana's context, NGOs were requested to indicate their sources of funds, and the bar graph (figure 4.7) indicates NGOs income sources.

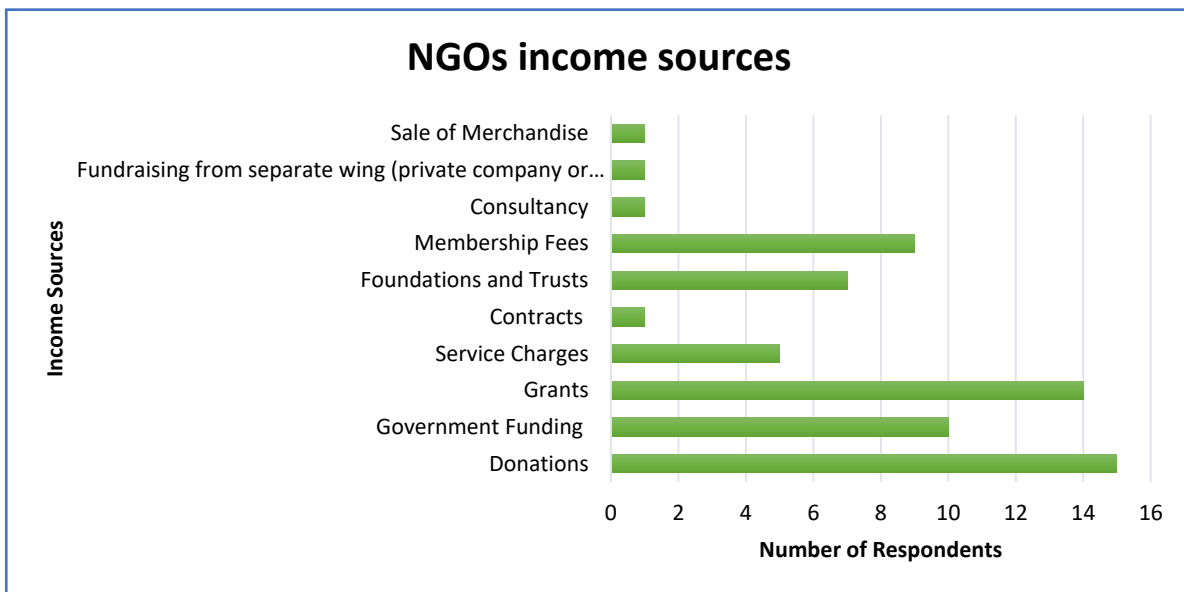


Figure 4.7 Clustered bar graph showing NGOs income sources

The clustered bar graph illustrates that NGOs main income sources are donations as indicated by 75% of the total participants, followed by grants at 70% and then the government at 50%. These are the three most significant income sources for NGOs, as more than 50% of the participants selected them. The ones selected by a moderate number of participants are membership fees at 45%, followed by foundations/trusts at 35% as well as services charges at 25%. Other sources such as sales, fundraising, consultancy, and contracts were all only selected by one participant each.

These results demonstrate that NGOs have a diverse source of income, a characteristic that Lekorwe and Mpabanga (2007) and Saungweme (2014) have suggested fosters financial sustainability. NGOs reliance on donations, grants, and the government as well as their minimal incorporation of other sources of fund, shows a lack of diverse funding, which may inhibit financial sustainability.

Following the discovery of NGO’s sources of income, the study further looked at the main providers of the funds. This was prompted by the need to understand the role played by local and international funders in the NGOs funding sector. For relativity three fiscal years (FY) were chosen for this inquiry; that is 2018/19, 2019/20 and 2020/21. The tables below illustrate the value that the organisations received from either local or international funders

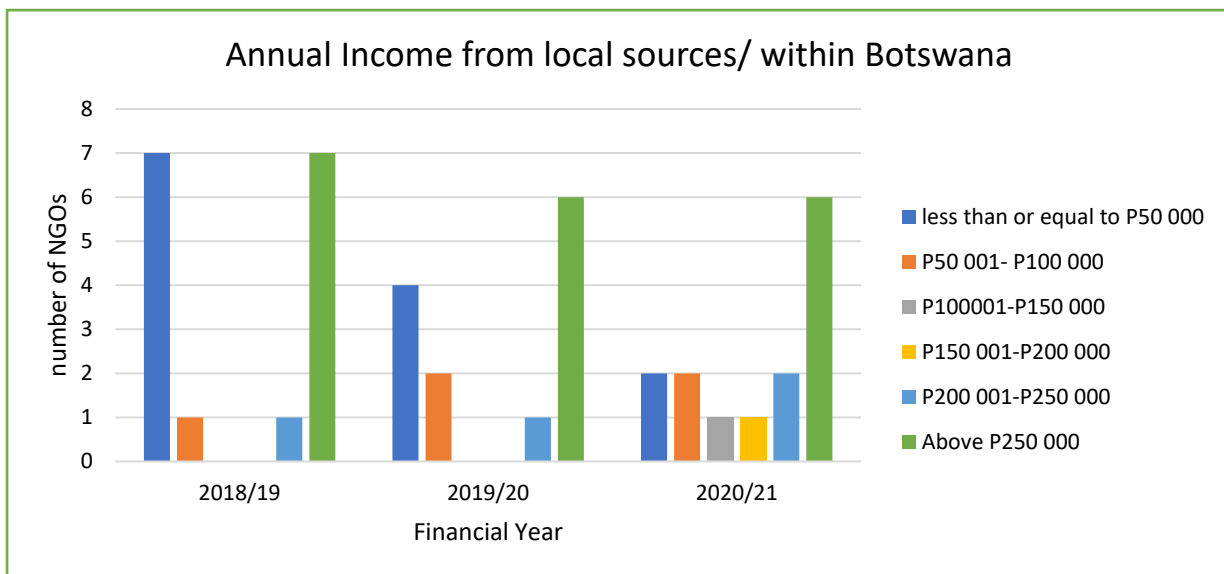


Figure 4.8 A bar graph showing the annual income of NGOs from local sources/sources within Botswana.

This graph (figure 4.8) shows that in the financial year (FY) 2018/19 the bulk of funding was largely dispersed, wherein NGOs either received less than P50 000 or more than P250 000. There was a moderate difference in value between NGOs who received minimum funds to those who received most of the funds. This highlights that NGO funding is competitive in nature, therefore reliable.

The 2019/20 FY saw a decline in the number of NGOs funded with less than P50 000 as well as those funded with more than P250 000, where the former declined from 7 to 4 NGOs, and the later from 7 to 6 NGOs. This illustrates the shrinking funding space, that the USAID (2020) and Lekorwe and Mpabanga (2007) iterates. On a different note, there was an increase in the number of NGOs funded with more than P50 000, even though this was just an addition of one NGO. This shows the uncertainty nature of funding as the addition might be an NGO that had received more than P50 000 of funding in the previous year, or one that had not received funding at all.

In 2020/21 FY the number of NGOs funded with more than P250 000 was still the same as of the previous fiscal year. The number of those funded with less than P50 000 decreased further from 4 to 2. Even though this is the case, the 2020/21 FY has a wide range of funding, as the results indicate that there was at least one organisation in each of the above funding brackets. This may be indicative of the possibilities of new projects in place, especially in the current COVID-19 pandemic. On the contrary, there was only 1 or 2 of the NGOs in each of these funding brackets, which in return still suggests funding uncertainties.

In sum, the results show that there are local incomes sources in Botswana, however, their input has been declining as shown by the change between 2018/19 to 2019/20 FY, wherein fewer NGOs were funded. In 2018/19 FY, 16 NGOs received local funding compared to the 13 in the FY 2019/20 and yet there was one less NGO that received the sum of P250 000 compared to the previous FY. In the FY 2020/21 there was an increase in ad hoc funding, possibly due to the opportunities brought through by the COVID-19 pandemic. Nonetheless, the threshold of funding which income sources have provided in the three fiscal years indicates that local income source provides very little support to NGOs, corroborating findings from USAID (2020) which states that local funding is limited in Botswana. In addition, the competitive nature of funding creates a lot of uncertainties on whether NGOs will receive funding from local sources as indicated by the rapid change in the number of participants per funding bracket.

