St. Mary's University
School of Postgraduate Studies
MBA Program

The Effect of Accountability on Financial Sustainability of Local NGOs: The Case of NGOs Operating in Addis Ababa

By: Samuel Abdulkaddir

A Thesis Submitted to St. Mary's University School of Postgraduate Studies in Partial Fulfillment of the Requirements for the Degree of Master of Business Administration

Advisor: Abebaw Kassie (PhD)

May, 2021
Addis Ababa, Ethiopia

Declaration

I, the undersigned, declare that this study entitled *"**The Effect of Accountability on Financial Sustainability of Local NGOs: The Case of NGOs Operating in Addis Ababa**"* is my original work and has not been presented for a degree in any other university, and that all sources of material used for the study have been duly acknowledged.

Name________________________________Signature___________Date______________

St. Mary's University, Addis Ababa

Certification

This is to certify that the thesis prepared by **Samuel Abdulkadir**, entitled ***"The Effect of Accountability on Financial Sustainability of Local NGOs: The Case of NGOs Operating in Addis Ababa"*** and submitted in partial fulfillment of the requirements for the Degree of Master of Business Administration complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

Approved by Board of Examiners	Signature	Date
Examiner (External)	Signature	Date
Examiner (Internal)	Signature	Date
Advisor	Signature	Date

Acknowledgments

My deepest and warmest thank goes to the **Almighty God,** who help me in all aspect of my life and my sincere and deepest gratitude goes to my advisor **Abebaw Kassie (PhD)** for his unreserved assistance in giving me relevant comments and guidance throughout the study.

My acknowledgements also go to **my family** for all the supports they provided, the encouragement they inspired on me and for their spiritual supports throughout my carrier. My grateful thanks also goes to all finance managers of sampled local NGOs for their positive cooperation in giving the relevant data for the study.

List of figures

List of tables

Table of Contents

Abbreviation and Acronyms

GDP	Gross Domestic Product
MFI	Microfinance Institutions
NGO	Nongovernmental Organization
OECD	Organization for Economic Cooperation and Development
SPSS	Statistical Package for Social Sciences
VIF	Variance Inflation Factor

Abstract

The main aim of this study was to determine the effect of accountability on financial sustainability of local NGOs operating in Addis Ababa. Specifically, the study determined the effect of financial planning, financial monitoring and evaluation and financial controls on financial sustainability of local NGOs in Addis Ababa. The study is guided by resource mobilization theory, agency theory and fraud theory. The study adopted descriptive research design and data were collected using primary means through the use of questionnaires. The study target population were the 936 local NGOs operating in Addis Ababa. Simple random sampling technique were used to identify 215 local NGOs as the respondents. Data were collected by use of questionnaires and analyzed using descriptive statistics and inferential statistics. The collected data were analyzed using both quantitative and qualitative data analysis methods. The study found out that the independent variables Financial Control, Financial Planning and Financial Monitoring and Evaluation had positive and significant effect on NGO financial sustainability. Accountability was found to have a positive and significant effect on NGO financial sustainability. The study concluded that large number of local NGOs were not sustainable a problem which could be addressed through NGOs improving their accountability practices. The study recommended that the management at the local NGOs to work towards improving accountability practices with the aim of enhancing financial sustainability of the NGOs.

Keywords: *Accountability, Financial Sustainability, Local NGOs*

CHAPTER ONE: INTRODUCTION

1.1. Background of the Study

Non-governmental organizations play key role in the delivery of education, social aid, health and other social welfare initiatives in developing countries like Ethiopia and hence their financial sustainability cannot be ignored. Additionally, according to Goddard & Assad (2006) NGOs help in creating public awareness on important issues of concern including monitoring the activities of the government and other entities for the benefit of the community. This expanded role was adequately captured by Lewis and Kanji (2009), who indicated that, NGOs have over the years come to be recognized as important actors on the landscape of development. To achieve the intended objectives, NGOs need to be transparent, accountable and be operated with the highest degree of integrity. This is based on the fact that financial accountability mechanisms employed by NGOs in delivering development objectives affect the effectiveness of the organizations' endeavors (Agyemang et. al., 2009).

Lack of financial accountability is a major feature among nongovernmental institutions globally (USAID, 2010). Anthony & Young (2003) argue that non-governmental institutions that have sound financial accountability systems are able to have stable income flows which enable them fulfil the set organizational targets hence leading to their financial sustainability. Further, organizations aim at ensuring full maximization of the resources and improved organizational performance which cannot be achieved without adequate financial accountability mechanisms (Habeeb, 2013).

Financial sustainability among NGOs cannot be achieved without the ability to mobilize resources which requires them to be financially accountable. According to Ashoka and Mango (2015) NGOs need to invest in building relationships, risk management and basic good financial practice in order to remain sustainable. Apart from being able to raise money from a variety of sources, financially sustainable NGOs actively invest in developing and maintaining strong personal relationships with their key stakeholders particularly their donors, supporters, volunteers, staff and beneficiaries (Pratt & Hailey, 2012).Although traditional nonprofit organizations regard fundraising and charitable donations as their primary source of revenue, they also rely on grants, contracts for service, and sales of goods and services to finance operations and capital improvements (Carroll

& Stater, 2009). Tuckman and Chang (2009) opine that even within a resource rich environment, the financial stability of nonprofit organizations depends upon effective financial management practices that reduce the volatility of the revenue portfolio and have the potential to increase the organization's equity.

Apart from the core issues that may elicit funding from such donor entities, another very important framework required by donors is a system of good governance and accountability of donor funds (Kihato and Rapoo, 1999) which is generally embodied in a comprehensive financial management system. Notwithstanding the apparent fact that financial governance is a prerequisite for the sustained growth and financial stability of any organization, its implementation is usually dictated by the size and political setting of the organization in question (Goodhart, 2004). In other words, the peculiar characteristics of an organization may dictate to a large extent how its financial governance via financial management systems will be implemented and operationalized.

Differential association theory holds that lack of financial accountability leads to employees' dishonesty and infection of honest employees further worsening financial sustainability problem. Resourced based theory on the other hand argue that financial sustainability is a function of internal resources within the organization and how well the resources are applied in generating finances required by the organization (Cressey, 2003).

This organization-specific feature of financial management system implementation raises a few research questions in a developing country like Ethiopia that attracts a lot of donor funds through NGOs. Therefore, this study intends to examine the effect of accountability on financial sustainability of local NGOs operating in Addis Ababa, Ethiopia. The rational of the study is discussed as follows.

1.2. Statement of the Problem

Financial governance, essential to all successful organizations, can be defined as the legitimate use of power and authority in the management of an entity's financial resources. Good financial governance, while being seen as a significant contributor to sound fiscal management, effective and efficient resource use, is also seen as underpinning transparency and accountability (African Financial Governance Status Report, 2011). Effective financial governance systems are therefore required in the quest to maximize the efficient use of resources, create the highest level of transparency and accountability in an organization's finances and to ensure long-term economic success. Empirical literatures have also highlighted the importance of financial governance via sound financial management systems to service delivery and poverty reduction (Pretorius and Pretorius, 2008).

Omeri, (2015) established that financial sustainability is critical for the stability and enhancement of growth of NGOs. Juma (2012) found out proper accountability measures resulted in improved sustainability of the NGOs. Karanja and Karuti (2014) established that accountability and financial planning to play a create role in sustainability of the NGOs. Similarly, Abongó and Ombaba, (2018) also found out that proper financial management was essential for financial sustainability among donor funded community projects. However, Ngahu and Mutinda, (2016) established that financial accountability and resource mobilization had minimal impact on the financial sustainability of NGOs. While Murithi, (2014) found out that though NGOs have reporting structures that facilitate accountability and openness, the sustainability levels still remained low.

