FINANCIAL MANAGEMENT AND SUSTAINABILITY OF NONPROFIT ORGANIZATIONS IN SELECTED LOCAL NON GOVERNMENTAL ORGANIZATIONS IN MOGADISHU, SOMALIA

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DECLARATION A

I Amina Osman Hussein, declare this thesis is my original work and has not been presented for a Degree or any other academic award in any university or Institution of learning"

Name and Signature of candidate

Date: 26 / 01 / 2013

DECLARATION B

"I confirm that the work reported in this thesis was carried out by the candidate under my supervision".

Dr. Ssendagi

Name and signature of Supervisor

Date: 25 / 01 / 2013

DEDICATION

I dedicate this work to all my family members especially my beloved parents Faduma Ali Mohamed and Osman Hussein, and also my beloved brothers Faysal Osman and Yusuf Osman, for any effort and sacrifice they provided throughout my academic life and career development, also my respected friends for being supportive to me spiritually, emotionally, morally.

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ABSTRACT

This study set out to establish the extent to which financial management affect sustainability of nonprofit organisations in selected local NGOs in Mogadishu, Somalia; specifically the study intended to establish the (i) profile of the respondents, (ii) extent of which financial management, (iii) level sustainability, (iv) whether there is a relationship in the extent of which financial management and the level of sustainability of nonprofit organizations in selected local NGOs in Mogadishu, Somalia.

The study used a survey design; specifically descriptive correlation and descriptive comparative; the target population was 210 and the data was collected from 138 respondents using self administered questionnaires as the key data collection instruments, it was also used purposive sampling and simple random sampling techniques to select the respondents The study findings revealed that there was a high level of which financial management; there was also high level of sustainability.

The study concluded that financial management in the selected local NGOs was significantly correlated with sustainability of nonprofit organizations in Mogadishu, indicating that the high extent of financial management in the selected local NGOs in Mogadishu is significantly responsible for a high level of sustainability in this area.

Recommendations from the study were (i) Local NGOs should state their goals clearly and ensure that they achieve their goals by ensuring that they fully understand why they wish to achieve them and what has been stopping them from achieving their goals and objectives. (ii) Local NGOs should develop sustainability plan implemented and monitored; goals are being met and adjustments made and work towards the achievement of this plan. (iii) Local NGOs should develop clearly defined fundraising goals based on the organization's financial strategic plans; share responsibilities among several individuals as part of a systematic process.

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LIST OF ACRONOMYS / ABBREVIATIONS

NGOs – Non Governmental Organizations

CVI – Content Validity Index

SPSS – Statistical Package for Social Sciences

IDPs – Internally Displaced People

NPOs – Non Profit Organizations

CHAPTER ONE

THE PROBLEM AND ITS SCOPE

Background of the Study

Financial management is concerned with management of cash flows into and out of the firm, financial management within the firm and management of cash balances held by the firm – deficit financing or investing surplus cash. Financial management tries to accomplish at a minimum cost the various tasks of cash collection, payment of out standings and arranging for deficit funding or surplus investment (Armstrong, 2001).

Finally, financial management can be seen as part of risk management, more specifically as a part of managing liquidity, interest rate and foreign currency risk. Liquidity risk is the risk that a company not be able to timely acquire the funds necessary to meet its obligations as they come due, either by increasing its liabilities or by converting assets without incurring considerable losses. As one of the main goals of financial management was ensuring that the company has enough cash to perform its everyday operations and to cover unpredicted outflows, one can easily categorize Local Level: Generating revenues through local sources is also a treacherous path to take given that the tradition of charitable organizations in different regions, such as Latin America, is still incipient. Where it exists, it mostly focuses on religious or high profile causes. In most countries, you will find no more than six or seven organizations that are well known by the general public (Lam, 2003).

Long-term financial planning is a vital discipline for creating and maintaining financial sustainability. However, it requires a shift away from the short-term perspective associated with annual budgeting and towards a five- to 10-year perspective not normally associated with government financial management. However, Governments regard non-profit organizations as adversarial to their policies or as competitors for international funds that otherwise would be channeled through them. The general public does not realize that it can express its views through such organizations and that joining them is a way of demonstrating their desire for change. For these, and many other reasons, the emergence of non-profit organizations has not been accompanied by a strengthened tradition of charitable organizations, nor has it translated into government policies that appropriately regulate this sector and create incentives for it to expand (Henderson, 2002).

In this context, organizations must use the most advanced methods of internal income-generation so as to achieve financial sustainability; this will enables them to make autonomous decisions that truly reflect local, rather than international, priorities. In this context, the need to achieve financial sustainability is both tangible and crucial (Henderson, 2002).

Achieving institutional financial sustainability is a goal that all non-profit organizations strive for. Theoretically, this financial sustainability will enable to cover administrative costs and to prioritize activities so as to accomplish missions, without undergoing interminable negotiations with donors who may or may not agree with the vision or with cost percentages. Many institutions seek donors that will allow them to set up a trust fund or income-generating opportunities that yield a profit margin above market conditions. The ingenuity and creativity of non-profit organizations has led to the development of many innovative mechanisms. This ability to dream and to persuade others to realize these dreams is one of this sector's principal strengths. Nonetheless, the percentage of organizations that achieve financial sustainability remains very low. This is due not to a lack of creativity or commitment, but rather to the fact that many organizations continue to have a donor-dependent vision. If a trust fund is obtained, it is usually through an outside source. Moreover, attaining a profit margin that exceeds market conditions generally requires appealing to the organization's non-profit status in order to obtain special concessions (Paquita, 1993).

While it is important to consider this capacity for access to capital or preferential terms as a competitive advantage enjoyed by a non-profit organization, attaining financial sustainability through a single source or mechanism is a stroke of luck. On the threshold of the twenty-first century, faced with an increasingly competitive market, a globalized economy, and a context in which change is a constant rather than a variable, we must employ more sophisticated methods to attain financial sustainability. The survival of the sector depends on our ability to achieve this goal. One of the greatest challenges facing nonprofit organizations developing countries is that of obtaining critical funds to carry out the necessary activities to fulfill their mission. These challenges exist at the local or national, and the international level (Paquita, 1993).

From the international perspective, while the amount of available funds is higher, they are increasingly scarce due to the growing need and number of emerging organizations. To be more specific, it is not that the number of needs to be met worldwide has increased, but rather that we are currently more conscious of those needs, and more willing to do something to relieve or address them. As a result, many organizations that are dependent on international funding sources are unable to maintain the continuity of their programs and activities since fund allocations constantly shift according to the interests of the donor. The problem is exacerbated by the fact that, in general, these international sources tend to cover overhead expenses at a very low rate, resulting in a project cost that exceeds the amount received. Organizations accept these conditions because their alternatives are often limited: they either take the money offered or they will be unable to implement the project. Failure to implement the project means failure to accomplish their mission (Paquita, 1993).

The contribution of nonprofit organizations (NPOs) to the third sector of the economy is widely acknowledged; they provide goods and services that are not delivered by the business or public sectors, develop skills, create employment and foster pathways for social inclusion (CEEDR, 2001; DETR, 1999; Lyons, 2001). However, there is consensus among researchers, policy planners and practitioners that NPOs operate in an increasingly competitive environment. NPOs pursue missions to serve needs that the business sector does not serve, presumably because it cannot do so profitably (Hansmann, 1980; McDonald, 2007; Pestoff, 1992). Because they cannot rely on profit, and lack the taxing authority of the government sector (Hansmann, 1980), NPOs employ a unique operational model and depend on multiple stakeholders for the resources needed to deliver services to their constituents (Jay *et al*, 2010).

Somalia Locates in the Horn of Africa, Covering 637,657 sq miles, Somalia is slightly smaller than Texas and has a population of more than 10 million. Its capital city, Mogadishu, is located on the Indian Ocean, and other major urban centers include Kismayo, Baidoa, Bossaso and Hargeisa. The official language is Somali, but Arabic, Italian, and English are also spoken. Approximately 85% of the inhabitants are ethnic Somalis and about 99.9% of the population is Muslim. (Www. Wikipedia.org)

Somalia gained independence from Italy and Britain in June 1960. Since the fall of Mohamed Siad Barre, in January 1991, following the outbreak of civil war in the late 1980s, the country has been in a state of political turmoil. The conflict destroyed virtually the entire administration system and led to the breakup of the country into three distinct entities (Somaliland, Puntland and the remaining southern and central part of the country). Since 1992, after the collapse of the central government of Somalia, The country has been in internecine warfare and characterized by weak human and institutional capacity and without effective policies, rules, regulations, and legislative arrangements Somalia is a fragile and conflicted nation with a population estimated at around 9.1million in 2009 by the United Nations (U.N.). Income per capita is estimated at US$226 in 2002 (compared to US$515 in Sub-Saharan Africa), which makes Somalia one of the poorest countries in the world. The 19 year old civil war has led to significant instability, fragmentation of the country, and poor access to virtually all infrastructure and social services (Mostashari, (2005).

Somali faces its worse humanitarian crisis in eighteen years characterized by increasing food insecurity and malnutrition rates, as a result of the combined effects of ongoing warlord fighting, internal displacement, as well as insufficient rainfalls and drought leading to poor crop production and high food prices. The humanitarian crisis in Somalia is widespread and severe, with more than half of the population in need of humanitarian assistance (Crig, 2003).

In addition, rampant warlord fighting, population displacement, famine, and disease have caused huge humanitarian needs (African Development Bank, 2010). This called for the rise of nonprofit organizations such as NGOs and other civil society groups in Somalia. These nonprofit organizations get funds from donors and implement mainly two types of project such as: Developing projects and Emergency projects which is intended provide aid to the suffering Somali people especially Internally Displaced people (IDPs) those displaced inside the country. But unfortunately they fail immediately after few years of their establishment because of lack of funds to continue its operations.

The majority of Somalia's population, approximately 60%, is semi-nomadic pastoralists; few of the members of the estimated four million strong workforces have any marketable skills. Agriculture is the most important economic sector. It accounts for about 65% of the GDP and employs 65% of the workforce. Livestock contributes about 40% to GDP and more than 50% of export earnings. Otherprincipalexportsinclude fish, charcoal and bananas; sugar, sorghum and corn are products for the domestic market. According to the Central Bank of Somalia, imports of goods total about $460 million per year and exports, which total about $270 million annually (African Development Bank, 2010).