The study investigated further to determine the financial support or input that the international funders contribute to NGOs funding sector, as literature has identified them as the main income sources for NGOs. The graph below (figure 4.9) illustrates the income NGOs receive from international sources.

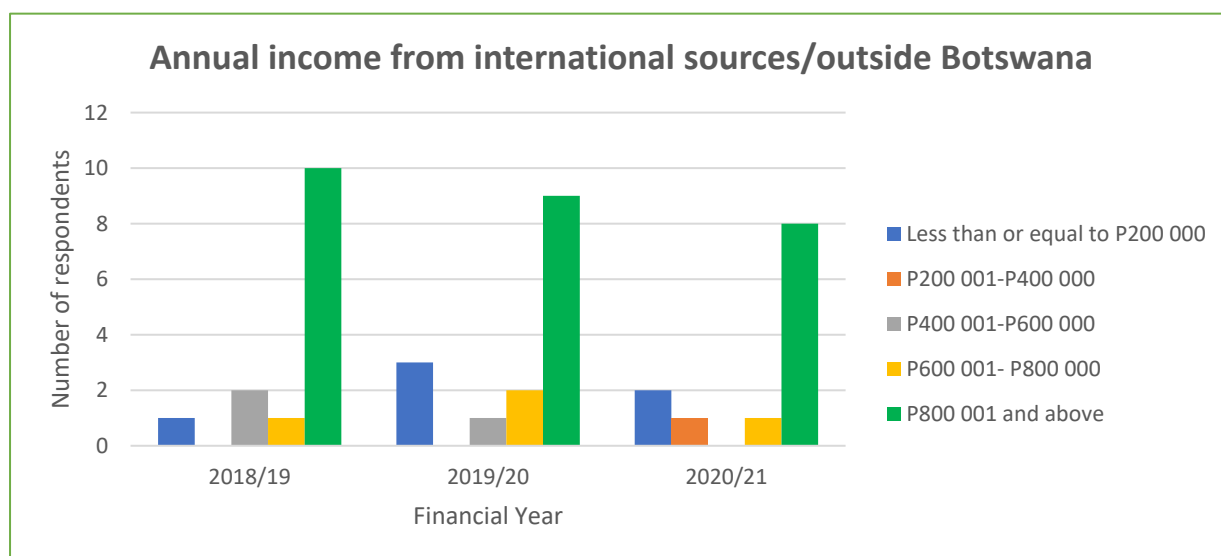


Figure 4.9 A bar graph showing the annual income that NGOs receive from international sources.

In general, the graph shows a decline in the number of NGOs funded yearly, in the P800 001 and above funding bracket. In the fiscal year 2018/19 there were 10 NGOs funded within that range, while in 2019/20 there were 9 and lastly in the 2020/21 FY there were only 8 NGOs. The same trend is noticed on the P400 001 to P600 000 range; in 2018/19 FY there were 2 NGOs funded, with 2019/20 having 1 NGO and no NGO within the same range in 2020/21. In the FY 2018/19 14 NGOs were funded by

international funders, 15 in the FY 2019/20 and 12 in the FY 2020/21. Such an inconsistency brings about uncertainty to NGOs, as they cannot forecast confidently.

International funding represents a higher input in the income sources of NGOs, as illustrated by the amounts on the funding brackets. Adding on their contribution to NGO income participants in the qualitative data, pointed out that:

*“The funding that we have received so far, a lot of it is income that is coming from international organizations, but it's intended for Botswana. I don't know if I'm making sense. It's basically the US government saying I want to fund Botswana.”* **Participant 1.**

*“We do receive a lot of support from outside of Botswana from foundations and agencies that also want to support our work and they're all critical to our success.”* **Participant 10.**

*“Oh, its international definitely... over 90% we are totally dependent on international”* **Participant 2.**

These results corroborate those of USAID (2020), Chepkemai and Njeru (2015), Saungweme (2014), Okorley and Nkrumah (2012) and Bennett and Gibbs (1996), who have highlighted that there NGOs are largely dependent on international funding, which is continuously declining. Dependency on international donors threatens their ability to be sustainable, especially considering that some organisations indicated that 90% of their funding was received from such donors.

#### **4.4.3.2 Alternative funding**

Identifying and establishing alternative funding is a critical component for NGOs survival, especially in times where the NGO funding space is dwindling. Lewis (2011) highly recommends alternative funding as a strategy towards being financially sustainable. Participants discussed some alternatives below:

*“We basically created a consultancy unit wing, which is what we said we are going to ensure that we can implement restricted income under the consultancy wing, but our biggest target for that wing is basically to ensure that we attract unrestricted funding that will basically build a pot that we can later use to build the organization to ensure sustainability of the organization.... we started as far back as 2019 to basically try and grow that pot to ensure that by the end of five years or earlier if the funds are sufficient, we can invest in whatever we want to invest in... the biggest idea was basically resource mobilizing as much as we can which is unrestricted and then invest in something to ensure sustainability of the organization...”* **Participant 1.**

*“About the way we generate income, we talked about fundraising dinners, we also have properties that we are renting out...sometimes we sell our services to private companies like Company X... like private public partnership.” Participant 2.*

*“So, we have a nominal fee... that we charge... But we are also a Botswana Qualifications Authority accredited training centre, so we raise some nominal fees again, through training of people” Participant 4.*

NGOs are aware of the need to have alternative funding, for their survival and they have developed several strategies in that regard. As indicated above; consultancy, charging for services, establishing social enterprises, fundraising dinners and partnerships are some of the strategies already in place. The participants also indicated that they would develop the current strategies to maximise profit and to grow unrestricted funding which would cover their operations even when their funding space continues shrinks further.

In addition, to explore their current coping strategies against limited income, NGOs were asked whether they generated their own income. The pie chart (figure 4.10) below specifies the percentage of NGOs who generate their income and those who do not.

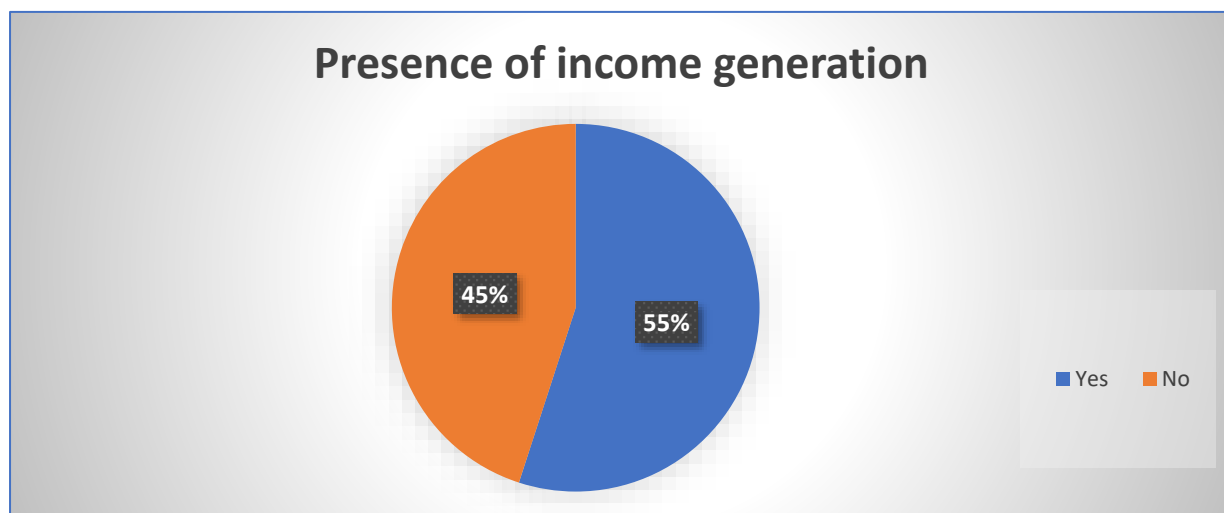


Figure 4.10 Pie chart showing whether NGOs generate own income

The pie chart indicates that 55% of the participants generate their own income, whereas 45% do not. Even though more than 50% of the participants generate their own income, it is alarming to have such a high number (45%) of NGOs who are not engaging on own income generation. Omeri (2015) suggests income generation as an option to rely on for financial sustainability. In contrast Bennett and Gibs (1996) contend that income generation can be limited as it is often subsidised, therefore cannot

survive in the long run. On the other hand, Chepkemai and Njeru (2015) and Saungweme (2014) established that income generation does improve an organisation's financial flexibility, which is conducive for financial sustainability.