Financial accountability has been ascendant among NGOs, with demands from funders, taxpayers, and clients for non-profits to be more transparent about their fundraising and spending, how they are governed, and utilization of resources (Ebrahim&Kasturi, 2010). Specifically, NGOs in public governance are facing growing scrutiny from regulators and donors to better account for the impact and integrity of their activities as they are seen to influence politics and financing political activities (OECD, 2011). Therefore, lack of accountability is likely to have more negative effect on financial sustainability of the public governance NGOs compared to organizations offering basic services.

There are limited empirical studies conducted concerning the effect of accountability on financial sustainability in Ethiopia. Martha (2017) assessed resource mobilization processes employed by the local NGOs in Addis Ababa and the resource management practices they pursue. Melaku (2018) also the internal governance practice of Charities and Societies commonly called Non-governmental organizations (NGOs) with the objective of assessing the Board governance practices and challenges among Non-governmental organizations (NGOs) operating in Ethiopia. Seblewongel (2015) assessed the financial management practices of selected international non-government organizations working only in the health sector. The study simply described the financial planning practices, account recording system, budgeting process, internal control practices and financial monitoring practices in the selected INGO's.

The above studies conducted either focuses on the resource mobilization process, board governance practices and challenges, and financial management practices of NGOs. None of the studies, as per the knowledge of the researcher, examined the the effect of accountability on financial sustainability of local NGOs operating in Addis Ababa. Along these lines, the overall goal of this study is to fill this gap by examining accountability factors that determine financial sustainability of local NGOs. This study will, therefore, attempt to contribute by empirically validating the extent to which financial planning, financial monitoring and evaluation, financial controls and public governance are affecting financial accountability and sustainability of NGOs in Addis Ababa, Ethiopia.

1.3. Objectives of the Study

1.3.1. General Objective

The general objective of the study is to evaluate the effect of accountability on financial sustainability of local NGOs operating in Addis Ababa.

1.3.2. Specific Objective

The specific objectives of the study are:

1. To determine the effect of financial planning on financial sustainability of local NGOs in Addis Ababa;
2. To establish the effect of financial monitoring and evaluation on financial sustainability of local NGOs in Addis Ababa;
3. To evaluate the effect of financial controls on financial sustainability of local NGOs in Addis Ababa;

1.4. Research Hypothesis

The following hypotheses are formulated to guide the study:

H01: Financial planning has significant positive effect on financial sustainability of local NGOs in Addis Ababa;

Financial planning involves budget control, having ceilings on overheads, financial reporting, analysis of financial proposals, and stakeholders' participation (Hassan & Forhad, 2013). Juma (2012) examined the factors affecting sustainability of donor funded community development projects in Bungoma County using a descriptive research design. The study established that financial planning affected project sustainability to a very great extent where auditing was done quarterly. Ebenezer, Musah and Ahmed (2020) examined the determinants of Financial Sustainability of Non-Governmental Organizations (NGOs) in Ghana. The results show that sound financial management practices, own income generation by NGOs, diversification of income and good donor relationship are the key determinants of financial sustainability of NGOs in Ghana. In recognition of the importance of financial planning in ensuring organization financial sustainability, Juma (2012) examined the factors affecting sustainability of donor funded community development projects in Bungoma County using a descriptive research design. The study established that project finance system affected project sustainability to a very great extent where auditing was done quarterly.

H02: Financial monitoring and evaluation has significant positive effect on financial sustainability of local NGOs in Addis Ababa;

Kamwana and Muturi (2014) found that financial planning, financial monitoring, financial evaluation and financial controls (some measures of accountability) contributed significantly to project performance. This relates with Ernest (2012) who studied organizational factors influencing sustainability of local non-governmental organizations in Ghana and established the same. Kakumani and Prabhakar (2014) found out that monitoring and evaluation practices brought about donor confidence and hence affecting level of financing available to the firms. Wandera & Paul Sang (2017) also examined financial management practices and sustainability of non-governmental organizations projects in Juba. The study results indicated that there is a significant and positive relationship between financial reporting and the financial sustainability of NGOs in South Sudan.

H03: Financial controls has significant positive effect on financial sustainability of local NGOs in Addis Ababa;

Lambert (2015) evaluated the impact of non-governmental organizations assisting with girls' education in Ghana. The study found that NGOs were found to be faced with competition for individual donations, foundation funds, and government grants. They were faced by consistent struggle amongst in obtaining funding for the projects that they hoped to complete. As a sector, NGOs had existed for a long time on a constant influx of new donations, which is manageable as long as they are enough donors for the NGOs. The study recommended that for NGOs to gain credibility from financers, they should be accountable by adopting appropriate financial controls and partner with an established NGO or gain sponsorship from a well-known organization.

1.5. Significance of the Study

This study will shed light on whether financial sustainability challenge can be overcome by improving financial accountability practices. The information will be crucial for NGO management and stakeholders who will be able to improve financial sustainability of their NGOs through accountability practices.

The donor community and more particularly in Ethiopia will benefit from the findings of this study by gaining insights on whether by strengthening the financial accountability measures, the NGOs they fund will be more financially sustainable.

The NGO regulators will benefit from the study since they will be able to obtain answer regarding NGOs financial practices and their sustainability. From the findings, the regulators will be able to formulate policies which will improve accountability of the NGOs and financial sustainability.

The study would be useful to NGOs in Ethiopia as it will detail the relationship between accountability and NGOs financial sustainability. The recommendations of the study are expected to improve accountability practices and hence improved financial sustainability. By NGOs being more accountable, it is expected that they will be able to attract more donors' funding and hence be able to attain the set objectives and long term goals.

The study will also be of importance to scholars as it enhances the body of knowledge in the area of accountability and NGOs financial sustainability. This relationship has not been fully explored in literature and hence the study will shed more light on the relationship and form basis for future research. Hence, the findings will spur further research hence adding to existing theory.

Finally, the general public will benefit from the study as a result of the recommendations by this study being adopted by NGOs and making them sustainable. When NGOs are sustainable, they will be able to offer employment and services to the general public. This study will lead to increased donor funding, changes in regulation and reduction in embezzlement of funds among NGOs which deprives the public their right to the funds.

1.6. Scope of the study

This study focused on local NGOs whose offices are located Addis Ababa as listed by the NGO regulator in Ethiopia. This, therefore, means that all other NGOs whose offices are located outside Addis Ababa and for profit organizations were left out.

While there may be many other factors affecting NGOs financial sustainability, the study focused on how financial accountability proxied by financial management practices (financial planning, financial monitoring, financial evaluation and financial controls) affects financial sustainability. Any other factors that was included (moderating factors) are those that the researcher identified as having major effect on financial sustainability rather than financial accountability. In terms of time scope, this study was cross-sectional study and data were collected at a point in time. Thus, the study's time delimitation is the 2021 fiscal year.

1.7. Limitation of the Study

This study had some drawbacks, much as any other studies. The key limitations of the study, a lack of adequate and up-to-date literature, and a lack of comparable studies in the Ethiopian context, is the major challenges encountered while conducting this study. The second limitation is the analysis of the effect of financial accountability on financial sustainability was predominately dependent on primary data. Furthermore, the current analysis has a methodological drawback. The study used quantitative data analysis methodology, which included a structured questionnaire with closed-ended questions. The respondents had a restricted number of replies to choose from. As a result, the study strategy used is confined to answering "why" inquiries, which means contextual detail may be lacking.