Statement of the Problem

An effective financial management can raise performance, improve morale of business success and increase organizational potential in general (sustainability). Often, inadequate financial management can be a source of low performance and business failure.

Sustainability in many NGOs is given a low priority. This is often characterized by poor budgeting, cash flow management and financial reporting. But NGOs operate in a rapidly changing and competitive world. If their organizations are to survive in this challenging environment, managers need to develop the necessary understanding and confidence to make full use of financial management tools.

Although financial management is a critical element in the management of NGOs, few studies have been undertaken on this area. Most studies in the area of financial management have largely studied the relationship between internal control and sustainability and none has been done to determine whether financial management affects sustainability in local NGOs in Mogadishu, Somalia. The purpose of this study was to fill this gap.

Purpose of the Study

1. To test hypothesis of there is no significant relationship between the level of financial management among sustainability of nonprofit organizations in Mogadishu, Somalia.
2. Also to validate existing information related to the theory to which the research is based on.
3. To generate new information based on the findings of the study.
4. To bridge the gaps identified in the previous studies.

Objectives of the Study

General: to investigate the relationship between financial management and sustainability of nonprofit organizations in selected local NGOs in Mogadishu- Somalia.

Specific Objectives:

1. To determine the profile of the respondents in terms of:
    1.1. Age.
    1.2. Gender.
    1.3. Education level.
    1.4. Working experience.

2. To determine the extent of financial management among nonprofit organizations in Mogadishu, Somalia in terms of:
    2.1 Budgeting
    2.2 Cash flow management
    2.3 Financial reporting

3. To determine the level of sustainability among nonprofit organizations in Mogadishu, Somalia in terms of:
    3.1 Institutional sustainability.
    3.2 Financial sustainability.
    3.3 Moral sustainability.

4. To determine if there is a significant relationship between financial management among sustainability of nonprofit organizations in Mogadishu, Somalia

Research Questions

1. What is the profile of the respondents in terms of:

   1.1 Age?

   1.2 Gender?

   1.3 Education level?

   1.4 Working experience?

2. What is the level of financial management among nonprofit organizations in Mogadishu, Somalia in terms of:

   2.1 Budgeting?

   2.2 Cash flow management?

   2.3 Financial reporting?

3. What is the level of sustainability among nonprofit organizations in Mogadishu, Somalia, in terms of:

   3.1 Institutional sustainability?

   3.2 Financial sustainability?

   3.3 Moral sustainability?

4. Is there any significant relationship between the level of financial management and sustainability of nonprofit organizations in Mogadishu, Somalia?

Hypotheses

- Ho: there is no significant relationship between the levels of financial management among sustainability of nonprofit organizations in Mogadishu, Somalia.

Scope of the Study

Geographical scope

The study was conducted in Mogadishu, Somalia where most nonprofit organizations operate according to Somalia.

Content scope

The research focused on the role of financial management in relation to sustainability of nonprofit organizations in selected local nongovernmental organizations in Mogadishu, Somalia. The study also examined;

I. The profile of the respondents in terms of gender, age, educational qualification and number of years experience in local NGOs.

II. The extent of financial management in local NGOs.

III. The level of sustainability in local NGOs.

IV. The relationship between the extent of financial management and sustainability of local NGOs in Mogadishu, Somalia.

Theoretical scope

Basic Financial Management Theory by Myers & Mjluf, (1984) and Developed by Chastain and Harford (1999), states that "basic financial management propitiates the development of business growth to optimizing the level of disposable assets to be maintained by a company". This theory will be proven or disproved in this study.

Time scope

The research was conducted between the periods of March 2012 to Jan 2013. For the reason of choosing this time scope is that the nonprofit organizations increased in Somalia than those years before.

Significance of the Study

The following disciplines will benefit from the findings of the study.

The **local NGO administrators** will utilize the findings of the study to strengthen the financial management practices and promote sustainability of the NGOs.

The **future researchers** will utilize the findings of this study to embark on a related study.

Government: The results of this study will be used by governments of developing and developed countries to design appropriate guidelines and policies that will direct the operations of local NGOs in relation to financial management and sustainability of nonprofit organizations.

Operational Definitions of Key Terms

Financial management: is concerned with management of cash flows into and out of the firm, financial management within the firm and management of cash balances held by the firm – deficit financing or investing surplus cash.

Budgetary control: Methodical control of an organization's operations through establishment of standards and targets regarding income and expenditure, and a continuous monitoring and adjustment of performance against them.

Cash flow is the inflow and outflow of cash within and outside the company.

Budget A formal statement of the financial resources set aside for carrying out specific activities in a given period of time.

Organizational sustainability could be defined as managing business so as to meet present expectations without compromising the ability of a future generation of management to meet future expectations.

Financial sustainability of a non-profit organization is its capacity to obtain revenues in response to a demand, in order to sustain productive processes at a steady or growing rate to produce results and to obtain a surplus.

Nonprofit organization A corporation or an association that conducts business for the benefit of the general public without shareholders and without a profit motive.

Non Governmental Organization (NGO) is any non-profit, voluntary citizens' group which is organized on a local, national or international level.

Financial reporting the act of giving investors and authorities regular financial information about a company's profits, debts, assets, etc:

CHAPTER TWO

REVIEW OF RELATED LITERATURE

Concepts, Ideas, and Opinions from Authors/ Experts

The contribution of nonprofit organizations (NPOs) to the third sector of the economy is widely acknowledged; they provide goods and services that are not delivered by the business or public sectors, develop skills, create employment and foster pathways for social inclusion (CEEDR, 2001; DETR, 1999; Lyons, 2001). However, there is consensus among researchers, policy planners and practitioners that NPOs operate in an increasingly competitive environment. NPOs pursue missions to serve needs that the business sector does not serve, presumably because it cannot do so profitably (Hansmann, 1980; McDonald, 2007; Pestoff, 1992). Because they cannot rely on profit, and lack the taxing authority of the government sector (Hansmann, 1980), NPOs employ a unique operational model and depend on multiple stakeholders for the resources needed to deliver services to their constituents (Jay *et al*, 2010).

According to Wood (2000), **financial management** is a broad term that refers to the collection, concentration, and disbursement of cash control. The goal is to manage the cash inflow/outflow balances of an enterprise in such a way as to maximize the availability of cash not invested in fixed assets or inventories and to do so in such a way as to avoid the risk of insolvency. Factors monitored as a part of financial management include a company's level of liquidity, its management of financial balances, and its short-term investment strategies.

Financial Management involves the application of general management principles to particular financial operation. Financial Management entails planning for the future for a person or a business enterprise to ensure a positive cash flow. It includes the administration and maintenance of financial assets. Besides, financial management covers the process of identifying and managing risk (Wood, 2000).

Financial management of not-for-profits is similar to financial management in the commercial sector in many respects; however, certain key differences shift the focus of a not-for-profit financial manager. A for-profit enterprise focuses on profitability and maximizing shareholder value. A not-for-profit organization's primary goal is not to increase shareholder value; rather it is to provide some socially desirable need on an ongoing basis. A not-for-profit generally lacks the financial flexibility of a commercial enterprise because it depends on resource providers that are not engaging in an exchange transaction. The resources provided are directed towards providing goods or services to a client other than the actual resource provider. Thus the not-for-profit must demonstrate its stewardship of donated resources — money donated for a specific purpose must be used for that purpose. That purpose is either specified by the donor or implied in the not-for-profit's stated mission. The management and reporting activities of a not-for-profit must emphasize stewardship for these donated resources. The staff must be able to demonstrate that the dollars were used as directed by the donor. The shift to an emphasis in external financial reports on donor restriction has made the use of fund accounting systems even more critical (Lowis, 2003).

Financial Activities in Nonprofit Organizations

According to Keith, (2006), financial activities can be grouped into three areas:

1. ***Planning & budgeting:*** are those processes whereby the organization sets goals and objectives, allocates its resources among its activities and decides how those activities will be operated. Budgeting is a process that relies both on financial information about past performance and the organization's future plans. Concerns in this area include: Involving people appropriately in the budgeting process; considering both internal and external factors in budget development; using past and current information to develop realistic projections; and, Agreement on the use of the budget in managing the ongoing operations.

2. ***Transaction handling and record-keeping*** is the bookkeeping/accounting area of financial activities. Checks must be written to pay bills; incoming checks must be deposited, commitments of the organization and commitments to the organization must be recorded, an ongoing record of financial activities must be kept and the information must be presented to executives of the organization in an understandable and useful manner. Concerns in this area include: Hiring appropriate and knowledgeable staff; Timely and accurate recording of financial transactions; Proper authorization of payments; Prompt deposits of receipts; and Timely and accurate preparation of financial reports.

3. ***Financial management*** is the management of current financial operations based on analysis of financial information and knowledge of the organization's objectives and plans. The financial manager oversees

and directs the accounting process and participates in budget development and revision. In addition, the financial manager is responsible for such activities as cash flow management, cost allocation, cost analysis and asset management. Concerns for the financial manager include: Anticipation of financial problems; Maximizing use of financial resources; Ensuring tax compliance; Ensuring compliance with funder requirements; Ensuring compliance with generally accepted accounting principles (GAAP) applicable to nonprofit organizations; and Providing meaningful information to program managers.

Budgeting and cash management are two areas of financial management that are extremely important exercises for not-for-profit organizations. The organization must pay close attention to whether it has enough cash reserves to continue to provide services to its clientele. Cash flow can be extremely challenging to predict, because an organization relies on revenue from resource providers that do not expect to receive the service provided. In fact, an increase in demand for a not-for-profit's services can lead to a management crisis. It is difficult to forecast contribution revenue in a reliable manner from year to year. For that reason, the control of expenses is an area of increased emphasis. Budgeting therefore becomes a critical activity for a not-for-profit. (John and Bronwyn, 2011),

Budgets Lucey (2003) in his formal definition defines budget as "a qualitative statement, for a defined period of time, which may include planned revenue, expenses, assets, liabilities and cash flows. A budget provides a focus for the organization aids the co-ordination of activities and facilitates control whereas control is generally exercised through the comparison of actual costs with a flexible budget". Budgets are the organization's operating plan for a fiscal period. They express, in monetary terms, the board's and staff's decisions regarding how the organization will fulfill its stated purpose. The board and staff decide what programs will be undertaken for the upcoming fiscal year. The staff then allocates resources to ensure that those programs are delivered. The budget charts a direction for allocating and maximizing the use of resources. Ideally it also identifies any financial problems that could arise in the coming year. In addition, the budget should provide indicators for gauging staff performance and give staff goals to reach and steps to achieve them. Methodical tracking and classification of program expenditures enhance management's ability to report on service efforts and accomplishments.