To explore the organisation's contingencies to being financially sustainable, the research study investigated whether the participants have financial reserves. The pie chart (figure 4.11) below indicates the percentage of NGOs with financial reserves.

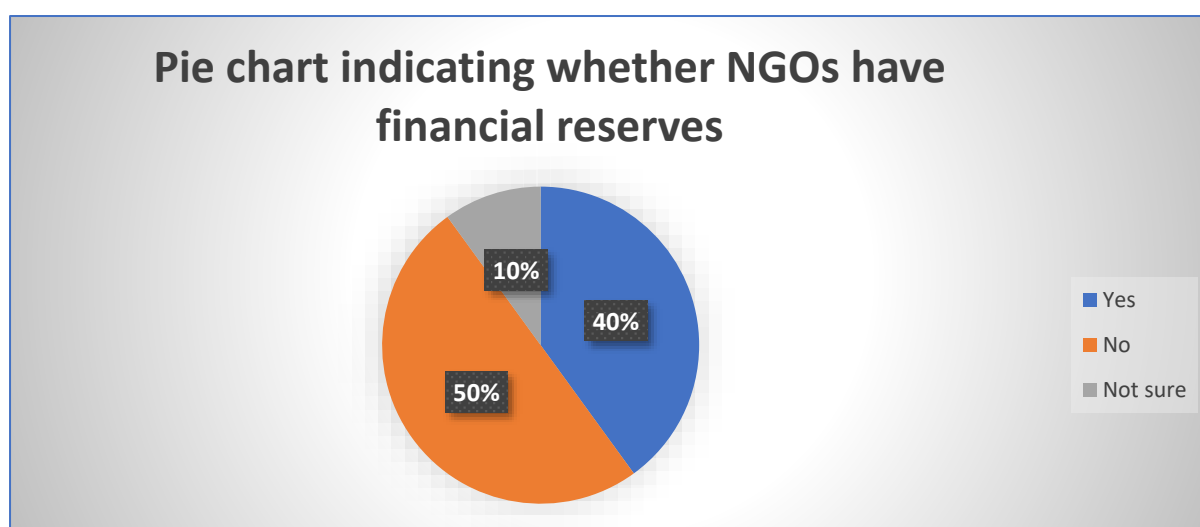


Figure 4.11 Pie Chart indicating the presence of financial reserves in NGOs

The results indicate that 50% of the participants have financial reserves, whereas 10% are unsure of their financial reserve status, and 40% of the participants do not have financial reserves. It is very important to have financial reserves as they can assist in the running of the organisation, when there is little to no income or in completing projects which are not fully covered by funders (Masters & Tyler, 2017). Moreover, financial reserves can be invested, in return bringing in income.

To establish the period that these financial reserves can sustain the NGOs, the participants were asked to indicate how long their reserves would sustain them for. The histogram (figure 4.12) presents the time period for which NGOs reserves can sustain them.

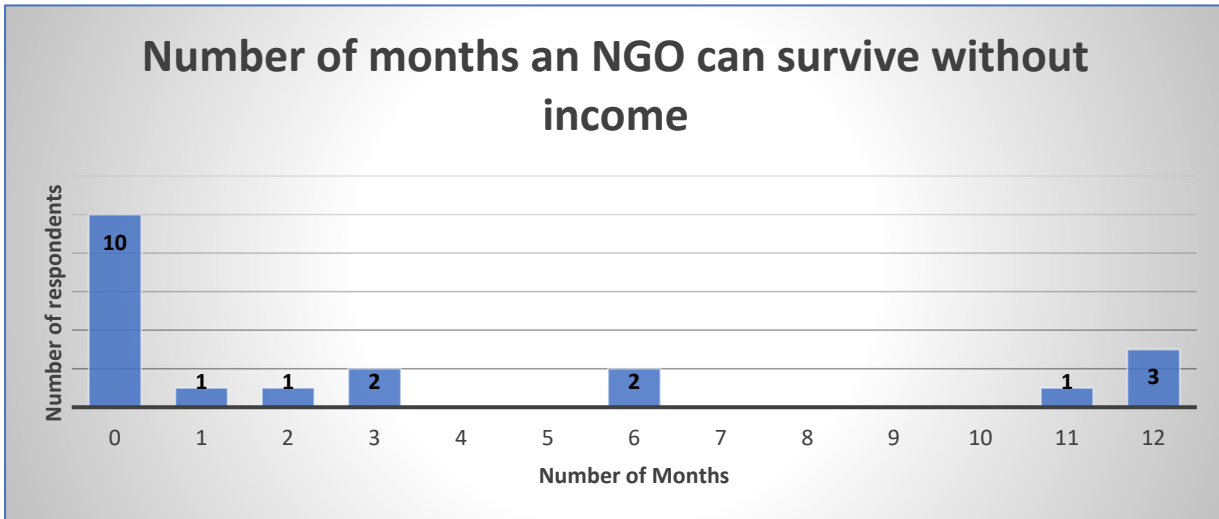


Figure 4.12 Histogram showing the period in which an NGO can survive without income

The result from the histogram indicates that 50% NGOs have less than a month to survive without income, 10% of the NGOs point out that they can only survive for a month and 2 months respectively. Moreover, 10% of the NGOs indicate that they have 3 months to survive whilst the other 10% believe that they can continue providing their services for a period of 6 months. Only 20% of NGOs have more than 6 months for which they can continue functioning; wherein one has 11 months of survival and three have 12 months of continual service provision. In overall 70% of the participants (NGOs) have a survival period of less than 6 months, with only 30% having at least 6 months of survival. These results show that majority of the NGOs cannot be sustainable due to limited financial reserves, as indicated by the average survival period of 3 months.

#### 4.5 Summary

This chapter presented and discussed the main findings on the understanding of financial management and financial sustainability. Moreover, it discussed how NGOs use several financial management practices to foster for financial sustainability. Throughout the discussions, the possibilities for NGOs to be financial sustainable were identified using the data provided by participants. In addition, Botswana’s NGOs funding sector was explored. Quotes and visual representations were used to assert the findings from the participants’ perspectives. The next and final chapter will provide the main conclusions and recommendations of this research study.

## **5. CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

This final chapter presents the conclusions and recommendations drawn from the findings of the study. The research objectives provide the guideline for the discussion of the main conclusions and recommendations on the financial management of NGOs towards financial sustainability.

### **5.2 Main conclusions emanating from findings**

In terms of the socio-demographic profile, majority of the quantitative participants were Executive at 35%, similarly 35% of the quantitative participants had postgraduate qualifications and 95% of NGOs represented have been in service for more than 5 years. With regards to the qualitative study, majority of the participants (46%) worked directly with NGOs finances on the day-to-day activities and Directors represented yet a significant percentage, at 26% aside of the 46% mentioned. Additionally, 100% of the NGOs represented by the qualitative participants had been functioning for more than 5 years.

#### **5.2.1 Objective 1: To establish the understanding of financial management and financial sustainability**

The findings indicate that financial management is understood in three ways; firstly, as a process of making financial plans and allocating funds to an NGOs activity, secondly, as a way of managing risks and thirdly as a process of making sure that finances are enough to cover an NGO's obligations in the pursuit of its mission and vision. The three aspects underpin the definitions similar to Masters and Tyler (2017), Spikin (2013) and Chepkemoui and Njeru (2017) who emphasised that financial management's aim is to ensure financial prudence.