1.8. Organization of the study

The study is organized into chapters which includes chapter one on the background of the study, the objectives, research questions and significance of the research. Chapter two includes the literature review consisting of theoretical review and empirical review. Chapter three consists of research methodology that was adopted in carrying the study. Chapter four comprised of the data analysis, interpretations and discussion of the findings. The study finalizes with chapter five on the summary of the key findings, conclusions and recommendations.

CHAPTER TWO: LITERATURE REVIEW

2.1. Introduction

This chapter provides a critical review of theoretical and empirical literature available on the effect of accountability on NGO financial sustainability and related subjects. The chapter is divided into theoretical review, empirical review and the conceptual framework.

2.2. Theoretical Review

NGOs are non-profit making organizations whose existence is well explained by various theories that have emerged over time. To understand the concept of financial accountability and sustainability of NGOs, various theories are reviewed which include the resource based theory, resource mobilization theory and fraud theory/ differential association theory.

2.2.1. Fraud Theory/ Differential Association Reinforcement Theory

The theory is attributed to the work of Burgess and Akers (1966). Differential Association Reinforcement Theory holds that behaviors of individuals are determined and vary based on other individuals who they have association with. These interactions formulate the understanding of society norms and values and mold how they behave. The theory makes the main assumption that interactions between individuals create a learning platform through which one is able to know what is expected in the society. In this regard, those behaviors or traits considered not to be acceptable in the society are assumed not be avoided.

To the field of finance, the theory explains why people engage in fraud and other activities which affect financial sustainability of an organization. The Differential Association Reinforcement Theory was recently advanced by Harrison *et al*., (2011). Cressey, (2003) further adds that the dishonesty in some of the employees is likely to negatively influence those who were honest into emulate them. The elements of fraud will thus manifest through false representation of knowledge, material facts and engaging in dishonest practices. Similarly, Harrison *et al,* (2011) postulate that fraud may also occur due to agency problems created whereby managers yearn to fulfil their self-interests first.

Implications of the theory to the study is that accountability systems reduce the chances of committing fraud and hence safeguarding organization's financial sustainability. Therefore, measures such as internal audit and management are theorized to play an important role in fostering increased accountability in firms. In relation to the study, the theory holds that an organization without accountability mechanisms encourages dishonesty and fraud which in turn reduces donor confidence in the NGO leading the organization being financially unsustainable.

2.2.2. Resource Mobilization Theory

Resource Mobilization Theory was introduced in the 1970s associated with the work of resource mobilization theorists McCarthy and Zald (1977). According to this theory, both prosperity and affluence act to influence societal activities. Therefore, the prosperous organization are able to generate resources which enable resource mobilization to take place (McCarthy &Zald, 1977). The theory holds that organizations do not suddenly emerge, but need resource mobilization so as to succeed whereby resource mobilization entails formation of groups, associations or firms for the agenda of pursuing collective objectives (Lin *et al*., 2003).

The theory stresses on the ability of an organization in mobilization and acquisition of resources and personal in attaining the set organizational goals in the short and long run (Tam & Kiang, 2012). In NGOs, the major resource which ought to effectively mobilize are the funds which are essential for financial sustainability to be maintained and improved. However, Ludwig and Pemberton, (2011) argue that the theory's main limitation is that it fails to account for how organizations having limited resources are able to succeed as well as bring changes in the society without needing mobilization of resources.

The theory implications to the study is that NGO financial sustainability depends on how well the NGOs mobilize resources. However, sustainable resource mobilization cannot be achieved nowadays since the donors have become more concerned on how the mobilized resources are applied; this requires financial accountability. If resources are mobilized from large pool of donors who contribute insignificant portions, then they may not be concerned on financial accountability aspect. The proposition of the theory is that the main determinant of financial sustainability in the NGOs is its resource mobilization and utilization effectiveness. Hence, under this circumstance, financial accountability will not affect financial sustainability of NGOs directly.

2.2.3. Agency Theory

Agency theory was exposited by Alchian and Demsetz in 1972 and further developed by Jensen and Meckling in 1976. The theory holds that organizations hire another organization to offer a service. Therefore, the theory is built on principal and agent relations. The principal authorizes the other party (agent) to bring on board a particular task on behalf of them which results in agency relationships (Eisenhardt, 2009). According to the theory both organization and the managers have diverse but common motivations which create successful working relationships.

The main assumption of the theory is that potential conflicts exists when managers and the stakeholders are driven by varying organizational interests hence necessitating monitoring and control initiatives (Xingxing, 2012). However, Norton (1988) criticized the theory and argued that the peripheral costs of observing possessed units may become greater than the marginal cost of using the contractual agreement of the franchise. Proposition of the theory is that during the parting of possession, controlling functions lead to the agency problem as the managers may shadow their own interests instead of those of the investors (Ugurlu, 2002).

The prescriptions of agency theory fit naturally with the issues inherent in NGO accountability and financial sustainability. The donors provide funds to the NGOs meant for specific purpose. The managers of the NGOs may have different objectives rather than those meant by the principals who are the donors. The managers misappropriate the funds or fail to apply the funds to the objectives which the donors were contributing the funds for. The proposition of the theory to the study is that due to the existence of agency conflict in the NGOs, the managers may fail to be accountable for the operations which may result in agency problems. Therefore, lack of accountability according to agency theory will lead to reduced funding and hence sustainability of the organizations.

2.2.4. Financial Sustainability

Financial sustainability is the ability of a Non-Governmental Organization to develop a diverse resources base so that it could continue its institutional structure and production of benefits for intended client population after the cessation of donor financial support (Renz and Associates, 2010). According to Omeri (2015) financial sustainability of an NGO simply is the ability of the organization to reallocate assets in the wake of opportunities and threat and maintain sound financial balance over a long period. Saungweme (2014) look at financial sustainability from the point of view of income diversification by the organization such that projects can be executed even when a particular funding source is curtailed. The financial capacity for a not for profit making organization consist of the resource that gives the organization the ability to seize opportunities when they come and also react to unexpected need when they arise (Kuranja and Kurati, 2014).

Lewis (2011) and Devkota (2010) see financial sustainability of NGOs to be the capacity of the organization to raise its own revenue or raise funds locally and reducing foreign dependence but still able to execute the needed projects for the period. Leon (2001) see financial sustainability of an NGO as the capacity to generate positive balance sheet so that the organization will have the flexibility to adapt to changes in the environment. Bowman (2011) also argues that financial sustainability can be gauged by an organization's net income, liquidity and solvency.

According to Okorley and Nkrumah (2012) to be financial sustainable NGOs must have the management capacity to raise funds and get their employees interested in their financial situation to get their full support and cooperation. However, for researchers like AbdelKarim (2002), financial sustainability goes beyond resource mobilization and income generation, sound financial management practices, income diversification etc.

2.2.5. Financial Management Practices

Sound financial management practices involves the process of managing the present and future financial resources of the organization and determining how the strategic plan of the NGO will be funded (Saungweme, 2014). A good strategic financial management practice ensures that the organization is able to secure long term funding from donors who understand and share the vision of the organization (Waiganjo et al., 2012).

2.2.5.1.Financial Planning

According to Lewis and Kanji (2013), financial planning remains one of the core functions of financial management systems in non-profits as is with profit making organizations. Financial plans enable organizations to identify all the major activities required to achieve the research objectives. Failure to engage in effective financial planning implies that an organization may not be able to reach its highest potential (Harir, 2015). Financial plans enable identification of the specific person responsible for ensuring that the objectives are completed successfully and within the estimated time. Gyamfi (2010) financial planning allows the non-governmental organizations to create financial controls that allow them to set spending limits and bolsters their attempt to keep costs in line with revenues.