Budgets are tools of the financial management system used for two central management functions: decision making (planning) and monitoring and controlling. A budget is a plan of action expressed in financial terms. In the course of planning, an organization defines its purpose, mission, goals, objectives, strategies and activities. Through the budget process, decision-makers look at the financial implications of their plan: how much a program will cost and what are the anticipated revenues. Within the limits of scarce resources, priorities are set and budgets are created (Daniel 2000).

The budget is also a tool for monitoring and controlling ongoing organization activities. Once a plan has been developed, the organization needs information to see whether it is keeping to its plan. If the organization has gone "off track", various responses can be considered. Since the budget describes the plan in terms of dollars, it provides a basis for monitoring progress. If, for example, a program is costing more than anticipated, it may be necessary for management to bring costs down, or it may be decided to review the plan to take a higher level of expense into account. A budget can be thought of as the organization's plan of action, expressed in dollars. A budget describes and estimates the expected income from different sources and the expenditures, needed to make to achieve its program objectives (Corporation for Supportive Housing, 2001).

Budget planning issues

The scope and size of a not-for-profit's programs and asset base dictate the complexity of its budgets. In its most complete form, a budget is a compilation of the plans and objectives of management that covers all phases of operations for a specific period of time. If a goal of an organization is to build working capital, it might want to project a budget imbalance of revenues over expenses. However, building too much of a surplus too aggressively might indicate to users of financial statements that the organization is not effectively carrying out its stated purpose. Program priorities should be balanced in an effective budget. The not-for-profit's management must allocate its capabilities and resources to impact the maximum number of the intended audience or beneficiaries. Not-for-profit organizations that charge for their services might not be able to easily increase their prices for their programs (Jan, 2009).

Budgetary control as proven management tool (Chandler, 1990) helps organization management, and enhances improved performance of any economy in different ways. Its primary function is to serve as a guide in financial planning operators; it also establishes limits for departmental excesses. It helps administrative officials to make careful analysis of all existing operations, thereby justifying expanding, eliminating or restricting present practice. (Musselman and Hughes 1981). Budgeting and control entails a distinct pattern of decisions in an organization which is capable of determining its objectives, purposes or goals, and how these goals are achieved by establishing principal policies and plans. However, the inability to recognize the problem concerned and fixing a boundary off investigation creates an obstacle for the successful implementation of budgeting and control. Some organizations only look for narrow ranges of alternatives which they arrive at from their past expenses and present situation, other management levels even avoid long-term planning and budgeting in favor of today's problems thereby making the problems of tomorrow more severe (Steward 1993).

Lead-time for grant requests and multiyear programs must be factored into the budgetary planning process. The financial manager of a not-for-profit must prepare the budget to ensure adequate funds for programs slated to be run over a period of time longer than the average budget cycle. The budget, once adopted, should be used by the staff as a management tool to gauge operational performance. An effective budget should establish criteria that would signal management if a change is needed or if a course of action should be refined or altered. A budget that is updated for new situations enhances its value as a monitoring system. As unforeseen conditions arise, the budget should be tailored to respond to those conditions. Staff and management accountability is an aspect of budgeting; responsibility should be associated with those that are actually capable of realizing the goals. Without active awareness and participation of those carrying out the organizational mission, a budget's usefulness is diminished (Paquita, 1993).

In sum, an organization needs to prepare annual budgets because budgets assist organizations to: Define goals for a given period of time; Monitor progress throughout that period of time; Point out significant variances between the financial goals and how resources are actually being used; Take corrective actions as problems arise; Predict and monitor cash flow; and, Illustrate need to funding sources (Corporation for Supportive Housing, 2001).

Cash flow management

Cash flows in NFP organisations can often be lumpy or sporadic. Cash flow management is critical to ensure that the objectives of the organisation are met. The basic reason for cash flow management is to preserve the liquidity of your organisation so that debts can be paid as and when they fall due. This is the definition of being solvent. It is important therefore to keep tight control on movement of cash and forecasting changes in cash availability. Short-term liquidity can be assessed by daily, weekly and monthly monitoring of cash. You should prepare strategies to deal with any sudden, unexpected liquidity crisis. These strategies should include regular cash flow monitoring through a cash management plan and ensuring that you have access to finance in case of emergencies. The best way to manage short-term liquidity is to prepare a cash management plan that covers all expected cash flows over a selected period (Jana, *et al* 2009)

Working capital management

Working capital is the short-term capital that works for the organisation. This includes stock, work in progress, payments to suppliers and receipts from customers. By working your cycle more efficiently, cash is more readily available to use in other parts of the organisation. One of the most important things in running an organisation is to ensure that there is adequate cash flow to meet all of the short-term obligations. This is particularly important for NFPs as cash flow in these organisations can often be sporadic or lumpy: grants and membership receipts are often received annually and donations are sporadic. Where the organisation runs trading activities through the sale of products or services, cash flow can often be tied up in the working capital cycle. Working capital management is about setting up strategies to ensure that cash is not unnecessarily caught in this cycle. By undertaking these strategies, your organisation can free up cash to support other activities without causing a cash crisis (Jana *et al* 2009).

Cash flow planning

Cash is a vital resource for a not-for-profit organization. To maintain financial viability, the organization must have enough cash to pay its bills. Accrual basis financial statements can report an excess of revenues over expenses but this does not necessarily mean that there is cash in the bank. Cyclical and seasonal fluctuations also have an impact on an organization's cash. Cash inflows and outflows for most not-for-profits typically fluctuate throughout the year. This increases the importance of the budgeting process because obligations must be met on a timely and consistent basis. The organization must plan ahead for those periods when cash inflow tends to be less than cash outflows. Postponing expenditures or accelerating constituent billings are two options for solving the problem (York, 2009).

Cash Flow Analysis

As part of cash flow management, financial managers consider a variety of responses. A projected temporary cash shortage can be resolved by: Obtaining loans; Withdrawals on lines of credit; Speeding up collection of receivables; Requiring fees to be paid in advance; Changing the timing of planned fundraising events or campaigns; Financing the purchase of capital equipment; Liquidating investments; Working with funders for a more favorable payment schedule; and, Delaying payments to vendors. A projected temporary cash surplus can be taken advantage of by: Short term investments; changing the timing of planned fundraising events or campaigns; paying back line of credit balances. Buying supplies on sale (in bulk) that won't be needed immediately (Corporation for Supportive Housing, 2001).

In conclusion financial management is the management of current financial operations, based on the analysis of financial information and knowledge of the organization's objectives and plans. The financial manager, who is not always an accountant, oversees and directs the accounting process and participates in developing and revising budgets. In addition, the financial manager is responsible for such activities as cash flow management, cost allocation, cost analysis and asset management. The financial manager should: Anticipate financial problems; Maximize the use of financial resources; Ensure tax compliance and compliance with funder requirements; Provide meaningful information to program managers; and, Develop, implement, monitor and revise a system of internal controls (Corporation for Supportive Housing, 2001).

Financial Reporting

According to Sharyn and Girija, (2009), Generally Accepted Accounting Principles (GAAP) requires nonprofit organizations to present information about their expenses by functional classifications in the statement of activities to indicate their accomplishments during the reporting period. All nonprofit organizations are involved in two types of activities:

Program services are those activities that result in goods and services being distributed to beneficiaries, customers, or members that fulfill the purposes or mission for which the organization exists. Those services are the major purpose for and the major output of the organization and often relate to several major programs. The number of functional reporting classifications for program services varies according to the nature of the services rendered.

Supporting services are all other activities of a nonprofit organization, other than its program services. They include administration, fundraising and membership development activities. Financial statements record the performance of the organisation and allow management and other stakeholders to see the strengths and weaknesses by providing a written summary of the financial activities for a given period. This is particularly important for NFP organisations because it enables them to demonstrate the viability of the services provided, hence encouraging further community and government support. The end product of an accounting process is a set of financial reports, called financial statements, summarizing all financial transactions of the organization and showing its assets, liabilities, net assets, revenue, public support and expenses. A set of financial statements typically includes: Statement of Financial Position Statement of Activities Statement of Functional Expenses Comparative Income and Expense Reports by Activity.

Good financial management means that the financial information provided in the financial statements and budgets and forecasts can be used to improve operational activities and accomplish important daily and future financial objectives The financial management of an NFP organisation includes obtaining funds for the operations of the organisation and ensuring their effective use in line with the overall objectives of the organisation. Good financial management means that the organisation will use the financial information to undertake a more detailed review of operations in line with the financial information provided. In other words, the financial statements and budgets and forecasts will provide the financial information that will be used to improve the operational activities of the NFP (Barned 2009).

The Essence of Sustainability

In literature the sustainability concept has not yet been defined unambiguously and this can be considered an understatement. The ambiguity might be caused by the fact that the sustainability debate is still in its infancy. Kane (1999) however, points at the varying roots for the conceptualization problems. Also the sustainability practice does not stand out for its clarity and distinctness. The enormous variety of projects and/or activities within organizations that is gathered under the label of sustainability is striking. We included several definitions of sustainability in the study. The most Widely-used definition comes from the United Nation's Bruntland Commission: Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs (World Commission on Environment and Development, 1987). Another definition, supported by highly technical econometric theory, contains three axioms (Heal, 1998). Sustainable behavior requires: A treatment of the present and the future that places a positive value on the very long run. Recognition of all the ways in which environmental assets contribute to economic well-being, recognition of the constraints implied by the dynamics of environmental assets. A UNICEF policy review document (UNICEF, 1992) uses a definition of sustainability proposed by International development management centre (University of Maryland): 'the ability of the system to provide benefits valued sufficiently by users and stakeholders t insure enough resources to continue activities with long term benefits'.

Corporate definitions of sustainability

Corporations have developed their own definitions of sustainability under various names. For examples: Dell. Sustainability: creating long-term stakeholder value by integrating economic, social, and environmental responsibility into everything we do (Dell Sustainability Report, 2004). Nonprofit organizations (NPOs) contribute to society through their social value creation. They operate in an increasingly turbulent context where building sustainable organizations has emerged as a critical need. Past authors have discussed this important issue in a fragmented manner. Using multiple case studies of socially entrepreneurial NPOs, this paper examines how effective financial management impacted the need for building a sustainable organization.