Financial sustainability is understood as (1) ability to be a going concern (2) ability to generate income or have unrestricted income and (3) ability of the organisation to be able to exist now and in the future, while being able to effectively provide its services. These definitions illustrate that financial sustainability may not be measured at face value, but it highly depends on the NGOs' "ability" to safeguard the available resources for the future, while overcoming obstacles at present.

The study at hand set out to explore how NGOs in Botswana understood financial management and sustainability. It was originally assumed that NGOs are aware of the concept of financial management and financial sustainability. Based on the above discussion it is clear that NGOs in Botswana are aware of these concepts, hence the original assumption can be accepted as true, however it is important for NGO management does not only understand them but also implement them appropriately in practice. They need to infuse the concept of financial management and financial sustainability in the organisation's ethos, strategic plans, and the overall functioning of the organisation.

### **5.2.2 Objective 2: To determine the financial management practices NGOs use towards achieving financial sustainability**

Several studies such as, Okorley and Nkrumah (2012) in Ghana Saungweme (2014) in Zimbabwe, Chepkemai and Njeru (2015) in Kenya to name a few have highlighted a few financial management practices as more influential towards achieving financial sustainability. In this light, the study sought to find out which financial management practices NGOs in Botswana use to foster for financial sustainability. Also, the study wanted to find out how NGOs engage these practices. A number of these practices were explored in this study. They will be discussed in no order below:

#### **Financial Recording**

They study found that NGOs have a strong financial recording process which incorporates the use of accounting systems, tools, internal control and financial policies. As highlighted by Masters and Tyler (2017), the accounting process ensures that all transactions are captured and recorded. Important to this, is the use of internal controls such as standard forms and procedures. As seen in Chapter 4, participants elaborated that they ensure financial control through stipulated process which they follow, such as ensuring a through line of authorisation. Participant 6 in section 4.4.2.1.1 states that the programme manager, assistant admin, finance manager, project officer, the director, and the board form one line of authorisation for their finances. Once transactions are controlled through such a high level of transparency and accountability, then reliable financial records will be produced. In addition, NGOs have shifted towards using software applications for their financial recording, as seen through section 4.4.2.1.2, figure 4.1 which shows that computerised accounting packages such as Delta, Pastel and Evolution are mostly used by NGOs for financial recording, of which Masters and Tyler

(2017) argue that such systems improve the integrity of financial records, while enhancing accountability. Moreover, NGOs have established protocols which are followed for funds disbursement and retiring. Participant 9 in section 4.4.2.1.1 mentions financial policy, and participant 10 states that they use standard templates to ensure consistent processes. This is contrary to Mooketsane, Bodilenyane and Motshegwa (2018) who stated that there was poor accountability and transparency in NGOs in Botswana. This indifference might be an indication of NGOs' improvement in their accountability and transparency measures, therefore painting a potential financial sustainable future. Sound financial recording, free of errors and fraud minimizes risks and cultivates a conducive environment to achieve financial sustainability.

### Financial Planning

The study established that NGOs implement financial plans to foster for financial sustainability. As seen in section 4.4.2.2.1 where participant 2 elaborated that the strategic plan sets out what they want to achieve in 5 years' time, how to achieve it and with what resources they need. Herein the participant accentuates a futuristic mindset, a factor Bowman (2011) says financial sustainability is about. On the other hand, though, Bowman (2011) emphasises the need to be sustainable both in the short and long run. To achieve this, NGOs have indicated that they use strategic planning, budgeting, and forecasting. Strategic plans have allowed them to identify organisation goals and plan for, within a specified period. Ninety (90%) percent of survey participants indicate that they use strategic plans.

The results show that NGOs budgeting process is inclusive to most of the employees, where figure 4.3 shows that 60% of the time, most of the staff members are involved in it. Moreover, they use a bottom-up approach for budgeting processes which enhanced overall communication of the budget and the set priorities of the organisation, which is enhanced by departmentalised budgets as highlighted Participant 1 in section 4.4.2.2.2. On the contrary, the budgeting process only involves all the staff members in the budgeting process 20% of the time, a prospect they can improve, if they are to stimulate financial sustainability. Another troubling finding is that NGOs' budgets are mostly controlled by the ceiling provided by the funders, which limits their ability to execute their plans, a limitation identified by Lekorwe and Mpabanga (2007). In section 4.4.2.2.2 participant 4 indicates that their budgets are led by what is out there and who they are budgeting for; this indicates the loss of autonomy in their budgeting.

The section indicates that NGOs in Botswana incorporate financial planning through strategic planning to foster their financial sustainability, however due to several factors such as low staff participation, lack of autonomy in their budget making process their financial planning remains weak, therefore limiting their potential to be financially sustainable. This will hinder them from employing unique strategies that ensure maximum returns as emphasised by the Resource Based Theory (Miles, 2012).

### Financial Monitoring

Financial Monitoring has been incorporated in NGOs in Botswana to safeguard against risks as well as to be aware of their financial track. The survey data indicates that NGOs use the following financial tools for monitoring purposes: (1) statement of financial position, (2) income and expenditure statement (3) cash flow statement and (4) the budget. On average reviews are done; monthly, quarterly, and annually. Figure 4.4 shows that the statement of financial position and the budget are mostly reviewed annually, whereas statement of comprehensive income and the cash flow statement are often reviewed monthly. Moreover, in section 4.4.2.4.1, participant 8 illustrate that they also use their actual budget against their expenditure and monitor their cashflow monthly, to establish their financial track in terms of inflow and outflow. Although there is consistent evidence of reviewing these statements, the idea of timeous review is not upheld, with such some reviews are not given precedence.

Even though financial statements play a different role at different times of the year, it remains important that all the above financial statements are given priority. The results indicates that some financial statements are not given priority, for example, figure 4.4 illustrates that 45% of the survey participants review their statement of financial position annually, contrary to the semi-annually practice advised by Leon (2001).

In addition, figure 4.5 shows that 80% of the survey participants perform audits yearly, this demonstrates NGO's credibility as emphasised by Lewis (2012). Masters and Tyler (2017) suggest the use of an independent and externally qualified auditor, and this can be seen through figure 4. 6 which indicates that 85% of the audits in NGOs are carried out by external auditors.

This section illustrates the efforts that NGOs have put in monitoring their finances to achieve financial sustainability. Although there is evidence of such action, NGOs need to prioritise their financial statements and ensure to review them, as they will show their strength of their financial capacity as different times of their fiscal year.

### **5.2.3 Objective 3: To explore the funding sector of the NGOs**

When exploring Botswana's NGO funding sector, it can be noted that they have a diverse source of income, made up donations, grants, government funding and membership fees, funds from foundations and trusts as well as fees for service. This is illustrated in section 4.4.3.1, figure 4.7 which indicates that 75% of survey participants indicated their income comes from donations, 70% selected grants, 50% chose government and other sources were selected by less than 50% of the participants. These are the three dominant sources of NGO income, although it is not clear who the source of grants and donations are as they also be from the government. Although this paints a picture of diverse income, it is alarming to note that the dominant income sources are naturally provided at goodwill. Depending on goodwill support shows how fragile and uncertain NGO's main income sources is. Furthermore, having three dominant sources of income, shows a lack of diverse income sources in Botswana's NGO sector.

In addition, the results demonstrate that NGOs are also funded locally, however local funding has been declining with time. Section 4.4.3.1, figure 4.8 shows a consistent decline from 16 funded NGOs in 2018/19 fiscal year to 13 in fiscal year 2019/2020. Interestingly a different observation was made in the fiscal year 2020/21 where funding was more spread across the funding brackets, which points to an increase in funding value though not in the number of NGOs funded. These results on local funding concurs with Mohambo, Chiguvi and Lynch (2016), that there is little funding from local funders, even more concerning there is a decline in both the number of NGOs funded and the amount disbursed.

International funding is the major funder for NGOs in Botswana, expressed by participant 2 in section 4.4.3.1 that 90% if their funding comes from international donors. Then again, figure 4.9 shows a decline in the number of organisations and the amount funded by international funders. These show a high dependence of income on international funders, as well as a decline in international funding in Botswana, a notion shared by Mohambo, Chiguvi and Lynch (2016) and Lekorwe and Mpabanga (2007).