Financial planning involves budget control, having ceilings on overheads, financial reporting, analysis of financial proposals, and stakeholders' participation (Hassan & Forhad, 2013). Donors want to see where their money is going, and want to be assured that it is going to a good cause, and the only effective way to do this is through effective financial planning (Roseland, 2012). A well thought out financial plan allows the NGO to keep its financials up to date and stable, by knowing ahead of time what amount is required for certain things (Sontag-Padilla et al., 2012). It also allows an NGO to maximally apply its limited financial resources to the intended cause which may in turn inspire donors to continue offering their support in the knowledge that the funds will be put into optimal use (Elliott, 2012). In recognition of the importance of financial planning in ensuring organization financial sustainability, Juma (2012) established that project finance system affected project sustainability to a very great extent where auditing was done quarterly.

2.2.5.2. Financial Reporting

Rono (2012) argues that adopting a good financial reporting system helps an organization get financing from donors who comprehend the current financial situation of the organization. Iwu et al. (2015) also support this idea that all donors deserve to know what difference their funding makes and, in this regard, an annual financial report sent to the donors may help them to keep up to speed on the organization's activities and progress. Financial reporting is also crucial for long-term engagement and creation of donor loyalty that would help enhance NGOs' access to donor funding (Harding, 2014). Sontag-Padilla et al. (2012) further strengthen this idea that keeping donors informed about the financial status of the organization will motivate them to engage further with the organization and help them understand that they are indeed making an impact. Onsongo (2012) identified effective financial reporting as one of the important strategies that local NGOs adopted to achieve financial sustainability in Kenya.

2.2.5.3.Financial Control

Lewis (2012) defines internal controls as "a system of controls, checks and balances – collectively referred to as internal controls are put in place to safeguard an organizations asset and manage internal risks. According to Block and Geoffrey (2008), controls are the procedures developed and implemented in order to protect the assets of an organization and ensure that errors and fraud in financial transactions are detected and dealt with. Mawanda (2008) states internal controls are processes designed and affected by those charged with governance, management, and other personnel to provide reasonable assurance about the achievement of an entity's objectives.

According to Islam (2016) financial management in non-governmental organizations is concerned with ensuring funds are available when needed and that they are obtained and used in the most efficient and effective way to the benefit of the organization making the place of financial controls in the financial management system even more significant. According to Mutinda and Ngahu (2016), the value of the financial controls, as financial management tools, lies in their ability to track every expenditure and revealing areas of weakness in the financial management system which can result into loss of funds. Strong financial controls are the key elements of a good financial management system in the NGOs (Weerawardena et al., 2010).

A proper financial control system contributes greatly towards ensuring that stakeholder's investments are safeguarded together with the organization's assets. Strong financial controls improve on the data being issued to the management and help safeguard the assets of the organization (Kamwana & Muturi, 2014). According to Kabdiyeva (2013), an organization exercises good governance when it has an internal system of checks and balances that ensures public interest is served and protected. Abdulkadir (2014) states that the application of internal control systems has the potential to help in the effective and efficient delivery of services

Given the high sensitivity of donor funding especially to misappropriations which could lead donors to end their contributions to a given NGO, it is incumbent upon the managers of NGOs to ensure that their organizations' financial management systems incorporate strong financial controls capable of deterring any loss of funds (Hassan, 2015). According to Mensah et. al. (2003), weak internal control systems as per an organization's execution framework create incentives for company buyers to make side deals with vendors and or make side-payments to influence contracts. In a bid to ensure tight internal control systems and ultimately governance, certain provisions are usually provided for. These provisions usually revolve around roles of the board of directors, payments and financial accounting as it relates to budget execution.

2.3. Empirical Review

Empirical review is discussed in relation to financial planning, financial Monitoring and evaluation, financial controls, accountability and financial sustainability. The discussion is guided by the conceptual framework.

2.3.1. Global Studies

Financial planning is an essential tool, whether in paper or computerized form. Financial plans enable organizations to identify all the major activities required to achieve the research objectives. Financial plans enable identification of the specific person responsible for ensuring that the objectives are completed successfully and within the estimated time. Financial planning involves budget control, having ceilings on overheads, financial reporting, analysis of financial proposals, and stakeholders' participation (Hassan &Forhad, 2013). In recognition of the importance of financial planning in ensuring organization financial sustainability, Juma (2012) examined the factors affecting sustainability of donor funded community development projects in Bungoma County using a descriptive research design. The study established that project finance system affected project sustainability to a very great extent where auditing was done quarterly.

Kamwana and Muturi (2014) studied the effects of financial management on performance of World Bank funded projects in Kenya, a case of KPLC projects. The study sought to determine how financial planning, financial monitoring, financial evaluation and financial control affected performance. The study applied descriptive research design and collected data using questionnaires from 500 KPLC employees. The study found that financial planning, financial monitoring, financial evaluation and financial controls (some measures of accountability) contributed to project performance with coefficient of determination 0.89. The study recommended that policy and practice for project performance to be carefully evaluated and the results of that evaluation fed back into improved approaches. This relates with Ernest (2012) who studied organizational factors influencing sustainability of local non-governmental organizations in Ghana and established the same.

Owolabi (2010) studied NGO accountability and sustainable development. It was observed, as in many other jurisdictions and NGOs that the NGOs studied were accountable essentially to the owners or those stakeholders with economic power over their organizations and conducted regular monitoring and evaluation of application of funds. Not much of the accountability is focused on the stakeholders upon whom the organizations have impacts. While Kakumani and Prabhakar (2014) found out that monitoring and evaluation practices brought about donor confidence and hence affecting level of financing available to the firms.

Mbuva (2014) studied an investigation into the factors influencing financial sustainability of women owned SMEs in Kenya in Machakos County. The study established that government loan accessibility, financial innovativeness, capital structure and financial management influence financial sustainability of women owned SMEs in Machakos County. The study concluded that, on government loan accessibility, women entrepreneurs had positive attitude towards government loan policies, procedures and repayment terms. On Financial Innovativeness it was found that entrepreneurship and bookkeeping skills enhanced financial sustainability of women owned SMEs. On Capital structure, it was concluded that debt financing was preferable to equity capital and the cost of borrowing (interest) influenced financial suitability on women owned SMEs. Lastly, on financial management; financial management skills, management style (management supporting workers with innovative talents) and attendance of entrepreneurship training, business seminar and forums enhanced financial sustainability of women owned SMEs. The researcher's recommendation was that, government and its agencies should generally extent its efforts towards women affiliated sectors to promote even and quick economic development.

Lambert (2015) evaluated the impact of non-governmental organizations assisting with girls' education in Ghana. The study found that NGOs were found to be faced with competition for individual donations, foundation funds, and government grants. They were faced by consistent struggle amongst in obtaining funding for the projects that they hoped to complete. As a sector, NGOs had existed for a long time on a constant influx of new donations, which is manageable as long as they are enough donors for the NGOs. The study recommended that for NGOs to gain credibility from financers, they should be accountable by adopting appropriate financial controls and partner with an established NGO or gain sponsorship from a well-known organization.

Empirical evidence on the relationship between accountability and financial sustainability is inconclusive. Agyemang*et al.* (2009) studied the relationship between NGO accountability and aid delivery. The study sought to identify the accountability practices in a sample of NGOs in Ghana, to point out functional accountability measures and those that are not functional and to explain why some were considered functional while others were not. The study used interviews and focused group discussions to obtain information. The study found that most efficient NGOs had adopted functional accountability measures like involving more stakeholders and effective in communication to the public. The NGOs discarded any accountability measures that did not yield the envisaged.