Sustainability efforts focus on three main areas: people, profit, and planet (Elkington, 1998). For a NPO, sustainability primarily means being able to survive so that it can continue to serve its constituency. At its core, nonprofit sustainability means that the organization will be able to fulfill its commitments to its clients, its patrons, and the community in which it operates. These stakeholder groups depend on the nonprofit to service a need and to deliver on the promise of its mission. Sustainability in this context means stakeholders can place their trust in that commitment.

From a macro economic perspective, sustainability in the nonprofit sector means that important societal needs will be met. This leaves the business and government sectors free to pursue their own commitments. NPOs differ substantially from their for-profit counterparts in several significant ways. For-profits aim to create increased shareholder wealth through the delivery of superior value to its customers. NPOs must strive for financial resources in order to deliver social value to its clients. They address a more complex and challenging multi-stakeholder environment and strategic process (Lisanne *et al* 2001)

Sustainability is a measure of an organization's ability to fulfill its mission and serve its stakeholders over time. For health care service delivery organizations, improved sustainability means broader sources of funding and an enhanced ability to deliver vital services to target populations. Sustainability is a process, not an end. Sustainability involves all the elements and functions of an organization and every major decision made within the organization. Organizational sustainability could be defined as managing a business so as to meet present expectations without compromising the ability of a future generation of management to meet future expectations. As there is no universally accepted definition of sustainability, of course there are no universally accepted criteria for indicators of sustainability; previous authors have came up with different indicators for sustainability (Jay *et al*, 2010).

According to Jeo Coblentz (2002), a sustainable organization needs to be strong **institutionally, financially** and **morally**. It needs all three in equal measure. Not even exceptional strength in one can overcome weaknesses in the others.

Institutional Sustainability

A sustainable organization has a mission. A mission statement provides a succinct definition of why the organization exists and what it hopes to achieve. Based on that mission, a sustainable organization has a process in place to develop strategic plans that define how the organization will carry out its mission over a set period of time, such as three, four or five years. Strategic plans usually define a set of goals and objectives that concretize the results that the organization expects to achieve by the end of the planning period. Even better, many strategic plans generally define annual sets of goals and objectives that lead logically to the achievement of those of the strategic plan. The plans also generally define the activities they will carry out to reach them from year to year, the resources (human, financial) they will need to do so and how the organization plans to acquire those resources. Again, a strategic planning process enables an organization to see around corners in general terms. It provides a pathway, alterable whenever it appears necessary, a fluid instrument for pro-activity (Paul, 2009).

An **annual planning process** is another characteristic of a sustainable organization. Annual plans are based on the strategic plan and are precise definitions of the annual goals and objectives (what the goals/objectives are in terms of what your desired end result is, how you know you are making progress toward it and how you know when you have reached it) and the activities you plan to carry out to reach them. An annual plan also defines the resources needed to carry out the activities in specific terms and how these resources will be obtained. Consequently, a sustainable organization produces both an annual plan and annual budget (John and Bronwyn, 2011).

Sustainable organizations are proactive, but simultaneously flexible. Opportunities come and go, as do threats. Sustainable organizations are alert enough to react to new realities and modify their plans so that they can be proactive again within a new context. At the same time, no organization is perfect and all-seeing. A sustainable organization allows for, and is understanding of human error, and has the process it needs to make modifications to control damage, regroup and find its strategic direction again. Once the planning processes are in place, an organization then organizes and directs, ensuring the most efficient use of resources to carry out the organizational mission. This management process involves taking activities, dividing them into tasks that someone needs to carry out, grouping tasks into jobs or positions, organizing the positions into organizational subdivisions, and developing a chain of command and/or work teams. Staff is hired, trained and set to work. Equipment is procured, supply systems are set up and managed, policies and procedures are developed and modified as needed, staff interaction mechanisms (e.g., meetings) are organized, staff training and development activities are set up. Over all of this, management is constantly monitoring and evaluating the work rhythm, staff production, equipment and supply use to ensure that it all constantly contributes to the meeting of the organization's goals and objectives, both for the year and for the strategic plan (Peter, 2009).

Financial Sustainability

Of equal importance to institutional sustainability, financial sustainability is the fuel that drives the institutional motor. Without financial sustainability, it will be impossible to hire the staff or purchase the equipment or supplies needed for the organization to carry out its mission. The first section of this paper stated that sustainable organizations need to be self-reliant but not necessarily self-sufficient. Stated more precisely, a sustainable organization needs to know what financial resources it is able to generate through its own income, what it has on hand at any given time, what it needs over the long, medium and short-term to carry out its activities, how it will gather the resources it needs from other sources of funding, and what those other sources could be. This is organizational self reliance. A self-reliant organization probably needs resources other than its own to carry out its mission, but does not compromise its mission and take on activities purely because a potential funder is looking for particular types of activities and will not fund anything else (Jay, 2010).

The term financial sustainability refers to the short-, middle- and long-term ability of an organization to pay its bills, to secure reliable and diverse sources of income to work towards its goals, to keep income and expenses in balance. Organizations that are financially viable will have among other features experience in planning and implementing strategies, good Financial Management capabilities, good Performance Management capabilities An organization which continuously fulfills all these requirements is often in publications called financially sustainable; it has achieved financial sustainability. Financial viability contributes to the sustainability of a NGO: Organizations that pay their bills regularly will reduce their risk that supplies are delayed or cut off completely. They also have better chances to retain their key staff members. Reliable and diverse sources of income reduce the danger that an organization suddenly cannot pay its bills. They are one of the prerequisites for making long-term plans and having some autonomy to decide how to spend funds. Organizations that keep income and expenses in balance are probably more likely to receive funding because donors and grant makers will assume that financial resources are managed well. (Klaus, 2010).

Indicators for the financial sustainability of an organization

1. Strategic and financial planning: As the organization grows and takes on an increasing number of activities, it runs the risk of focusing on day to day management issues and losing sight of long range objectives. Strategic planning is the mechanism to help clarify an organization's mission and objectives as well as prioritize the actions needed to accomplish them. Effective planning has become a prerequisite for accessing available international funds.

2. Income diversification: The second pillar of financial sustainability is income diversification, referring not only to internal income generation, but also to the number of income sources that provide our main funding. Even if an organization has twenty donors, it will remain extremely vulnerable if a large portion of the budget depends on only one of these.

3. Sound administration and finance: Knowing how to manage our resources is as essential to achieving financial sustainability as knowing how to generate income. Efficient procedures for administration and finances are governed by a series of institutional policies that help us make the most of our resources and ensure transparency in fiscal management. Efficient procedures also allow us to generate income through the financial management of available assets.

4. Own income generation: Own income generation is one way for an organization to diversify its sources of revenue. A NPO must ensure a flow of resources in order to sustain itself (Bryson et al., 2001; Valentinov, 2008). Nonprofits acquire funds through earned income, governmental support and private donations. Researchers contributing to this stream of literature have suggested several strategies that can be adopted by NPOs to gain financial substantiality: commercially generated revenues (Wijkstro, 1997); application of business principles to fundraising (Chetkovich & Frumkin, 2003; Dart, 2004; Goerke, 2003); employing relationship marketing (Block, 1998; Money, Money, Downing, & Hillenbrand, 2008; Remley, 1996; Selladurai, 1998); identity-based donations (focusing on the salience of the donors' identity within the relationship) (Arnett, German, & Hunt, 2003; Callero, 1985; Callero, Howard, & Piliavin, 1987; Heckman & Guskey, 1998; Lee, Piliavin, & Call, 1999); and within and cross sector strategic alliances (Berger *et al*, 2004).

Moral Sustainability

This aspect of sustainability gets to the essence of what makes an organization work. We can compare institutional sustainability to the body and brain of an organization.

Financial sustainability is the blood that nourishes it. But moral sustainability is its very soul. Like the soul, it is intangible. Yet it is as important to an organization's sustainability as the soul is to our very existence as living beings. Simply stated, an organization is morally (or philosophically) sustainable when:

1. The organization's leader has a clear vision of, and commitment to the mission, and communicates it effectively to all staff.
2. Staff rally around the leader and become committed to it as well.
3. Staff feel that their commitment to the mission is rewarded by career development opportunities, adequate compensation and a dynamic work environment that allows each to use his or her capabilities for a greater good.
4. Morale is high as a result. The general feeling is that problems are challenges that staff will overcome with unity of purpose and strength of commitment.
5. Leadership, management and staff not only act ethically, but are also perceived as doing so.

This final point is critical. Organizations can go for a long time while staffs at any level are engaging in ethically questionable practices without being detected or sanctioned. Over time, however, word will get out. Staff will become uncertain and morale may fall. Clients and partner organizations may rely less on the organization and reduce or cease their collaboration.

The press and the public may eventually become aware of this situation and cause considerable damage to the organization's reputation beyond the organization's ability to control the damage. Thus a sustainable organization would have a clear code of ethics applied to all staff from the top down, a monitoring system that keeps everyone vigilant, a clear communication chain for reporting violations and a specific set of sanctions that are well known to everyone. Finally, leadership will have the will and determination to carry out sanctions as a deterrent to those who might otherwise behave similarly (Peter, 2009).

Theoretical Perspectives

Basic Financial Management Theory by Myers & Mjluf, (1984) and Developed by Chastain and Harford (1999) state that "basic financial management propitiates the development of business growth to optimizing the level of disposable assets to be maintained by a company. To prevent breaks or gaps in the trading cycle due to lack of cash, management must calculate the cash amount best suited to their level of activity, plan the timing of the relevant payments and collections and draw up a policy of investment in assets with high liquidity that can be converted to cash at a low profit cost to serve as support for the financial"

This theory says that if organizations want to survive they have to have reserve or surplus cash to meet its liabilities and also that cash must be invested in away the organization can get additional revenue so as to survive in case of crises. Therefore this theory relates to the sustainability of an organization.

Related Studies

In this study, the researcher opted to view organizational sustainability as a special case, and hence could make use of business growth theories, which assert that there are factors (referred to as financial management in this study) influence sustainability (Abdallah, A., 1987). Several studies have examined what makes organizations sustainable from this theoretical orientation or perspective such as Hisrich (2010).

Several studies have discussed financial management and sustainability in different contexts and from different points of orientation.