In overall this section demonstrates that NGOs in Botswana have a diverse but weak income sector, with just three dominant options. Moreover, both the local and international funding is in decline, notions shared in Kenya, Zimbabwe, South Africa and Ghana (Chepkemoi & Njeru, 2017; Saungweme, 2014, Monyane 2014 and Nkrumah & Okorley, 2012).

#### **5.2.4 Objective 4: To assess if NGOs in Botswana can sustain themselves**

In the pursuit of strengthening their financial capacity, NGOs in Botswana seem to have followed Lewis' (2011) recommendation of having alternative funding. Figure 4.10 shows that 55% of the survey participants generate their own income. Participant 1 in section 4.4.3.2 states that they use their consultancy wing to generate their own income. On the contrary, it remains worrisome that 45% of survey participants are not generating their own income, given the condition of fund fatigue from their main funders as shown by Mahambo, Chiguvi and Lynch (2016). This situation is not conducive for financial sustainability, as income generation is seen to increase financial sustainability (Omeri, 2015).

Looking at financial reserves, figure 4.11 illustrates that 40% of NGOs have financial reserves, which depicts that 60% of NGOs are without financial reserves. Contrary to this, Lewis (2015) emphasizes that having financial reserves facilitates better chances for financial sustainability. It can thus be argued that the lack of financial reserves as discussed above reduces NGO's chance of being financial sustainable.

Moreover, findings show that NGOs have a short span of survival without income. On average, NGOs have 3 months to survive without financial input, as seen through figure 4.12. In addition, the same figure shows that 50% of survey participants have less than a month of survival without income. Similarly, results from Mohambo, Chiguvi and Lynch (2016) show that 50% of NGOs in Botswana believed that they were financially unsustainable.

The above results demonstrate that NGOs in Botswana do not have the financial capacity to remain functional beyond receiving external income. These results align with Stanovci, Metin and Ademi (2019), that NGOs remain dependent on external funding for their survival and that NGOs in global south have a weak financial viability (USAID, 2010). The contingency theory suggests that NGOs should make timely adjustments from time to time, to remain fit in this environmental change of funding, to ensure functionality beyond the cessation of external funding (Donaldson, 2001).

### 5.3 Recommendations of the study

Findings from this study suggest several recommendations for NGOs, policy makers, donor agencies, the government, and other stakeholders. Since this study was the first of its kind, in exploring financial management practices, and one of the few in the exploring financial sustainability of NGOs in Botswana, it provides valuable insights, increased knowledge in understanding NGO financial management practices and financial sustainability. Key stakeholders can apply this knowledge in developing the financial capacity of the NGO sector.

Firstly, NGOs need to develop their capacity in terms of knowledge on financial management and sustainability through training and capacity building. Literature points out that managers need to play a leading role in financial management as they are the ones making strategic decisions of the NGO (Karanth, 2015; McMenamin, 2005). Highlighted by studies in Kenya by Mbuya and Osodo (2018) and Chepkemai and Njeru (2017), skilled, knowledgeable, and competent management increases an NGO's financial capacity.

Secondly, NGOs need to prioritise financial management through financial planning, recording, and monitoring to ensure efficiency, accountability, and integrity of their organisations. Through improved financial planning, unique strategies can be developed, cash flow can be properly managed, and more employees can be involved. A well-developed financial recording process can make use of improved technology to eliminate fraud and corruption. As the results indicated poor financial monitoring, NGOs need to monitor their financial statements frequently, know how they are performing so that they can identify risks and opportunities early. In sum, where financial management is prioritised, financial sustainability can be easily achieved.

Thirdly, NGOs need to develop alternative funding to supplement decline of funds in the sector. Alternative funding employs the use of available resources to build funding that allows financial decision independent of external agendas to be made. In Brazil, an organisation called IBASE sold products and partnered with commercial institutions to build on its unrestricted funds, a similar approach can be adopted (Bennett & Gibbs, 1996). In addition, membership fees, social enterprises and charged fees for services can be used to build on their unrestricted funds as they have worked for NGOs in Indonesia and Zimbabwe (Davis, 2013 and Saungweme, 2014).

Fourthly, NGOs should actively participate in research studies in their field, as they seek to provide an understanding of the scope of their work, explore strategies which they can incorporate, as well as develop literature on topics/subjects that affect them. Engaging with the researchers will ultimately benefit the NGO sector at large.

Moreover, NGOs need to elevate their visibility through partnerships. For example, NGOs affiliated with BOCONGO could collaborate and develop a general procedure for reporting to funders, to reduce the strain of having multiple reporting procedures. They should promote themselves, by making sure that their funders understand the circumstances surrounding their work, to ensure that they value the essence of covering overheads costs.

Adding on, NGOs need to remain consistent, relevant, and focused on their primary mandate. They should be knowledgeable and confident on their area of focus, so that they provide quality service which would in return attract more funders. This would allow them to further specialise and monetise some of their services where possible.

Lastly, the government should support the regulatory environment through the provision of an NGO Act to establish an enabling environment for NGOs to creatively navigate. The current legislature is a policy that was made 21 years ago, which does not particularly indicate how NGOs will be held accountable with regards to ensuring sound financial management practices. An ACT will therefore fill this gap, upon consultation with the NGO leadership and the sector at large.

#### **5.4 Suggestions for further research**

To improve this study, the application of a sequential mixed method design would be ideal as it provides more time for data collection, as well as an opportunity for participants to understand what the research is about, therefore improve their participation. This will also allow the qualitative data collection tool to be based on the responses of the quantitative data, which could yield more rich data (Creswell, 2014). Moreover, this study can be done through the case study approach so that detailed data can be obtained and to exhaust the topic.

The same study can be carried out, but with the aim of determining financial sustainability through calculations, since this study was limited to do such calculations due to unavailability of data such as financial statements of NGOs.

In addition, to explore the prospect of financial management practices and financial sustainability, other aspects can be incorporated such as financial risk management, the influence of organisational leadership on financial sustainability. This will elaborate on how NGOs manage their risks as well as the role NGO leadership has on the financial sustainability of their organisations.

## **5.5 Conclusion**

Given the VUCA (Volatile, Uncertain, Complex and Ambiguous) environment in which NGOs operate, financial sustainability remains a key concern for NGOs and its stakeholders, therefore strategies need to be adopted to keep NGOs afloat. This study sought to establish if financial management practices of NGOs in Botswana are conducive for financial sustainability. Although there is a good understanding of the concepts of financial management and sustainability, the findings illustrate an inconsistent application of financial management practices within the sector, and a generally weak financial capacity. These findings suggest that NGOs are not proactive in their financial management practices, and this limits their potential to being financially sustainable. Importantly so, there are a few NGOs who practice sound financial management, which has enhanced their chances of being financially sustainable. The findings necessitate the need for NGOs to develop their financial management practices, improve their financial capacity and equip their employees with skills and knowledge to promote their financial sustainability. If NGOs are financially sustainable, they will be able to withstand external shocks of reduced funding and continue to improve the socio-economic aspects of the country. This research has provided knowledge, new insights and possible future research on financial management and sustainability of NGOs in Botswana.