Edmund (2010) studied the key factors influencing the sustainability of local NGOs in Ghana. The study adopted a case study approach and data collected using questionnaires and structured interview. The study found that local NGOs had broader view of their sustainability (scope of sustainability) to include issues relating to leadership, availability of funds, development and management of need based and demand driven programmes in a decreasing order of importance. The key factors that affected NGOs sustainability were found to include role of human resources capacity, funding, programme development, management and material resources. NGOs were finding it hard to attract funding from foreign donors to support their programmes and are therefore compelled to diversify their sources of funding with emphasis on domestic sources mobilization. The NGOs were also raising funds through good proposal writings and consultancy services.

Odhiambo (2013) examined the accountability of donor funding by non-governmental organisations in Kisumu County. The study established that donor funding was dependent on the accountability mechanisms put in place by the implementing NGO's. It was found out that NGOs were expected to keep a minimum set of financial statements for example, statement of comprehensive income, statements of financial position and cash flow statements. The study also revealed that community involvement in oversight of NGOs was still not adequately practiced and that satisfaction of the employees with their pay perks could not be established.

Mbugua (2013) studied the effects of financial accountability on the performance of nongovernmental organizations in Kenya. The study found that NGOs that applied financial standards in ensuring accountability of finances in the organizations boosted donor support which resulted in improved performance. The study also established a significant relationship between financial performance of NGOs in Kenya and financial accountability. The study recommended that all NGOs to have policies and procedures established so that; boards and officers understand their fiduciary responsibilities to ensure NGO finances are managed properly and the charitable purposes of the organization are carried out.

Karanja and Karuti (2014) sought to assess the factors influencing financial sustainability of Non-Governmental Organizations in Isiolo County, Kenya. The study adopted a descriptive research design. The study found that funding in NGO's was a challenge and hence affecting their financial sustainability. The study concluded that funding in NGO's was a challenge and that there were government policies that interfere with smooth running of NGO's. The study recommended that as a matter of urgency government should put in place policies that will ensure financial sustainability of the NGO's and ensure participation of NGO's management when making policies that will affect their financial sustainability in Kenya.

Nuka (2010) studied sustainability of NGOs in Kosova, USA by examining the challenges of the third sector and the ways forward. The study used a survey design and used questionnaire to collect data on NGO in Kosova. The study focused on financing, legal environment and public trust. The findings from questions dealing with financing indicated that NGO had challenges in finding donors. These was not only because they could raise funds and find donors consistently, but because of the other factors which played an important role in sustainability and this served them to attract only foreign donors. NGOs were also found to lack support from local or institutional government making it hard for the NGOs to get financing. The community also did not have adequate trust on NGO activities and hence couldn't increase their long-term sustainability by attracting donations. The studied NGOs were found to lack transparency and accountability and hence needed to develop adequate internal governance structures as was a key requirement in achieving financial sustainability.

Mpofu (2012) studied the cultural capital and the sustainability of NGOs' development programs in Zimbabwe. The study found out that the NGOs' development programs implemented in Zimbabwe were predestined for the reason that they are developed without the considerations of the cultures of the communities and regulations in Zimbabwe. As a result, the NGOs promoted universal development approaches which disregard cultural capital and local legal framework hence affecting their sustainability.

2.3.2. Related Studies in Ethiopia

Martha Dubiwak (2017) assesses resource mobilization and its management by the local NGOs operating in Addis Ababa. The study used descriptive research method and accordingly 94 local NGOs were selected from total 1520 target population using simple random sampling method. The data generated were analyzed using statistical package for social science (SPSS version 20). The study findings indicated that dependence on foreign fund, donors rule and regulation, CHSA law, capacity limitation of the organization, lack of awareness on available opportunity, networking with resource providers and other NGOs, accountability and transparency were the main factors that affect resource mobilization and its management. The study also recommends promoting local resource mobilization to reduce dependence on foreign fund.

Melaku Ayalew (2018) assessed corporate governance practices in Non- Governmental Organizations (NGOs) functioning in Ethiopia. The study, used a survey approach to examine the governance challenges that have impacted their effectiveness. The study also made analysis of the findings against corporate governance principles and best practice as deduced from major corporate governance codes and guidelines in order to establish whether they are adequate or they have deficiencies. The study results pointed out that the sample organizations had governance structure with a governing body (some have General assembly, some have Board of Directors and others have both) in place that is different from the management body. The study also showed that the governing body, except few, whose roles and responsibilities are distinct from those of the management. The study recommends for the Establishment of NGO Governance Institution, Promote Co-operation and Shared Responsibility between sectors of the State and NGOs and Raise Awareness of the State's Responsibility to NGOs

Further, Obo (2009) studied microfinance sustainability in Ethiopia using descriptive research design. The study sought to determine the measures put in place to ensure that the institutions were sustainable. The study found that microfinance institutions mission and vision were not clearly articulating the need for sustainability. However, strategic plans were directing to MFI self-sustainability indicating that the institutions can be sustainable by having the right structures. The study concluded that Ethiopia MFIs are not operationally and financially self- sufficient except for government owned. Recommendation was that regulatory framework to be made more flexible and merging of MFIs to be encouraged.

Seblewongel Endashaw (2015) assessed and describes types of financial management practices selected INGO's utilize to identify their area of strength and weakness as well as challenges around the key financial management components and reporting requirements; namely Financial Planning, Budgeting, Accounting Records, Internal controls and Financial Monitoring. The study result indicates that even though it might be difficult to conclude all INGOs have the best financial management system with assessment of only seven organizations, looking at the assessment results it can be inferred INGO's operating in Ethiopia have a better financial management system. The study has also proved that the current financial management practices are working and are at high standard as in most of the major categories reviewed they have well laid down procedures and processes. A good financial management system will prevent wastage of resources enhancing performance and ensuring control of funds that can carry the organization through more stringent periods or fund shortages. As long as the good practices are maintained and policies and procedures reviewed on timely basis to align with current country reporting requirements, documented practices can be positively exploited and adopted by similar organization to have an overall strong financial management system in all CSO's. The study recommends that implementation of excellent financial management system attracts funders and makes it easier to be accountable to partners, donors, and all stakeholders. It helps enhance respect and confidence in the organization. This in turn helps an INGO to be competitive for major fund raising opportunities as well as increase its chance of maintaining long term financial health.