For example; a study of the factors affecting sustainability of rural water supplies in Tanzania by Alexia haysom, (2006), to explore the reasons behind non-functionality of distribution points in central Tanzania. The research was initiated after a water point survey revealed average functionality rates among public distribution points of just 45%. To explore the causes of non-functionality of distribution points, a purposive survey was undertaken covering 38 villages in six different districts in Dodoma and Singida regions. It captured both quantitative and qualitative data. A range of aspects were examined: technological, management, demand and socio-economic status across a range of hydro geological and policy environments. Results showed poor financial management was the primary correlate of non-functionality.

What does it mean to be "sustainable"? An empirical investigation of corporate sustainability policies by (Engardio, 2007; Montiel, 2008), In an effort to link theory to practice, they used a survey methodology to investigate the definitions-in-use and the drivers of sustainability-related policies. In a large sample (n = 1,187) study of accounting executives at U.S.-based firms, they found evidence for the influence of corporate control mechanisms, organizational size, and ownership on the prevalence of sustainability policy and reporting. Additionally, qualitative data collected in the form of open-ended questions provided insight into the differences between practitioners' and academics' understanding of sustainability. Here financial management can be explained as the corporate control mechanism that influences the sustainability.

Sustainability of nonprofit organizations: An empirical investigation by (Weerawardena, *et al* 2010) in Australia revealed "A major problem facing the sampled NPOs was the absence of strategic funding in the form of block grants: large and sustained funding allowing nonprofits financial stability and long term horizons for service development and provision. This problem with strategic funding has had a dual effect on their strategy formation. In the first instance it has resulted in the need to be cautious in strategic resource commitments, requiring strict financial management.

Organizational Sustainability: The Three Aspects that Matter by Joseph B. Coblentz (2002), A study conducted in Dakar, revealed his findings that there are three factors contributing organizational sustainability "*The Three Key Aspects of Organizational Sustainability* A sustainable organization needs to be strong institutionally, financially and morally. It needs all three in equal measure. Not even exceptional strength in one can overcome weaknesses in the others. A financially sustainable organization has two sets of skills: grantsmanship and financial management.

Harford (2000) in the study of internal control and sustainability of local NGOs in British established to explore the causes of un sustainability of local nongovernmental organizations, a purposive survey was undertaken covering 10 NGOs in six different districts in London. It captured both quantitative and qualitative data. The findings showed that financial control leads to better sustainability to local NGOs as they get ownership in the business of the financial decision making of the money until it is invested.

An empirical survey in Accountability and transparency by Hofer (1978) in Australia indicates that two interrelated criteria central to financial management are accountability and transparency, phrases that are often thrown around in the development arena with careless abandon (*ibid*). Organizations that command a special trust from their constituents, beneficiaries and supporters are by their nature transparent and accountable. Transparency and accountability mean, among other things, making financial statements "user friendly" for those who are not financial specialists but want to be able to read and understand your financial reports. Transparency and accountability are also key building blocks for achieving sustainability. Most NGOs and CBOs survive in a symbiotic relation with those they serve. When trust is betrayed through less than open relationships, support wanes and sustainability suffers. In order to be successful in financial management, the organization must have a sound accounting system.

Singh (2009) quotes Prof. Bradley who describes financial management as an area of business management, devoted to a judicious use of capital and a careful selection of sources of capital, in order to enable a spending unit to move in the direction of reaching its goals. Financial management brings together planning, budgeting, accounting, financial reporting, internal control including internal audit, external audit, procurement, disbursement of funds and the physical performance of the program, with the main aim of managing resources efficiently and achieving pre-determined objectives. Singh (2009) further explains that the financial management of any program usually deals with the following: practices and arrangements for review and approval of annual work plans (AWPs) and budgets; based on costing guidelines and approved activities; funds flow mechanisms; financial powers and delegation; financial accounting system. He also notes other aspects involved in financial management as; internal controls to ensure funds are effectively used for program objectives; financial reporting which includes management reporting and external reporting; and audit and accountability at organizational headquarter level as well as in subsidiary branches.

In Somalia, several local NGOs have sprung up in the last two decades to supplement the services offered by the government in the various fields of social services. These NGOs like elsewhere are dependent on the funds offered by donor agencies from various developed countries. However, the financial management systems and the level of service delivery in these organizations have not been studied and whether service delivery is dependent on financial management systems is a matter that has not been adequately researched.

CHAPTER THREE
METHODOLOGY

Research Design

This study employed the descriptive survey design specifically the descriptive comparative correlation strategies. This system was used in interested in relating financial management (financial control, financial planning, and financial decision making) to business growth and pertinent data was collected from the respondents to reduce time and costs involved on such a large population. Further, descriptive correlation was used to discover causal relationships, to provide precise quantitative description and to observe behavior. Descriptive Correlation was used to determine whether there is a significant correlation in the extent of financial management and the level of sustainability of nonprofit organizations in selected local NGOs in Mogadishu-Somalia.

Research Population

Target Population

In this study the target population involved 210 employees of the selected local NGOs in Mogadishu-Somalia. All the categories of employees (top level managers, middle level managers, and lower level managers) were involved since they were all directly affected by the policy on financial management which in turn affects organizational sustainability.

Sample Size

The minimum sample size was computed using the Sloven's formula,

$$n= \frac{N}{1+N\,\alpha^2}$$

Where; n = the required sample size; N = the known population size; and e = the level of significance of = 0.05. Given a total population of 210 respondents in the selected Local NGOs in Mogadishu-Somalia, a sample of 138 involved in the study as illustrated in Table 1.)

$$n= 210/1+210(0.05)^2$$

$$n= 210/\ 1+ (0.525)$$

$$n= 210/\ (1.0525)$$

$$n= 138$$

The target population of 210 (which include 65 YouthLink Somalia, 75 Peace line, and 70 Baniadam employees) respondents being large, a sample of 138 respondents was used, using stratified random sampling to reduce costs, time of doing research and to increase the degree of accuracy of the study. Regarding sample size, the sampling frames (i.e. employees) in the selected Local NGOs was stratified according to departments in selected local NGOs in Mogadishu-Somalia. Then a proportionate systematic random sample was chosen from the respective stratum sampling frames or lists.

Table 1

Respondents of the Study

Organization	Target population	Sample size
Youth Link Somalia	65	43
Peace Line	75	49
Baniadam	70	46
Total	**210**	**138**

Source: primary data

Sampling Procedures

The study used purposive sampling technique to three Local NGOs in the study. YouthLink Somalia, Peace line, and Baniadam was selected because they are the major Local NGOs in Mogadishu. They could therefore provide an optimal focus for the study. Simple random sampling technique was used to select the respondents to the study. A list of employees from each of the Local NGOs was obtained.

Data Collection procedures

Secondary data were taken from reviewing text books, journals articles, manuals, periodicals, dissertations, internet sources to mention but a few. Primary data was generated using research questionnaires as the data collection instruments because of their cost effectiveness in a survey involving literate respo

Research Instrument

There were two sets of researcher devised questionnaires directed towards employees in selected Local NGOs in Mogadishu, Somalia; one was on financial management, and another on sustainability. The questionnaire consisted of main title and introductory letter, with a section of 4 bio-data questions, to help classify respondents.

The questionnaire on financial management (independent variable) consists of 15 questions divided in three sub-sections distributed as follows; 5 questions on budgeting, items 1-5; 5 questions on Cash flow management, items 6-10 and 5 questions on Financial reporting, all questions in this section were close ended, based on four Likert Scale, ranging from one to four; where 1=Strongly Disagree, 2= Disagree,3=Agree, 4= Strongly Agree.

The questionnaire on sustainability (dependent variable) consisted of 27 questions divided in 3 sub-sections distributed as follows; 11 questions on financial sustainability, items 1-11; 9 questions on Institutional sustainability, items from 12-20 and 7 questions on Moral sustainability, items from 21-27. All questions in this section were close ended, based on four Likert Scale, ranging from one to four; where 1=Strongly Disagree, 2= Disagree, 3=Agree, 4= Strongly Agree.

Validity and Reliability of the Instruments

The instrument was tested for validity and reliability on the financial management Questionnaire which is non-standardized, where content validity was done by ensuring that questions or items in questionnaire conform to the study's conceptualization. Supervisor and other senior staff in KIU who are experts in the field of study evaluated the relevance, wording and clarity of question or items in the instrument. Pre-testing for reliability was done by administering the questionnaire to employees in selected local NGOs who were not included in the actual study.

Data Gathering Procedures

The following data collection procedures were implemented:

A. Before the administration of the questionnaires

The researcher requested an introduction letter from the College of Higher Degree and Research to address to the authorities of the selected Local NGOs in Mogadishu-Somalia, under study for the researcher to be permitted to conduct the study. The letter contained the criteria for selecting the respondents and the request to be provided with the list employees from the selected local NGOs. After approval, the requested list of respondents provided to the researcher by the selected Local NGOs was used by the researcher as a guide in identifying the participants of the study, after which pre-testing of the instrument on financial management followed.

The researcher prepared the questionnaires and sat with selected research assistants to discuss and brief them on the sampling techniques and data gathering procedures.

The researcher utilized the table on respondents (Table 1) to determine the number of participants.

B. During the administration of the questionnaires

Specifically, the researcher together with researcher assistants requested the respondents: (1) to sign the informed consent; (2) to answer all questions hence should not leave any item unanswered; (3) to avoid biases and to be objective in answering the questionnaires.

The researcher together with research assistants also tried retrieving the questionnaires within two weeks from the date of distribution. All questionnaires retrieved were checked if completely filled out.

C. After the administration of the questionnaires The data collected was organized, collated, summarize, statistically treated and drafted in tables using the Statistical Package for Social Sciences (SPSS).

Data Analysis

To determine the profile of the respondents, the frequency and percentage distribution was used.

The mean and standard deviation was used to compute for the extent of financial management and level of sustainability. An item analysis was based on the mean scores and ranks reflected the strengths and weaknesses of the respondents in terms of financial management and sustainability of nonprofits. To interpret the obtained data, the following numerical values descriptions and interpretation was used.

Mean Range	Description	Interpretation
3.26-4.00	Strongly Agree	Very High
2.51-3.25	Agree	High
1.76-2.50	Disagree	Fair
1.00-1.75	Strongly Disagree	Poor

A two tailed correlation coefficient to test the hypothesis on correlation at (0.05) level of significance using the F-test was used. The regression analysis R^2 (coefficient of determination) was computed to determine the influence of the independent variables on the dependent variable.