## 6. References

- Abdelkarim, N. 2002. The long-term financial sustainability of the Palestinian NGO sector: An assessment. *Study Commissioned by the Welfare Association Consortium*.
- Adirondack, S. 2006. *Just about managing: Effective management for voluntary organisations and community groups*. 4th ed. London: London Voluntary Service Council.
- Akingbola, K. 2004. Staffing, retention, and government funding: A case study. *Non-profit Management and Leadership*. 14(4):453-465.
- Babbie, E. & Mouton, J. 2001. *The Practice of Social Research*. South African ed. Cape Town: Oxford University Press.
- Barney, J.B. & Arikan, A.M. 2005. The resource-based view: origins and implications. *The Blackwell Handbook of Strategic Management*:123-182.
- Batti, R.C. 2014. Challenges facing local NGOs in resource mobilization. *Humanities and Social Sciences*, 2(3):57-64.
- Bell, J., Masaoka, J. & Zimmerman, S. 2010. *Non-profit sustainability: Making strategic decisions for financial viability*. San Francisco: John Wiley & Sons.
- Bennett, J. & Gibbs, S. 1996. *NGO Funding Strategies: An introduction for Southern and Eastern NGOs*. United Kingdom: INTRAC Publications.
- Besada, H. & O'Bright, B. 2018. Policy impacts on Africa's extractive sector: Botswana, diamond dependence, and diversification in the post-diamond period. *Revue Gouvernance*. 15(2):86-105.
- Bowman, W. 2011. Financial capacity and sustainability of ordinary non-profits. *Non-profit Management and Leadership*. 22(1):37-51.
- Bromideh, A.A. 2011. The widespread challenges of NGOs in developing countries: Case studies from Iran. *International NGO Journal*, 6(9):197-202.
- Chepkemoi, P. & Njeru, A. 2017. The Effect of Financial Management and Practices on Financial Sustainability of NGOs in Nairobi County: A Case Study of Local NGOs. *International Journal of Science and Research*. 6(6):26-31. Available: [www.ijsr.net](http://www.ijsr.net).
- Coates, T.T. & McDemortt, C.M. 2002. An exploratory analysis of new competencies: a resource-based view perspective. *Journal of Operations Management*. 20:435-450.
- Creswell, J.W., 1999. Mixed-method research: Introduction and application. In *Handbook of educational policy*. T.Cijek, Ed. CA: Academic press. 455-472
- Creswell, J.W. 2014. *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches*. 4<sup>th</sup> ed. London: SAGE publications.

- De Vos, A.S., Strydom, H., Fouché, C.B. & Delpont, C.S.L. 2005. *Research at Grass Roots: For the Social Science and Human Service Professions*. 3rd ed. Pretoria: Van Schaik Publishers.
- Donaldson, L. 2001. *The contingency theory of organizations*. California: SAGE Publications, Inc.
- Dupuy, K.E., Ron, J. & Prakash, A. 2015. Who survived? Ethiopia's regulatory crackdown on foreign-funded NGOs. *Review of International Political Economy*. 22(2):419-456.
- Ebenezer, A.A., Musah, A. & Ahmed, A.I. 2020. Determinants of Financial Sustainability of Non-Governmental Organizations (NGOs) in Ghana. *Journal of Accounting and Management*. 10 (1): 49-68.
- Elghamrawy, T.E. 2015. Sustainability of local NGOs with a specific emphasis on financial sustainability. Masters Dissertation. Joint European Master in Cooperative Development 2013-2015. Available: [https://www.academia.edu/34525507/Financial\\_Sustainability\\_of\\_Local\\_NGOs](https://www.academia.edu/34525507/Financial_Sustainability_of_Local_NGOs) [2020, May, 16].
- European Commission .2011. Empowerment of Non-State Actors in Botswana. Available: <https://www.developmentaid.org/#!/tenders/view/87813/empowerment-of-non-state-actors-in-botswana> [2020, January, 22].
- European Commission. 2018. Support to the Programme on Empowerment of Non-State Actors (NSAs) in Botswana. Available: [https://eeas.europa.eu/delegations/botswana/46887/support-programme-empowerment-non-state-actors-nsas-botswana\\_en](https://eeas.europa.eu/delegations/botswana/46887/support-programme-empowerment-non-state-actors-nsas-botswana_en) [2020, February, 16].
- Francois, E.J. 2014. *Financial sustainability for non-profit organizations*. New York: Springer publishing company.
- Gilgun, J.F. 2008. Lived experience, reflexivity, and research on perpetrators of interpersonal violence. *Qualitative Social Work*. 7(2):181-197.
- Greene, J.C., Caracelli, V.J. & Graham, W.F. 1989. Toward a conceptual framework for mixed-method evaluation designs. *Educational Evaluation and Policy Analysis*. 11(3):255-274.
- Gulrajani, N. 2016. *Bilateral versus multilateral aid channels: Strategic Choices for Donors* (Research Report) London: Overseas Development Institute.
- Harney, B. 2006. Contingency theory. In *An Encyclopedia of Human Resource Management*. S. Johnstone & A. Wilkinson, Eds. Cheltenham: Edward Elgar. 72-73.
- Hendrickse, R.F. 2008. Governance and financial sustainability of NGO's in South Africa. Doctoral dissertation. University of the Western Cape.
- Honde, G.J. & Abraha, F.G. 2015. Botswana. *African Economic Outlook*. African Development Bank, Organisation for Economic Co-operation and Development, United Nations Development Programme.

- Karanth, B. 2015. Funds Management in NGOs-A Conceptual Framework. (Unpublished).
- Kapunda, S.M., 2010. Economic growth and poverty reduction in Botswana: lessons for the SADC region. *Africa Insight*. 40(3): 39-49.
- Kebonang, Z. & Lebotse, K.K. 2010. Reflections on the Legislative Environment for Non-Governmental Organisations in Botswana. *The International Journal of Not-for-Profit Law*. 12 (4).
- Larkin, R.F. DiTommaso, M. 2014. *Not-for-profit GAAP: Interpretation and Application of Generally Accepted Accounting Principles for Not-for-profit Organizations*. Hoboken: John Wiley & Sons Inc.
- Lekorwe, M. & Mpabanga, D. 2007. Managing Non-Governmental Organizations in Botswana. *The Innovation Journal: The Public Sector Innovation Journal*. 12(3).
- Leon, P. 2001. *Four Pillars of Financial Sustainability* (Resources for Success Series, Volume 2). Virginia: The Nature Conservancy.
- Lewis, D. 2011. *Bangladesh: Politics, Economy, and Civil Society*. Cambridge: Cambridge University Press. DOI: 10.1017/CBO9781139017138.
- Lewis, D. 2014. *Non-Governmental Organizations, Management, and Development*. New York: Routledge.
- Lewis, T. 2012. *Financial Management Essentials: A Handbook for NGOs: Mango (Management Accounting for Non-governmental Organizations)*. Oxford: Management Accounting for Non-governmental Organisations (MANGO).
- MacLeod, P., León, P. & Esquivias, P. 2001. *Integrated strategic and financial planning for nongovernmental organizations*. (Resources for Success Series, Volume 3). Virginia: The Nature Conservancy.
- Mahambo, C., Chiguvi, D. & Lynch, N. 2016. The Sustainability of Donor-Funding Towards Non-Governmental Organisations and Their Socio-Economic Impact in Botswana. *European Journal of Business Management*. 8(29):161-176. Available: [www.iiste.org](http://www.iiste.org).
- Masters, C. & Tyler, P. & Copley (ed) 2017. *NGO Matters: Practical Financial Management for Non-profits*. First ed. Claremont Cape Town: Juta and Company.
- Mathison, S. 1988. Why triangulate? *Educational Researcher*. 17(2):13-17. DOI: <https://doi.org/10.3102/0013189X017002013> .
- Mbuya, J. & Osodo, O. 2018. The Influence of Source of Funding on the Financial Sustainability of Non-Governmental Organizations In Uasin Gishu County, Kenya. *International Journal of Non-Governmental Organizations (NGOs) and Essays*. 3(1):11-19.
- McMenamin, J. 2005. *Financial Management: An Introduction*. London: Routledge.