2.4. Research Gap

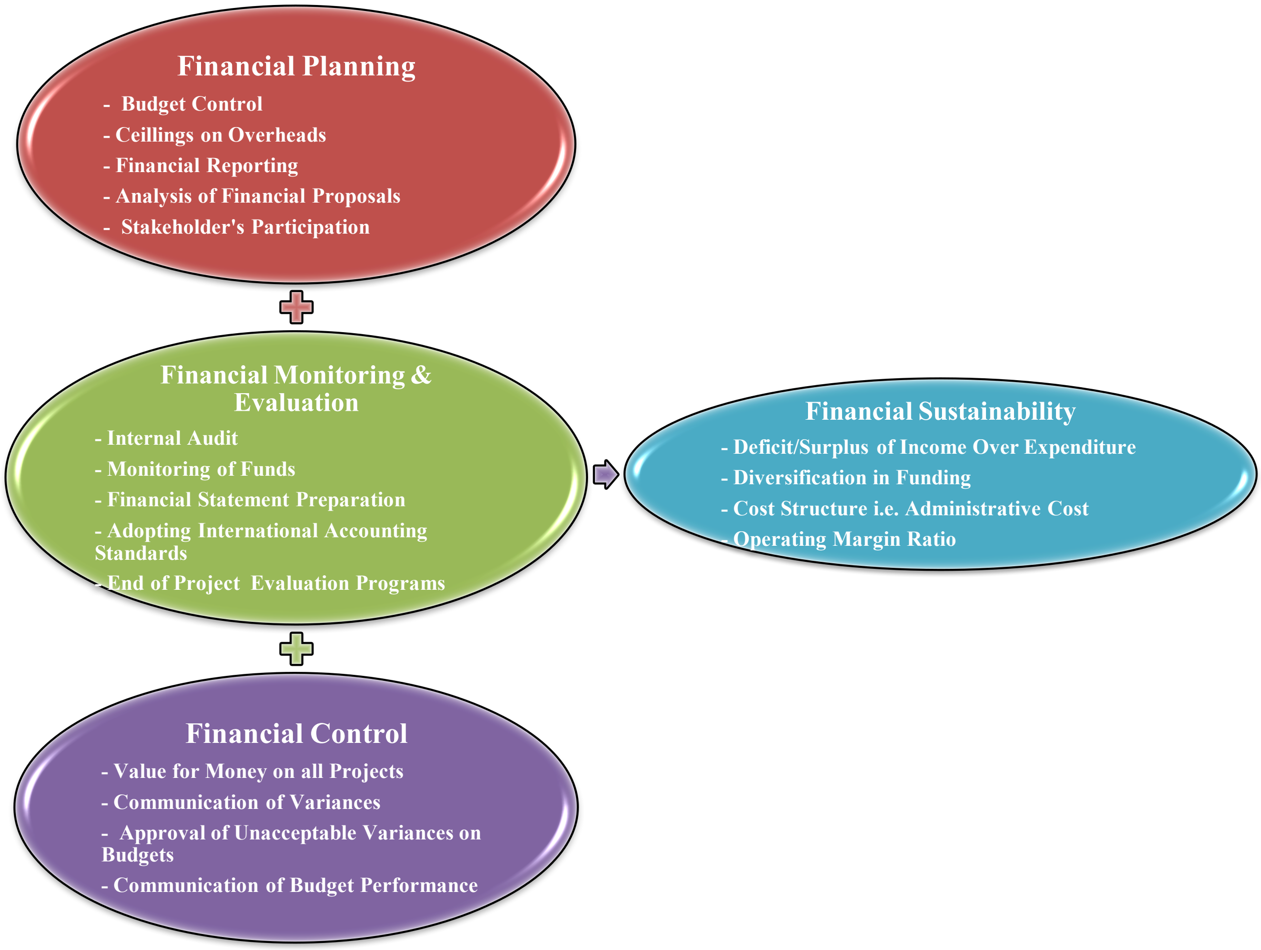
Theoretical review puts conditions on the expected relationship between financial accountability and sustainability with resource mobilization theory indicating that the relationship will depend on the NGOs main source of funding. Fraud theory on the other hand does not show clear relationship between financial accountability and sustainability and only highlights reasons why people engage in fraud (Rabi'u, Noorhayati & Muhammad, 2015). Further, empirical literature available does not offer conclusive evidence on the relationship. The most related study is that by Mbugua (2013) that established a positive relationship between NGO's financial accountability level and performance. However, the performance measures used do not imply that the studied NGOs were financially sustainable. Agyemang*et al.* (2009) studied the relationship between NGO accountability and aid delivery. The study found that most efficient NGOs had adopted functional accountability measures like involving more stakeholders and effective in communication to the public. The NGOs discarded any accountability measures that did not yield the envisaged. Lambert (2015) evaluated the impact of non-governmental organizations assisting with girls' education in Ghana. The study found that NGOs were found to be faced with competition for individual donations, foundation funds, and government grants. They were faced by consistent struggle amongst in obtaining funding for the projects that they hoped to complete. As a sector, NGOs had existed for a long time on a constant influx of new donations, which is manageable as long as they are enough donors for the NGOs. Additionally, NGOs are not profit making entities and hence most of the performance measures are non-financial.

Few research studies have been done in relation to financial governance in Ethiopia: Martha Dubiwak (2017) assessed resource mobilization processes employed by the local NGOs in Addis Ababa and the resource management practices they pursue. MelakuAyalew (2018) also the internal governance practice of Charities and Societies commonly called Non-governmental organizations (NGOs) with the objective of assessing the Board governance practices and challenges among Non-governmental organizations (NGOs) operating in Ethiopia. Seblewongel Endashaw (2015) assessed the financial management practices of selected international non-government organizations working only in the health sector. The study simply described the financial planning practices, account recording system, budgeting process, internal control practices and financial monitoring practices in the selected INGO's.

The above studies conducted either focuses on the resource mobilization process, board governance practices and challenges, and financial management practices of NGOs. None of the studies, as per the knowledge of the researcher, examined the effect of financial accountability on financial sustainability of non-governmental organizations in Ethiopia. Along these lines, the overall goal of this study is to fill this gap by by establishing the effect of financial accountability on financial sustainability of Public Governance NGOs operating in Addis Ababa.

2.5. Conceptual Framework

Many factors other than financial accountability influence financial sustainability of NGOs and include the age of NGO, area of operation, quality of personnel, the operating environment, national and local politics and duration of existing policies and regulations relating to funding and overall operations of NGOs (Tooley and Hooks, 2009). The conceptual framework in figure 2.1 below shows that financial accountability has various components which include financial planning, financial monitoring, financial evaluation and control and Financial reporting disclosures. Financial accountability in turn affects financial sustainability of the organization as indicated by self-sufficiency and borrowing level. The conceptual framework is an improved version of that applied by Mbugua (2013); Kamwana, &Muturi, (2009) and Ganesh *et al.* (2015).



Source: *Abraham (2003), with modification by the researcher.*

CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Introduction

This chapter presents the research methodology that was adopted in the study. The chapter contains the research design, target population, sampling technique, data collection, data reliability and validity and data analysis.

3.2. Research Design

A research design is the overall plan for relating the conceptual research problem to relevant and practicable empirical research. In other words, the research design provides a plan or framework for data collection and its analysis. The study adopted an explanatory research design (a regression analysis) to test the relationship between accountability and financial sustainability of local NGOs. This approach is considered most appropriate since the purpose of the study is to model possibility of cause and effect.

3.3. Research Approach

As far as the research approach for the study is concerned, the research employed a quantitative research approach wherein a survey questionnaires were used to collect data from the sample respondents. Creswell (2009) noted that quantitative approach employs strategies of inquiry such as experiments and surveys, and collect data on predetermined instruments that yield numeric data that can be analyzed using statistical procedures. It is a means for testing objective theories through examining the relationship among variables. It is advantageous as it, procedurally, follow scientific approach, tests reliability and validity of the instrument. It minimizes bias from the researcher's influence and employs large sample size. Hence, the results can be believed on and the results can be generalized to larger population. However, it is not capable to address issues which cannot be quantified.

3.4. Population and Sampling Design

3.4.1. Population

The current research target population was made up of the staff of non-governmental organizations (NGOs) operating in Addis Ababa, Ethiopia. The observable trait of a research population assists the researcher make inferences (Mugenda and Mugenda, 2003). According to the Civil Societies

Association Board there are 936 registered local NGOs operating in Addis Ababa. This formed the study population.

3.4.2. Sampling Design

3.4.2.1.Sampling Frame

Creswell and Plano (2011) explain that a sampling frame is made up of an objective list of the study's population that the researcher will get a sample from. Therefore, the sampling frame included all the members of the target population. They emphasize that this list should be complete and have correct names of the members of the population (Creswell & Plano, 2011). The current study's sampling frame had the staff member of local NGOs operating in Addis Ababa, Ethiopia.