Ethical Considerations

To ensure utmost confidentiality for the respondents and the data provided by them as well as reflect ethics practiced in this study, the following was done:

1. All questionnaires were coded to provide anonymity of the respondents.
2. The respondents were requested to sign the informed consent.
3. Authors quoted in this study were recognized through citations and referencing.
4. A written communication to the authors of the standardized instrument on organizations performance to solicit permission to use the standardized questionnaire.
5. Presentations of findings were generalized.

Limitations of the Study

The researcher claimed an acceptable (0.05 level of significance) 5% margin of error in view of the following anticipated threats to validity with relevance to this study:

1. Instrumentation: The research instrument on financial management was not be standardized. A validity and reliability test was done to produce a credible research tool.

Attrition: The researcher expects loss of respondents over the course of a study, such as employees retiring, resignation or death but the researcher will give out more questionnaires than the required number to reduce on this.

3. Extraneous variables: The researcher has no control over the extraneous variables such as honesty of the respondents, personal biases and descriptive nature of the Design. For untruthfulness where some of the respondents are expected not to say the truth, the researcher probed the respondents further to establish the truth when it deems necessary and personal biasness was also avoided.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION DATA

Profile Information of the Respondents

This chapter presented the analyzed data and interpretations made thereof following the study objectives. It specifically showed data on profile of respondents, extent of financial management, level of sustainability, and the relationship between financial management and sustainability of nonprofit organizations of some selected Local NGOs in Mogadishu, Somalia.

The first objective of the study was to determine the profile of the respondents in terms of gender, age, qualification and experience. To determine this, face sheet with all relevant profile characteristics of respondents were used to collect data.
Data from this face sheet was analyzed using frequency distribution and percentage.

Table 2

Profile of the Respondents

N=138

Profile of the respondents	Frequency	Percentage
Gender		
Male	91	65.94
Female	47	34.06
Total	**138**	**100.0**
Age		
25-35	70	50.72
35-45	45	32.61
45 & above	23	16.67
Total	**138**	**100.0**
Education		
Certificate	18	13.04
Diploma	37	26.81
Bachelors	74	53.62
Masters	9	6.52
Total	**138**	**100.0**
Experience		
Below 5 yrs	58	42.03
5-9 yrs	45	32.61
10 & above	35	25.36
Total	**138**	**100.0**

Source: Primary Data 2012

Results from table 2 indicated concern gender, (65.94%) of the respondents were male and (34.06%) were female. This shows that most employees of the local NGOs are male. This also implies that local NGOs employees are dominated by males in the local NGOs in Mogadishu.

The findings of the study showed that (50.72%) of the respondents belonged to the age group of (25-35) which is in line with most African countries where the biggest portion of the population lies below 35 years, (32.61%) of the respondents were the age of (35-45), and (16.67%) of the respondents were the age of (45 & above). So that local NGOs hired mostly the ages of (25-35), because this age is the most productive ages of the employee.

Regarding highest educational qualification, results indicate that respondents in the selected Local NGOs in Mogadishu Somalia are highly educated, with majority of the respondents 53.62% having degrees, while minority of the respondents 26.81% having diploma, certificate holders were 13.04%, and 6.52% were masters degree holders.

If we look at the experience of the respondents, the result shows that 42.03% have been working below 5 years, and 32.61% have worked for a period of 5-9 years, while 25.36% of the respondents have been working in service for 10 & above. The findings indicate that there is high employee turnover in local NGOs in Mogadishu, Somalia.

Extent of financial management in selected local NGOs

The independent variable in this study was financial management, operationalized into budget and budgetary control, cash flow planning and financial reporting was measured using three qualitative questions in the questionnaire, process and position financial management were each also measured using five items. All items on financial management were Likert scaled using four points ranging between 1= strongly disagree, 2=disagree, 3= agree, 4=strongly agree. The second objective in this study was set to determine the extent of financial management, for which respondents were required to indicate the extent to which they agree with each of the items or statements by filling in the number that best describes their perceptions. Their responses were analyzed and described using means as summarized in table 3A and 3B below;

Table 3A

Extent of Financial Management in selected local NGOs

N=138

Indicator	**Mean**	**Interpretation**	**Ranking**
Budgeting & Budgetary control			
Your organization prepares budgets each year.	3.86	V. Good	1
The budgets are prepared by cost centers.	2.75	Good	2
Budgets are revised quarterly and adjustments are made accordingly.	2.48	Fair	3
Budget monitoring is carried out regularly.	2.40	Fair	4
Each unit prepares its own budget.	1.64	Poor	5
Average Mean	2.63	Good	
Cash flow management			
Timely and accurate recording of transactions are made.	3.34	Good	1
Cash flow analysis is carried out regularly.	2.78	Good	2
The organization uses computerized systems to track costs	2.65	Good	3
Payments are authorized properly.	2.51	Fair	4
Your organization prepares cash flow projection.	2.45	Fair	5
Average Mean	2.75	Good	

Source: Primary data

Table 3B

Extent of Financial Management in selected local NGOs

N=138

Financial reporting			
Your organization prepares financial statements regularly.	2.94	Good	1
Organization-wide and program-specific financial statements, showing cumulative actual income and expenditures versus budgets, given at least quarterly to program managers and board	2.80	Good	2
Financial reports are included in organization's Annual Report and have been published for at least two consecutive years.	2.58	Good	3
Financial reports for external review are completed and delivered on time, and utilized regularly for decision making.	2.10	Fair	4
Both internal and external audits conducted on a periodic basis.	1.55	Poor	5
Average Mean	2.39	Fair	
Mean over all	2.59	Good	

Source: Primary Data 2012

Results in table 3 show that item analysis means indicate that the level of Budgeting & Budgetary control is good in terms of I) your organization prepares budgets each year (mean =3.86); ii) The budgets are prepared by cost centers (mean 2.75); iii) Budgets are revised quarterly and adjustments are made accordingly (mean =2.48); iv) Budget monitoring is carried out regularly(mean 2.40); v) Each unit prepares its own budget (mean= 1.64). (Average mean= 2.63). Whereas the Cash flow planning is good in terms of vi) Your organization prepares cash flow projection (mean =2.45); vii) Timely and accurate recording of transactions are made (mean =3.34); viii) Cash flow analysis is carried out regularly (mean =2.78); ix) Payments is authorized properly (mean =2.51); x) The organization uses computerized systems to track costs (mean =2.65), Average mean 2.75 (. While financial reporting is fair in terms of xi) Your organization prepares financial statements regularly (mean 2.94); xii) Financial reports for external review are completed and delivered on time, and utilized regularly for decision making (mean 2.10); xiii) Financial reports are included in organization's Annual Report and have been published for at least two consecutive years (mean 2.58); xiii) Organization-wide and program-specific financial statements, showing cumulative actual income and expenditures versus budgets, given at least quarterly to program managers and board (mean 2.80); xiii) Both internal and external audits conducted on a periodic basis (mean 1.55), Average mean = 2.39. The overall mean for the extent of financial management is (2.59) which is good.

The Level of sustainability in selected local NGOs

The dependent variable in this study was sustainability, which was broken into institutional, financial and moral sustainability. Each of these components was measured using 11, 9 and 7 items or questions respectively in the questionnaire, with each question rated with four point Likert scale, ranging between one to four, where 1=strongly disagree, 2=disagree, 3=agree and 4=strongly agree. The third objective in this study was set to determine the level of sustainability of local NGOs, for which respondents were required to rate the level of sustainability by indicating the extent to which they agree with each item in the table. They had to this by feeling in the number that best describes their perceptions. Their responses were analyzed and described using means as summarized in table 4A, 4B and 4C below;

Table 4A
Level of sustainability of local NGOs
n=138

Indicator	Mean	Interpretation	Ranking
Financial Sustainability			
Your organization has a broad funding base consisting of at least five sources (donors); no one source contributes more than 25% of the total annual revenues.	3.82	Very Good	1
One funding source (donor) accounts for more than 80% of organization's revenues.	2.99	Good	2
Clearly defined fundraising goals and plan developed based on the organization's financial/strategic plans; responsibilities shared among several individuals as part of a systematic process.	1.99	Fair	11
Your organization has begun to systematize resource generation activities; delegation of donor contacts and fund-raising efforts.	2.65	Good	5
No systematic resource-generation activities under way.	2.58	Good	6
Organizations' financial sustainability plan implemented and monitored; goals are being met and adjustments made.	2.49	Fair	8
Organization has begun to develop fund-raising and other income-generation strategies to respond to quantified financial need and has begun testing those approaches.	2.32	Fair	10
Organization has quantified financial need to accomplish administration and program objectives for the next 3-5 years.	2.83	Good	3
Board members govern actively and effectively to guide the future of the organization and ensure its long-term institutional and financial stability. Committees have been formed to address specific issues such as investments, financial sustainability, fundraising, etc.	2.77	Good	4
Board members are inactive; do not provide guidance and/or funding.	2.44	Fair	9
The organization successfully secures support from a variety of sources to ensure that the organization's revenues are diversified, stable, and sufficient for the mission and goals.	2.52	Good	7
Average Mean	2.67	Good	

Source: Primary Data

Table 4B: Level of sustainability of selected Local NGOs in Mogadishu, Somalia.

n=138

Institutional sustainability			
Your organization has a long-term strategic plan that was developed with participation of all or most staff and/or stakeholders.	3.81	Very Good	1
Your organization has a committee/board that meets and makes decisions that guide your organization's development.	3.53	Very Good	2
Your organization has a functioning M&E (Monitoring & Evaluation) system.	2.90	Good	3
The organization utilizes information effectively for organizational and project management purposes	2.76	Good	4
Your organization has a written constitution accepted and approved by all the members of the organization.	2.67	Good	5
Your organization carries out advocacy activities to influence those in power to change conditions or policies that form barriers to your work.	2.58	Good	6
Your organization plans the implementation of its activities, involving all people concerned.	2.40	Fair	7
The organization has efficient and effective operations, and strong management support systems	2.35	Fair	8
Your organization has a mission and set of values which are clearly understood, agreed and approved by all the members of the organization.	1.48	Poor	9
Average Mean	2.72	Good	