- Miles, J.A. 2012. *Management and organization theory: A Jossey-Bass reader*. San Francisco: John Wiley & Sons.
- Ministry of Labour and Home Affairs. 2001. *National Policy for Non-Governmental Organisations*. Gaborone: Government of Botswana.
- Monyane, J.T. 2014. *The Monitoring and Evaluation of NPOs by the Department of Social Development Northern Cape*, Bloemfontein: University of Free State.
- Mooketsane, K., Bodilenyane, K. & Motshegwa, B. 2018. Strengthening Non-Governmental Organizations accountability through beneficiaries' participation: the case of NGOs in Botswana. *The 3rd Annual International Conference on Public Administration and Development Alternatives*. 04-06 July 2018. Saldahna Bay: Stellenbosch University.
- Mosweunyane, D. 2010. *The Impact of Non-Governmental Organisations (NGOs) On Sustainable Development in Botswana*. Sheffield: University of Sheffield.
- Munyoro, G., Langton, I. & Chenyika, W. 2017. The Role of Entrepreneurship in Sustaining Non-Governmental Organizations' Operations in Zimbabwe: A Case Study of Harare. *IMPACT: International Journal of Research in Business Management*. 5(11)131-152.
- Navarro-Galera, A., Rodríguez-Bolívar, M.P., Alcaide-Muñoz, L. & López-Subires, M.D. 2016. Measuring the financial sustainability and its influential factors in local governments. *Applied Economics*. 48(41):3961-3975.
- Okorley, E.L. & Nkrumah, E.E. 2012. Organisational factors influencing sustainability of local non-governmental organisations: Lessons from a Ghanaian context. *International Journal of Social Economics*. 39(5):330-341.
- Omeri, L.K. 2015. Factors Influencing Financial Sustainability of Non-Governmental Organizations: A survey of NGOS in Nakuru County, Kenya. *International Journal of Economics, Commerce and Management*. 3(9):704-743.
- Pajas, P. & Vilain, M. 2004. Finance of Non-profit Organizations. In Zimmer, A. Priller, E. (eds) *Future of Civil Society: Making Central European Non-profit Organizations Work*. Wiesbaden: Springer. 341-366.
- Patton, M. 1990. *Qualitative research and evaluation methods*. Newbury Park, CA: SAGE.
- Republic of Kenya. 2012. *Non-Governmental Organisation Co-ordination Act No. 19 of 1990*. Revised Edition. Nairobi: National Council for Law reporting.
- Republic of South Africa. 1997. *Non-Profit Organisation Act No. 71 of 1997*. Pretoria: Government printers.
- Sandelowski, M. 2000. Combining qualitative and quantitative sampling, data collection, and analysis techniques in mixed-method studies. *Research in Nursing & Health*. 23(3):246-255.

- Saungweme, M., 2014. Factors influencing financial sustainability of local NGOs: The case of Zimbabwe. Masters Dissertation: Stellenbosch University.
- Seanama Conservation Consultancy. 2012. *Botswana National Report for the United Nations Conference on Sustainable Development (Rio+20)*. Gaborone: Government of Botswana.
- Sontag-Padilla, L., Staplefoote, L. & Morganti, K.G. 2012. Introduction. In *Financial Sustainability for Non-profit Organizations*. RAND Corporation. 1-6. Available: <http://www.jstor.org/stable/10.7249/j.ctt5hhvjg.7>.
- Spikin, I.C. 2013. Risk Management Theory: the integrated perspective and its application in the public sector. *Estado, Gobierno, Y Gestión Pública*. (21):89-126.
- Statistics Botswana. 2017. *Indices of the Physical Volume of Mining Production: First Quarter 2017 Stats Brief*. (Quarterly Report). Gaborone: Statistics Botswana.
- Tesch, R. 1990. *Qualitative research: Analysis types and software*. New York: Falmer.
- Tompkins, R. J. 2005. *Organization Theory and Public Management*. CA: Wadsworth.
- United States Agency for International Development (USAID). 2010. *2009 NGO Sustainability Index for Sub-Saharan Africa*. (Report Series 1<sup>st</sup> edition). USAID.
- United States Agency for International Development (USAID).n.d. *The 2011 CSO Sustainability Index for Sub-Saharan Africa*. (Report Series). USAID.
- United States Agency for International Development (USAID). 2020. *2019 Sustainability Index for Sub-Saharan Africa*. (11<sup>th</sup> edition). USAID.
- United Nations Development Programme. 2020. *The Next Frontier: Human Development and the Anthropocene: Briefing note for countries on the 2020 Human Development Report-Botswana*. (Human Development Report 2020). Available: <https://hdr.undp.org/sites/default/files/Country-Profiles/BWA.pdf> [ 2021, December 23].
- Viravaidya, M. & Hayssen, J. 2001. *Strategies to strengthen NGO capacity in resource mobilization through business activities*. UNAIDS Best Practice Collection: PDA and UNAIDS joint publication.
- Wadongo, B. & Abdel-Kader, M. 2014. Contingency theory, performance management and organisational effectiveness in the third sector. *International Journal of Productivity and Performance Management*. 63(6):680-703. Available: <http://dx.doi.org/10.1108/IJPPM-09-2013-0161>.
- Weerawardena, J., McDonald, E. R. & Mort, S. G. 2010. Sustainability of Non-profit Organisations: An Empirical Investigation. *Journal of World Business*. 45: 346-356.

## 7. Appendix A: Invitation Email for Survey



Dear Sir/Madam

I hope this email finds you well. I am a student completing my Masters in Social Policy and Management at the University of Cape Town, doing research that seeks to explore the financial management practices of NGOs that could enhance their financial sustainability. The study seeks to understand the current financial management practices of NGOs in Gaborone.

Your organisation has been selected as a key informant for this study. I would like to invite your organisation's Director/CEO or any Senior management staff to please read and complete this survey. I assure you that the information provided by yourself will be kept confidential and anonymous.

The link provided below will take you to the survey. Clicking on the survey link gives consent to participate, where the first aspect of the survey will request you to give consent once more.

<https://forms.gle/WTgJtMBPSJkcvYZt7>

Should you have any enquiries, please do not hesitate to contact the undersigned researcher:

Kind regards

(Researcher name)

(Researcher email address)

(Research contact numbers)

## 8. Appendix B: Online Survey

### QUESTIONNAIRE

#### **Research Topic: Financial Management of NGOs for long term Financial Sustainability: The Case of Botswana (Gaborone)**

I am a student completing my Masters in Social Policy and Management at the University of Cape Town. My research topic seeks to explore the financial management practices of NGOs in Gaborone that could enhance their financial sustainability. In that regard, it seeks to understand the current financial management practices of NGOs. Your organisation has been selected as a key informant for this study.

I would like to invite your organisation's Director/CEO or any senior management staff to please read and complete this survey. Please click the give consent option to consent to participate in the study. I assure you that the information provided by you, will be kept confidential and anonymous.

Should you have any enquiries, please do not hesitate to contact me;

**(Researcher name)**

**(Research email address)**

*I ..... give consent to be part of this study, signed on the .....*

#### **1. Demographics**

1. Name of the organisation (full name): \_\_\_\_\_

2. Year it started operating: \_\_\_\_\_

3. Your job/role in the organisation: \_\_\_\_\_

4. What are your qualifications?

\_\_\_\_\_

5. The NGO sector (s) which the organisation is involved

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

6. Which districts do you operate or serve?

\_\_\_\_\_

---

## **2. Knowledge on financial management and financial sustainability**

7. To what extent do you understand financial sustainability to be?
- I. Have no idea
  - II. Moderate extent
  - III. Great extent
  - IV. Greater extent
8. Financial Management greatly influences the financial sustainability of an NGO.
- I. Agree
  - II. Disagree
  - III. Neutral
9. This organisation is financially sustainable
- I. Strongly disagree
  - II. Disagree
  - III. Neutral
  - IV. Agree
  - V. Strongly agree

## **3. Financial Management practices to enhance financial sustainability.**

10. Does your organisation have a strategic plan?
- I. Yes
  - II. No
  - III. It used to, but not anymore.
11. What is the period of your strategic plan e.g. (5 years)? \_\_\_\_\_
12. Do you have a financial plan aligned and informed by your strategic plan?
- I. Yes

II. No

III. Not entirely so

13. What is the period of your financial plan? \_\_\_\_\_

14. Does your organisation get audited by a registered auditor?

I. Yes

II. No

15. How often does is the audit conducted (e.g., once a year)? \_\_\_\_\_

16. Which type of auditing do you apply?

I. External

II. Internal

III. Both

17. What record keeping tools does your organisation use for its financial records?  
\_\_\_\_\_

18. What financial documents does your organisation prepare and how often are they reviewed?

Type of financial statements	Review frequency						
	Document does not exist	Not reviewed	Weekly	Monthly	Quarterly	Half-yearly	Annually
Balance sheet							
Income/expenditure statement							
Cash flow							
Budget							
Statement of financial position							

19. In this organisation, the following staff members are involved in the financial planning process (circle appropriately).