3.4.2.2. Sampling Technique

The researcher used a purposive sampling technique to come up with the respondents for the research. Persons who have knowledge about the effects of financial accountability on financial sustainability-knowledge that can inform possible strategies for responding to financial accountability effects are selected. Moreover, in selecting the respondents, we ensured that they have significant work experience in the industry. The target individuals were the finance managers in the organizations. This allowed the researcher to target those respondents that are well versed with the various factors affecting their organizations' financial sustainability. According to Denscombe (2014), purposive sampling ensures that the people selected for the study have features that the researcher is interested in.

3.4.2.3. Sample Size

The study sample size is reached upon after the use of the Yamane (1967) formula. The formula is shown below;

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

Where;

n_0=sample size

N=population size

e=the level of precision, set at 5% for this study.

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

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

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

n_0=280

If the population is small and homogeneous then the sample size can be reduced slightly. This is because a given sample size provides proportionately more information for a small and homogeneous population than for a large and heterogeneous population (Hinkle & Oliver, 1983). The sample size (n_0) can be adjusted using the equation as follows. This adjustment (called the finite population correction) can substantially reduce the necessary sample size for small populations.

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

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

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

n= 215

Hence, the study sample size was 215 staff of local NGOs in Addis Ababa, Ethiopia.

3.5. Data Collection Instruments

The study used primary data that were collected using questionnaires. The questionnaires were adopted as they are time saving and enable collection of a wide range of data. The questionnaires were administered to the finance managers at the sampled NGOs. The questionnaires were based on a five-point Likert scale and sub divided into sections in line with the study's objectives.

The questionnaire that was used in this survey are adopted from Akintola (2011) and had many subsections covering background data of the respondents (finance managers) from local NGOs and data on measures of the variables. To measure financial sustainability of local NGOs, the questionnaire asked for the extent to which an NGO can sustain itself financially.

To address the question on accountability of the local NGOs, the questionnaire included questions covering the measures of this variable such as the extent to which financial planning, financial monitoring and evaluation and financial control practices are applied.

3.6. Data Analysis

The collected data were analyzed using both quantitative and qualitative data analysis methods. Quantitative method involved both descriptive and inferential analysis. Data from questionnaire were coded and analyzed using Statistical Package for Social Science (SPSS) Version 25. SPSS was used for data entry, obtaining the variable descriptive statistics, reliability coefficient, correlation coefficient and multiple regression.

3.6.1. Empirical Model

Multiple regression models were used to obtain the relationship between financial accountability and sustainability. Multiple regression analysis model was used since it allows testing for several independent variables that may explain the dependent variable. The model also assists in determining the relationship between each component of accountability on financial sustainability and hence provide basis for policy recommendation on each independent variable.

The relationship between the independent and dependent variables take the format shown below:

The regression model is illustrated as follows:

$$Y = \alpha + \beta X_1 + \beta X_2 + \beta X_3 + e$$

Where

Y = Financial sustainability

α = The constant

X_1 = Financial Planning

X_2 = Financial Monitoring and Evaluation

X_3 = Financial Control

e = error term

$\beta 1$, $\beta 2$, $\beta 3$, are the various intercepts of the respective independent variables.

3.6.2. Description and Measurement of the Study Variables

The study variables definition and measurement is presented in table 3.1. Cross-sectional data was used.

Variable	Type	Description	Measurement	Expected Relationship
Financial Sustainability	Dependent	This is a measure of the extent to which a NGOs can sustain itself financially	This will be measured by Five point Likert scale measurement.	Financial sustainability hypothesized as being positively being related to accountability.
Financial planning	Independent Variables	This is a component of accountability	This will be measured by five point Likert scale.	Financial planning has positive effect on financial sustainability. Correlation analysis will be used to show the relationship with dependent variable.
Financial monitoring and evaluation	Independent Variables	This is a component of accountability	This will be measured by a five point Likert scale.	Financial monitoring and evaluation has positive effect on financial sustainability.
Financial control	Independent Variables	This is a component of accountability	This will be measured by a five point Likert scale.	Financial control has positive effect on financial sustainability. Correlation analysis will be used to show the relationship with dependent variable.
Accountability	Independent Variables	This is the overall independent variable	This will be measured by financial sustainability, financial planning, financial monitoring and evaluation and financial control.	Accountability has positive effect on NGO financial sustainability. Regression analysis will be used to show the relationship with dependent variable.

3.7. Classical Linear Regression Model Assumptions

Diagnostic tests were carried out to determine how well the study results followed the assumptions of multiple linear regression analysis. This is consistent with the fact that when the expectations of different statistical techniques are not met, the results may be invalid, resulting in either type I or type II error, or under or overestimation of significance or effect size (Field, 2013).

3.7.1. Testing for Multicollinearity

Multicollinearity is an undesirable condition in which the associations between the independent variables are high, and it distorts the regression results when it occurs (Creswell, 2008). The variance inflation factor (VIF) and Tolerance statistics were used to screen for multicollinearity. Multicollinearity was determined to exist where the VIF Variance inflation factor (VIF) is less than 10 and the Tolerance is greater than 0.1, and thus multicollinearity exists (Talavera, 2013).

The issue of multicollinearity was avoided by ensuring that a large sample was used, since multicollinearity is not known to occur in large samples. Multicollinearity was also eliminated by eliminating one of the strongly correlated variables (Martz, 2013).

3.7.2. Normality Test

Regression analysis is based on the assumption that the sample data is naturally distributed. Skewness and kurtosis data were used to assess this. A kurtosis and Skewness statistic of more than +/-2 showed that the data was not normally distributed. This was resolved by standardizing the variable with the logarithm of ten (Martz, 2013).

3.7.3. Heteroscedasticity

Heteroscedasticity was tested using the Breusch-Pagan/Cook-Weisberg method in this analysis. The most popular tool for detecting heteroscedasticity in linear models is the Breusch-Pagan/Cook-Weisberg test. Breusch-Pagan and Cook-Weisberg compare the null hypothesis that all error variances are equal to the alternate hypothesis that error variances are a multiplicative property of one or more variables. A chi-square value greater than 9.21 (Martz, 2013) indicates the presence of heteroscedasticity.

3.8. Reliability and Validity

To ensure the validity of the data obtained from the questionnaire and to bring meaningful conclusion from the collected data, the study tested the validity of the measurement instruments. Hence, to ensure the reliability of measurement instrument the researcher first performed standardize the instrument and then, distributed the same to all respondents. In addition, to assess the internal consistency of each construct Cronbach's alpha test was used.

Besides, the researcher believe that this study was valid in that all respondents are selected based on their past experience in NGOs in general and factors affecting financial sustainability in particular. Hence, their response was credible and applicable to independent researcher.

CHAPTER FOUR: DATA ANALYSIS, INTERPRETATIONS AND DISCUSSION

4.1. Introduction

The thesis aimed to determine the impact of accountability on the financial sustainability of Addis Ababa-based local NGOs. This chapter summarizes the research results by reflecting on demographic profiles of respondents and data collection based on the study's basic objectives. It also covers inferential analysis, correlation and regression analysis, and a discussion of the main results.

4.2. Response Rate

The study's target population consisted of 215 respondents, all of whom were finance managers at local NGOs in Addis Ababa. Table 4.1 shows that 192 of the 215 questionnaires distributed were properly filled and returned, resulting in an answer rate of 89 percent. According to Mugenda & Mugenda (2003), a response rate of 60% is considered good, while a response rate of 70% or above is considered exceptional. This response rate was deemed enough for drawing conclusions from the study. According to the statement, the response rate was deemed satisfactory.

Table 4.1 Response rate

Questionnaire Distributed	***Frequency***	***Percentage***
Filled and Returned Questionnaires	191	88.84
Unreturned Questionnaires	24	11.16
Total questionnaires administered	215	100

Source: Survey data (2021)

4.3. Reliability Analysis

A pilot analysis was conducted on 10% of the respondents to evaluate the efficiency of the data collection instrument. The internal accuracy of the test instruments was determined using Cronbach's alpha. This was done to determine how different sets of variables in the group are compared to one another. Table 4.2 displays the findings received.