Source: Primary Data

Table 4C: Level of sustainability of Selected Local NGOs in Mogadishu, Somalia

n=138

Moral Sustainability			
The ability to monitor, assesses and responds to, and creates internal and external changes.	3.63	Very Good	1
Staff rally around the leader and become committed to it as well.	3.10	Good	2
Leadership, management and staff not only act ethically, but are also perceived as doing so.	2.88	Good	3
The resources e.g. (skills, experience, knowledge, tools, facilities, technology etc) needed to implement all programmatic, organizational and community strategies are available to your organization.	2.78	Good	4
Staff feel that their commitment to the mission is rewarded by career development opportunities, adequate compensation and a dynamic work environment that allows each to use his or her capabilities for a greater good.	2.59	Fair	5
Your organization train all its staff and volunteers in general knowledge and the technical skills necessary to do their job.	1.79	Poor	6
Your organization works with local government, private, or community organizations.	1.70	Poor	7
Average Mean	2.64	Good	
Overall Mean	2.68	Good	

Source: Primary data 2012

Results in table 4 show that item analysis means indicate that the level of financial sustainability id good in terms of I) Your organization has a broad funding base consisting of at least five sources (donors); no one source contributes more than 25% of the total annual revenues (mean =3.82); ii) One funding source (donor) accounts for more than 80% of organization's revenues (mean 2.99); iii) Clearly defined fundraising goals and plan developed based on the organization's financial/strategic plans; responsibilities shared among several individuals as part of a systematic process (mean =1.99); iv) Your organization has begun to systematize resource generation activities; delegation of donor contacts and fund-raising efforts (mean 2.65); v) No systematic resource-generation activities under way (mean= 2.58) vi) Organizations' financial sustainability plan implemented and monitored; goals are being met and adjustments made (mean= 2.49); vii) Organization has begun to develop fund-raising and other income-generation strategies to respond to quantified financial need and has begun testing those approaches (mean = 2.32); viii) Organization has quantified financial need to accomplish administration and program objectives for the next 3-5 years (mean 2.83); ix) Board members govern actively and effectively to guide the future of the organization and ensure its long-term institutional and financial stability. Committees have been formed to address specific issues such as investments, financial sustainability, fundraising, etc (Mean= 2.77); x) Board members are inactive; do not provide guidance and/or funding (mean = 2.44); xii) The organization successfully secures support from a variety of sources to ensure that the organization's revenues are diversified, stable, and sufficient for the mission and goals (mean = 2.52);

(Average mean= 2.67). Whereas the institutional sustainability is good in terms of vi) Your organization has a written constitution accepted and approved by all the members of the organization (mean 2.67); vii) Your organization has a committee/board that meets and makes decisions that guide your organization's development (mean =3.53); viii) Your organization has a mission and set of values which are clearly understood, agreed and approved by all the members of the organization (mean =1.48); ix) Your organization has a long-term strategic plan that was developed with participation of all or most staff and/or stakeholders (mean =3.81); x) Your organization plans the implementation of its activities, involving all people concerned (mean =2.40); xi) Your organization has a functioning M&E (Monitoring & Evaluation) system (mean 2.90); xii) Your organization carries out advocacy activities to influence those in power to change conditions or policies that form barriers to your work (mean 2.58); xiii) Your organization works with local government, private, or community organizations (mean 2.59); xiii) Your organization train all its staff and volunteers in general knowledge and the technical skills necessary to do their job (mean 1.79); xiii) The ability to monitor, assesses and responds to, and creates internal and external changes (mean 3.63); The organization has efficient and effective operations, and strong management support systems (mean = 3.15); The organization utilizes information effectively for organizational and project management purposes (mean = 3.24); The resources e.g. (skills, experience, knowledge, tools, facilities, technology etc) needed to implement all programmatic, organizational and community strategies are available to your organization (mean =2.88), Average mean = 2.82. The overall mean for the extent of financial management is (2.75) which is good.

Relationship between Financial Management and Sustainability of nonprofit organizations in Mogadishu, Somalia

The fourth and last objective in this study was to determine the relationship between financial management and of nonprofit organizations selected local NGOs in Mogadishu, Somalia; for which it was hypothesized that the two variables are not significantly correlated. To test this null hypothesis, the researcher correlated all the mean perceptions computed in Table 3 and 4 above, using the Pearson's Linear Correlation Coefficient (PLCC, r). Results of this test are indicated in table 5 below;

Table 5

Correlation

n = 138

Correlation between financial management and sustainability

Variable correlated	**R-value**	**Significant value**	**interpretation**	**Decision on Ho**
Financial Management and Sustainability	0.312	0.001	Significant relationship	Rejected

Source: primary data 2012

Table 5 indicated that there is relationship between financial management and sustainability in selected local NGOs in Mogadishu, Somalia. The relationship between the variables was strong and positively correlated. Thus the level of significance was at 0.001 which is less than the standard of correlation level of 0.05. Hence, it indicates that there is a significant relationship. Pearson Correlation which is 0.312** is under a strong positive relationship, basing on these results, the stated research hypothesis is rejected, leading to a conclusion that financial management and sustainability of nonprofit organizations in selected local NGOs sig. = 0.001; are significantly correlated at 0.05 level of significance.

Table 6

Variables

Regression analysis between financial management and sustainability

Variable regressed	**R**	**F-value**	**Significant Value**	**Interpretation**	**Decision Ho**
Sustainability and Financial Management	0.097344	3.212	0.001	Significant effect	Rejected

Source: Primary Data 2012

From The table 6 it is clear that 9% (**R^2**=0.097344) of the dependent variable is explained by the independent variable. The model is significant (F=3.212, P=0.001). The researcher concludes that there is significance at the 0.05 level of significance, that the financial management affects sustainability.

The results suggest that proper financial management and management policy has effect in terms of budgetary control, cash flow planning and financial reporting accurately and effective and efficiency of operation in selected local NGOs in Mogadishu Somalia.

CHAPTER FIVE

FINDINGS, CONLUSIONS AND RECOMMENDATIONS

INTRODUCTION

This chapter presented the summary of the findings, conclusions, recommendations following the study objectives and pertinent hypotheses and areas of future research.

FINDINGS This study was set out to establish the relationship between financial management and sustainability of selected local NGOs in Mogadishu, Somalia which was guided by the following objectives; to determine the profile of the respondents in terms of age, gender, level of education and experience; to determine the extent of financial management (budgeting, cash flow management and financial reporting) in selected local NGOs in Mogadishu; to determine the level of sustainability in terms of Institutional, financial and moral sustainability in selected local NGOs in Mogadishu; to establish whether there is a significant relationship between financial management and business growth of selected Telecommunication companies in Mogadishu, Somalia. Data was analyzed using SPSS's descriptive statistics for means and standard deviations showed that; (i) extent of financial management (budgeting, cash flow planning and financial reporting) mean= 2.59 ranked good; (ii) level of sustainability in terms of institutional, financial and moral sustainability mean =2.68 ranked good; (iii) whether there is a significant relationship between financial management and sustainability in selected local NGOs in Mogadishu, Somalia (r value=0.312, sig. = 0.001).

Regression analysis results indicated that the independent variables included in the model(financial management) significantly influences changes in the dependent variable (sustainability) ($F=3.212$, sig. $=0.001$); which led to a conclusion that financial management significantly explains the high rates sustainability of selected local NGOs in Mogadishu.

CONCLUSIONS

Based on the findings of the study the following conclusions are drawn:

According to the analysis made there was a relatively high extent of financial management in terms budgeting, cash flow management and financial reporting; there was also a high level of sustainability in terms of institutional, financial and moral sustainability in the selected local NGOs. Financial management in the selected local NGOs is significantly correlated with sustainability of nonprofit organizations in Mogadishu, indicating that the high extent of financial management in the selected local NGOs in Mogadishu is significantly responsible for a high level of sustainability in this area.

RECOMMENDATIONS

This section deals with recommendations arising from the pertinent findings and conclusions of this study, following the study objectives and hypotheses;

Local NGOs should state their goals clearly and ensure that they achieve their goals by ensuring that they fully understand why they wish to achieve them and what has been stopping them from achieving their goals and objectives as it to help them discover subconscious motivations and realities to enable them work towards set goals and objectives.

Local NGOs should develop sustainability plan implemented and monitored; goals are being met and adjustments made and work towards the achievement of this plan.

Local NGOs should develop clearly defined fundraising goals based on the organization's financial/strategic plans; share responsibilities among several individuals as part of a systematic process.

They should also begin to develop fund-raising and other income-generation strategies to respond to quantified financial need and test those approaches.

They should also begun to systematize resource generation activities; delegation of donor contacts and fund-raising efforts referring not only to internal income generation, but also to the number of income sources that provide our main funding. Even if an organization has twenty donors, it will remain extremely vulnerable if a large portion of the budget depends on only one of these.

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OFFICE OF THE HEAD OF DEPARTMENT, ECONOMICS AND MANAGEMENT SCIENCES
COLLEGE OF HIGHER DEGREES AND RESEARCH (CHDR)

Date: October 11, 2012

RE: REQUEST FOR AMINA OSMAN HUSSEIN MBA/36858/121/DF TO CONDUCT RESEARCH IN YOUR ORGANIZATION

The above mentioned is a bonafide student of Kampala International University pursuing Masters of Business administration.
she is currently conducting a research entitled" **Financial Management and Sustainability of Non-Profit Organization in Selected Local Non Government Organization Mogadishu, Somalia."**

Your organization has been identified as a valuable source of information pertaining to her research project. The purpose of this letter is to request you to avail her with the pertinent information she may need.

Any information shared with her from your organization shall be treated with utmost confidentiality.

Any assistance rendered to her will be highly appreciated.

Yours truly,

Mr.Malinga Ramadhan
Head of Department,
Economics and Management Sciences,(CHDR)

NOTED BY:
Dr. Sofia Sol T. Gaite
Principal-CHDR

"Exploring the Heights"

YouthLink Somalia

To Whom It May Concern

Date: 10th Jan 2013

We here by declaring that Miss Amina Osman Hussein who is now preparing the final thesis of her final masters degree has been allowed to do research in our organization.

So, that we are declaring you here that **Miss Amina Osman Hussein** can do study in this organization with support for her research assistant for the topic of " **Financial Management and Sustainability of Nonprofit Organizations in Selected Local NGOs Mogadishu, Somalia**".