- I. Directors
- II. Managers
- III. Governing body (Board of directors)
- IV. Some of the employees
- V. All the employees

20. Does the board of your organisation have a committee for financial oversight?

- I. Yes
- II. No

21. We have financial policies and procedures in a manual to be followed before and after a transaction is carried out

- I. Yes
- II. No

22. If yes, how are these communicated throughout the organisation?

---

#### **4. Trends of income sources**

23. In what way(s) do you get your income

- I. Donations
- II. Government funding
- III. Grants
- IV. Fees for services
- V. Contracts
- VI. Foundation and Trusts
- VII. Membership fees
- VIII. Others (specify): \_\_\_\_\_

24. Of the above sources of income, how much does each represent (approximately in percentage form) in the overall income of the organisation?

---



---



---

25. What form of income/funding do you receive from the following? e, g. (Grants, partnership, contracts etc)

<b>International Sources of Income</b>	<b>Local Sources of Income</b>

26. Locally in what form do you receive funding from the following? E.g Grants, contracts)

<b>Botswana Government</b>	<b>Private Sector</b>	<b>Community</b>

27. Please indicate the number of local and international donors who were funding your activities in these years.

<b>Type of donors/Year</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Local			
International			

28. How much annual income did local donors provide in these years?

<b>Year/Value of Income</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Less than P50 000			
P50 001-P100 000			
P100 001-P150 000			
P150 001-P200 000			
P200 001-P250 000			
P250 001- P300 000			
Above P300 000			

29. How much annual income did international donor provide in these years?

<b>Year/Value of Income</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Less than P200 000			
P200 000-P400 000			
P400 001-P600 000			
P600 001- P800 000			
P800 001-1 000 000			
Above P1 000 000			

30. Do you generate your own income?

I. Yes

II. No

31. If yes, how much annual income did you have, from own income generating activities in these years? (please provide an estimation)

<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>

**5. Ability of the organisation to sustain itself.**

32. Unrestricted funding is \_\_\_\_\_ (%) of our overall income.

33. Restricted funding is \_\_\_\_\_ (%) of our overall income.

34. The organisation has financial reserves.

i. No

ii. Yes

iii. Not sure

35. If Yes, the financial reserves would allow the organisation to run for a period of \_\_\_\_\_ without receiving any income.

**Thank you for being part of this study!**

## 9. Appendix C: Email for interviews

### **Interview Request for the Research Study on the Financial Management of NGOs towards Financial Sustainability**

Dear Sir/Madam

I hope this email finds you well. My name is Keagetswe Alex Kgotlaetsile, completing my Master's degree in Social Policy and Management at the University of Cape Town. I am carrying out a research study to explore NGOs financial management practices, that could influence their financial sustainability, the case of Gaborone.

Your organisation has been selected as a key informant for this study. I would like to interview your organisation's Director/CEO or Financial Manager, or any Senior management staff involved in the organisation's financial management. The interview will take approximately 30-45 minutes. This can be done physically (following social distancing and the use of masks) or virtually through Microsoft teams or Zoom. Participation in this study is voluntary, and you can choose to opt out at any time. I assure you that the information provided by your organisation will be kept confidential and anonymous. Lastly, all participating organisations will be sent the final copy of the completed research.

Kindly find attached my ethical clearance letter from the University of Cape Town and the interview guide. Should you have any queries please contact me.

Kind Regards,

(Researcher name)

(Researcher contact details)

## **10. Appendix D: Interview Guide**

### **Research Topic: Financial Management of NGOs for long term Financial Sustainability: The Case of Botswana (Gaborone).**

#### **1. Demographics**

1. Please tell us about your position in the organisation.
2. Can you please tell us about your qualifications relevant to your position?
3. When did your organisation start operating?
4. Which NGO sector do you operate in or serve?
5. What was your NGO income and expenditure in the most recent financial year?

#### **2. Objective 1: To enquire on the organisation's understanding on financial management and financial sustainability.**

1. What do you understand financial management to be?
2. How do you understand financial sustainability?
3. Do you think that your organisation is financially sustainable? If yes, why: If not, why not?
4. What financial management practices does your organisation employ in order to be financially sustainable? (How do you ensure financial sustainability in your organisation).

#### **3. Objective 2: To explore the organisation's financial management practices.**

##### **❖ Financial Planning**

1. Tell me about financial planning in your organisation.
  - I. How do you incorporate financial sustainability in your strategic plan?
  - II. Please take me through your organisation's budgeting processes (do you perhaps use income and expenditure analysis).

- III. How are employees involved in the budgeting process: are there committees?
- IV. How are board of directors involved; are there committees?
- V. Do you incorporate cashflow forecasting in your financial planning, how?
- VI. Do you review your (a) budget (b) cash flow? If yes, how often If no, why?

❖ **Financial record-keeping**

- 2. Tell me about the organisation's day to day financial recording.
  - I. How is your financial recording process done (the accounting process)?
  - II. What tools do you used record keeping?
  - III. How are financial transactions authorised/carried out in your NGO, any procedures or manuals followed?

❖ **Financial monitoring**

- 3. In what ways do you monitor your finances?
  - I. Management accounts?
  - II. Cash flow forecast comparison with actual budget, income, and expenditure?

**4. Objective 3: To determine the trends of the NGOs income sources**

- 1. What fundraising strategies do you use in your organisation?
- 2. How does the organisation internally generate its own income?
- 3. What has been the impact of your local sources on your income?
- 4. What has been the impact of your international sources on your income?

**5. Objective 4: To determine if NGOs could sustain themselves without any donor dependence.**

- 1. How do you fund your operational costs/how is it funded?

2. How strenuous are the operational costs, to the budget?
3. For the past three years, how has your organisation performed in terms of having either a surplus or a deficit. Do you know where this surplus or deficit come from?
4. What have you done about the surplus/deficit?

#### **6. Other questions**

1. What is your general take on the financial management and sustainability of NGOs?
2. How has COVID-19 affected some of your financial management strategies?
3. Anything else you would like to add?

**Thank you!**

## 11. Appendix E: Ethical Clearance Letter

Ethics Review 2021

Taryn Powell <taryn.powell@uct.ac.za>

Fri 2022/01/14 11:59

To: Keagetswe Kgotlaetsile <KGTKEA002@myuct.ac.za>

Cc: Social Development <socialdevelopment@uct.ac.za>

1 attachments (91 KB)

Ethics Approval letter KGTKEA002.docx.pdf;

Dear Keagetswe,

I trust this email finds you well.

Please see attached, this serves as your ethics review acceptance letter which includes a reference number for referral. A letter was not available in the first semester when you were awarded clearance.

Feel free to contact me with any further questions.

Kind Regards

**Taryn Powell** | Administrative Assistant

Department of Social Development

Room 5.15, Leslie Social Building

Upper Campus | University of Cape Town

☎ 27 21 650 3483 | [taryn.powell@uct.ac.za](mailto:taryn.powell@uct.ac.za)

[www.uct.ac.za](http://www.uct.ac.za)

---

## UNIVERSITY OF CAPE TOWN



### Department of Social Development

University of Cape Town Rondebosch 7701 South Africa

Phone: +27-21-650-3483

E-mail: [taryn.powell@uct.ac.za](mailto:taryn.powell@uct.ac.za)

31 December 2021

*Student:* **Keagetswe Kgotlaetsile (KGTKEA002)**

*Outcome:* **ACCEPTED**

I am pleased to inform you that ethical clearance was given by an Ethics Review Committee of the Faculty of Humanities for your study, ***Financial Management of NGO's Towards Financial Sustainability: A Case of Botswana (Gaborone)***. The reference number is SWK-REC-2021-SR020.

I wish you all the best for your study.

Yours sincerely

Dr Khosi Kubeka

Senior Lecturer

Chair: Ethics Review Committee