Yours sincerely

Abdirahmaan Barkhad Kooshin
Programme Coordinator
YouthLink Somalia

Youth Link
YouthLink Somalia
Mogadishu - Somalia

BARAKA RELIEF AND
:VELOPMENTT ORGANIZATION
(BARDO)

منظمة بركة
للإغاثة والتنمية
(بردو)

Ref BARDO/0283/2012

Date:
15/10/2012

To Whom It May Concern

We are delighted to share with you that we have allowed **Miss Amina Osman Hussein**, the information which she has requested from our organization in the form of questionnaire under title of **"Financial Management and Sustainability of Nonprofit Organizations in Selected Nongovernmental Organizations In Mogadishu, Somalia."**

We have given her this information after she has brought us a request letter from **Kampala International University** which was dated of **11th October, 2012.**

BARDO Director

Abdullahi Hassan Omar

APPENDIX 1B

TRANSMITTAL LETTER FOR THE RESPONDENTS

____

Dear Sir/ Madam,

Greetings!

I am a Masters in Business Administration candidate of Kampala International University. Part of the requirements for the award is a dissertation. My study is entitled, **Financial Management and Sustainability of Nonprofit Organizations in Selected Local NGOs in Mogadishu-Somalia.**

Within this context, may I request you to participate in this study by answering the questionnaires? Kindly do not leave any option unanswered. Any data you will provide shall be for academic purposes only and no information of such kind shall be disclosed to others.

May I retrieve the questionnaire within five days (5)?

Thank you very much in advance.

Yours faithfully,

Miss. Amina Osman Hussein

APPENDIX 11

CLEARANCE FROM ETHICS COMMITTEE

Date_______________

Candidate's Data

Name_______________________________________

Reg.# ______________________________________

Course ______________________________________

Title of Study ____

____

Ethical Review Checklist

The study reviewed considered the following:

___ Physical Safety of Human Subjects

___ Psychological Safety

___ Emotional Security

___ Privacy

___ Written Request for Author of Standardized Instrument

___ Coding of Questionnaires/Anonymity/Confidentiality

___ Permission to Conduct the Study

___ Informed Consent

___ Citations/Authors Recognized

Results of Ethical Review

___ Approved

___ Conditional (to provide the Ethics Committee with corrections)

___ Disapproved/ Resubmit Proposal

Ethics Committee (Name and Signature)

Chairperson ______________________________

Members ______________________________

APPENDIX III

INFORMED CONSENT

I am giving my consent to be part of the research study of Miss. Amina Osman Hussein that will focus on Financial Management and Sustainability of nonprofit organizations.

I shall be assured of privacy, anonymity and confidentiality and that I will be given the option to refuse participation and right to withdraw my participation anytime.

I have been informed that the research is voluntary and that the results will be given to me if I ask for it.

Initials:_______________________________

Date_________________________________

APPENDIX 1VA

FACE SHEET: DEMOGRAPHIC CHARACTERISTICS OF THE RESPONDENTS

Gender (Please Tick):

____ (1) Male

____(2) Female

Age:

____ (1) 25-35

____(2) 35-45

____(3) 45 and above

Qualifications Under Education Discipline (Please Specify):

(1) Certificate________________________

(2) Diploma ________________________

(3) Bachelors ________________________

(4) Masters ________________________

Number of Years working Experience (Please Tick):

____(1) Below 5 yrs

____(2) 5-9 yrs

____(3) 10 years and above

APPENDIX IVB

QUESTIONNAIRE TO DETERMINE FINANCIAL MANAGEMENT

Direction 1: Please write your rating on the space before each option which corresponds to your best choice in terms of **financial Management** in your organization. Kindly use the scoring system below:

Response Mode	Rating	Description
Strongly Agree	(4)	You agree with no doubt at all
Agree	(3)	You agree with some doubt
Disagree	(2)	You disagree with some doubt
Strongly Disagree	(1)	You disagree with no doubt at all

Budgeting & Budgetary control

_____1.Your organization prepares budgets each year.

_____2.The budgets are prepared by cost centers.

_____3.Budgets are revised quarterly and adjustments are made accordingly.

_____4.Budget monitoring is carried out regularly.

_____5.Each unit prepares its own budget.

Cash flow management

_____6.Your organization prepares cash flow projection.

_____7.Timely and accurate recording of transactions are made.

_____8.Cash flow analysis is carried out regularly.

_____9.Payments is authorized properly.

____10.The organization uses computerized systems to track costs

Financial reporting

______11.Your organization prepares financial statements regularly.

______12.Financial reports for external review are completed and delivered on time, and utilized regularly for decision making.

______13.Financial reports are included in organization's Annual Report and have been published for at least two consecutive years.

______14.Organization-wide and program-specific financial statements, showing cumulative actual income and expenditures versus budgets, given at least quarterly to program managers and board

______15.Both internal and external audits conducted on a periodic basis.

APPENDIX IVC

QUESTIONNAIRE TO DETERMINE SUSTAINABILITY

Direction: Please write your preferred option on the space provided before each item.

Kindly use the rating guide below:

Response Mode	**Rating**	**Description**
Strongly Agree	(4)	You agree with no doubt at all.
Agree	(3)	You agree with some doubt
Disagree	(2)	You disagree with some doubt
Strongly disagree	(1)	You disagree with no doubt at all

Financial Sustainability

___1.Organization has a broad funding base consisting of at least five sources (donors); no one source contributes more than 25% of the total annual revenues.

____2.One funding source (donor) accounts for more than 80% of organization's revenues.

_____3.Clearly defined fundraising goals and plan developed based on the organization's financial/strategic plans; responsibilities shared among several individuals as part of a systematic process.

_____4.Organization has begun to systematize resource generation activities; delegation of donor contacts and fund-raising efforts.

_____5. No systematic resource-generation activities under way.

_____6.Organizations' financial sustainability plan implemented and monitored; goals are being met and adjustments made.

_____ 7.Organization has begun to develop fund-raising and other income-generation strategies to respond to quantified financial need and has begun testing those approaches.

_____8.Organization has quantified financial need to accomplish administration and program objectives for the next 3-5 years.

_____9.Board members govern actively and effectively to guide the future of the organization and ensure its long-term institutional and financial stability. Committees have been formed to address specific issues such as investments, financial sustainability, fundraising, etc.

_____10.Board members are inactive; do not provide guidance and/or funding.

_____11.The organization successfully secures support from a variety of sources to ensure that the organization's revenues are diversified, stable, and sufficient for the mission and goals.

Institutional Sustainability

____12.Your organization has a written constitution accepted and approved by all the members of the organization.

____13.Your organization has a committee/board that meets and makes decisions that guide your organization's development.

____14.Your organization has a mission and set of values which are clearly understood, agreed and approved by all the members of the organization.

____15.Your organization has a long-term strategic plan that was developed with participation of all or most staff and/or stakeholders.

____16.Your organization plans the implementation of its activities, involving all people concerned.

____17.Your organization has a functioning M&E (Monitoring & Evaluation) system.

____18.Your organization carries out advocacy activities to influence those in power to change conditions or policies that form barriers to your work.

_____19.The organization utilizes information effectively for organizational and project management purposes

_____20.The organization has efficient and effective operations, and strong management support systems.

Moral Sustainability

____21. The organization's leader has a clear vision of, and commitment to the mission, and communicates it effectively to all staff.

_____22.Staff rally around the leader and become committed to it as well.

_____23.Staff feel that their commitment to the mission is rewarded by career development opportunities, adequate compensation and a dynamic work environment that allows each to use his or her capabilities for a greater good.

____24.Your organization works with local government, private, or community organizations.

____25.Your organization train all its staff and volunteers in general knowledge and the technical skills necessary to do their job.

_____26.The resources e.g. (skills, experience, knowledge, tools, facilities, technology etc) needed to implement all programmatic, organizational and community strategies are available to your organization.

_____ 27.Leadership, management and staff not only act ethically, but are also perceived as doing so.

APPENDIX VI

PROPOSED BUDGET

Item	Quantity	U. cost	Amount
Stationary ; Paper Reams, Binding materials			100,000/=
Research Assistants	3 @ 100,000		300,000/=
Transport costs			400,000/=
Data Analysis			200,000/=
Up keep			100,000/=
Miscellaneous			50,000/=
	Total		**1,150,000**

APPENDIX VII

TIME FRAME

Activity	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1. Conceptual Phase												
Chapter 1												
2. Design & Planning Phase												
Chapter 2-3	XX											
3. Dissertation Proposal												
4. Empirical Phase												
Data Collection												
5. Analytic Phase												
Chapter 4-5												
6. Journal Article												
7. Dissemination Phase												
Viva Voce						XX						
8. Revision												
9. Final Book Bound Copy												
10. Clearance												
11. Graduation												

RESEARCHER'S CURRICULUM VITAE

To document the details of the researcher, his competency in writing a research and to recognize his efforts and qualifications, this part of the research report is thus meant.

Curriculum Vitae(CV)		
Personal Data:	Full Name	: Amina Osman Hussein
	Date of Birth	: 1988
	Place of Birth	: Merca
	Nationality	: Somali
	Contacts	: Tel: 0792429585
		: E-mail: missmina1@hotmail.com
	March 2009-February 2010: Bachelor of Science in Accounting, Somali Institute of Management and Administration Development (**SIMAD**), Mogadishu-Somalia. **March 2007-Febbruary 2009: Diploma** in **Accounting**, Somali Institute of Management and Administration Development (**SIMAD)** Mogadishu-Somalia. **2003-2006:** Abu-bakar Al-sidiq Secondary School, Marka-Somalia. ***Secondary School Certificate***. **Other Courses:** March 2007- February 2008: CISCO-SIMAD, **IT essentials PC Hardware &**	

	Software.
Experience:	**2009 - 2012:** Admin/Accountant, YouthLink Somalia, local NGO in Somalia. From Aug 2010-Feb 2011: Acting project Assistant, YouthLink Somalia.
Seminars & Workshops	○ June 2010: Finance training for managers, Concern Somalia program, Hargeisa. ○ July 2011: Monitoring and Evaluation training, Concern Somalia program ○ May 2011: **Psychosocial Support (IPT) training**, Concern Somalia Program with the collaboration of YouthLink Somalia. ○ March 2009: **How to reduce Female dropouts in the higher education**, United Nations Development Program (UNDP) with the collaboration of SIMAD
Languages:	○ Somali-mother tongue ○ English-Fluent ○ Arabic-Fair
Hobbies:	○ Listening religious breaches ○ Teamwork ○ Helping poor and vulnerable people
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