Table 4. 2: Reliability Analysis

Reliability Statistics

Factors	Cronbach's Alpha	N of Items
Financial Planning Practices	.754	7
Financial Monitoring and Evaluation	.776	7
Financial Control Practices	.702	4
Financial Sustainability	.704	4
Overall	**.734**	**22**

Source: Survey data (2021)

Table 4.2 shows that financial preparation activities have a Cronbach's alpha of 0.754, financial monitoring and appraisal have a Cronbach's alpha of 0.776, financial control have a Cronbach's alpha of 0.702, and financial sustainability have a Cronbach's alpha of 0.704. As it is suggested by (George & Mallery, 2003) Cronbach's alpha coefficient more than 0.7 is acceptable. This means that the Cronbach Alpha for all variables was greater than 0.7, meaning that the test instruments were accurate.

4.4. Descriptive Statistics

4.4.1. Years Worked at the Organization

This segment tried to ascertain the number of years the respondents had spent working with non-governmental organizations. This was used to assess their understanding of the organization's activities. Table 4.3 displays the results received.

Table 4.3: Years at the Organization

		Frequency	Percent	Cumulative Percent
Valid	Less Than 2 Years	11	5.76	5.76
	2-5 Years	55	28.79	34.55
	5-10 Years	86	45.03	79.58
	Above 10 Years	39	20.42	100.0
	Total	191	100.0	

Source: Survey data (2021)

According to the results in Table 4.3, 45 percent of respondents had served in the organisations for a term of 5-10 years, 20.42 percent for more than 10 years, 29 percent for 2-5 years, and 6 percent for less than 2 years. This meant that the respondents had spent a significant amount of time working in their respective organisations and were consequently well-versed in their respective fields. Based on this, by considering the work experience of all respondents they are knowledgeable and experienced enough to give reliable information on how accountability determines financial sustainability local NGOs.

4.4.2. Financial Planning Practice

Financial forecasting, financial reporting and assessment, and financial management were the study's independent variables, while NGO financial sustainability was the dependent variable. The variables were quantified using a five-point liker scale and determined by various components of the variables.

The thesis aimed to ascertain the degree to which different financial planning activities were implemented in organizations. A Likert scale of 1 to 5 was used to score their responses, with 1 indicating strongly disagreed, 2 indicating strongly disagreed, 3 indicating neutral, 4 indicating agreed, and 5 indicating strongly agreed. Accordingly, the overall mean (M) score between 4.21-5.00 is considered as the respondents strongly agreed (SA), if the respondents score between 3.41-4.20 means they agreed (A), the score between 2.61-3.40 is considered as the respondents are neutral(N), the respondents score between 1.81-2.60 shows that they disagreed and if the respondents score between 1-1.80 shows that they strongly disagreed (Marenesh, 2018). The results obtained as seen in Table 4.4.

Table 4. 4: Descriptive Statistics on Financial Planning Practice

Variables	*SD*	*D*	*N*	*A*	*SA*	*Mean*	*Sta. Dev*
1. The NGO prepares budgets on annual basis that guide spending for the NGO	*0*	*2.6*	*18.2*	*58.4*	*20.8*	*3.97*	*0.70*
2. Expenditure outside the budget requires directors approval and must be fully justified	*2.6*	*10.4*	*24.7*	*40.3*	*22.1*	*3.69*	*1.01*
3. Administration and overheads expenditure have a ceiling which is set in relation to expected funding	*6.5*	*10.4*	*36.4*	*22.1*	*24.7*	*3.48*	*1.16*
4. There is full and accurate reporting on the financial planning to the stakeholders.	*7.8*	*9.1*	*24.7*	*32.5*	*26*	*3.6*	*1.19*
5. In Financial planning, management seeks counsel and guidance from professional advisors.	*20.8*	*7.8*	*14.3*	*28.6*	*28.6*	*3.36*	*1.49*
6. Financial proposals are analyzed and debated vigorously by all stakeholders before they are approved and implemented.	*3.9*	*14.3*	*18.2*	*37.7*	*26*	*3.68*	*1.12*
7. Stakeholders of the organization participate in budgetary process.	*14.3*	*19.5*	*19.5*	*23.4*	*23.4*	*3.22*	*1.38*
Overall Mean Score and Standard Deviation						***3.57***	***1.15***

Source: Survey data (2021)

In order to examine the level of financial planning practice of local NGOs, the study used seven related questions. The responses on whether the NGO prepares budgets on annual basis that guide spending for the NGO, majority of the respondents (58.4%) agreed, 20.8% strongly agreed, 2.6% disagreed, and the remaining 18.2% were uncertain. The respondents were also asked whether expenditure outside the budget requires directors' approval and must be fully justified. The responses were that 40.3% agreed, 22.1% strongly agreed, 10.4% were disagreed, 2.6% strongly disagreed, and 24.7% were unsure. The study sought to establish the respondents' view on whether administration and overheads expenditure have a ceiling which is set in relation to expected funding. The responses were that 22.1% agreed, 24.7% strongly agreed, 10.4% were disagreed, 10.4% strongly disagreed, and 36.4% were unsure. The study result indicates that respondents level of agreement is moderate in this case.

On the issue whether there is full and accurate reporting on the financial planning to the stakeholders, 32.5% agreed, 26% strongly agreed, 9.1% were disagreed, 7.8% strongly disagreed and the remaining 24.7% were neutral. Cumulatively 58.5% of respondents agreed with this statement. Respondents also were asked whether management seeks counsel and guidance from professional advisors in Financial planning. The response was 28.6% agreed, 28.6% strongly agreed, 7.8% disagreed, 20.8% strongly disagreed and 14.3% were uncertain. The study inquired whether financial proposals are analyzed and debated vigorously by all stakeholders before they are approved and implemented. The responses given were that 37.7% agreed with the statement, 26% strongly agreed, 14.3% were disagreed, 8.1% strongly disagreed, while the remaining 18.2% were unsure. Finally, the study further inquired whether stakeholders of the organization participate in budgetary process. The response was 23.4% agreed, 23.4% strongly agreed, 19.5% disagreed, 14.3% strongly disagreed and 19.5% were uncertain to this statement.

As indicated in table 4.4 above, the overall mean of respondents is 3.57. This indicates that the respondents to a moderate extent agreed as to the adoption of financial planning practices by local NGOs as it falls in the scale 3.41-4.20. The overall standard deviation of respondents regarding financial planning practice adoption is 1.15 which is greater than one and implies there is some variation in respondent's perception towards financial planning practice adoption. The results suggested that the majority of financial planning activities were not thoroughly implemented by the NGOs. Notably, only budget preparation had a high level of adoption, while the remainder had modest levels, with stakeholders' interest having the lowest level of adoption. Organizations should use financial planning to describe all of the key tasks needed to meet the organisational goals, as well as the projected real job time. As a result, they must be well-formulated and enforced in order to improve an organization's financial activities.

The result of the study is consistent with the findings of Tooley & Hooks (2009) who emphasized the relevance of public transparency and the potential usefulness of daily expenditure comparisons. In recognition of the importance of financial planning in ensuring organization financial sustainability, Juma (2012) examined the factors affecting sustainability of donor funded community development projects in Bungoma County. The study established that project finance system affected project sustainability to a very great extent where auditing was done quarterly. Financial plans enable identification of the specific person responsible for ensuring that the objectives are completed successfully and within the estimated time. Gyamfi (2010) financial planning allows the non-governmental organizations to create financial controls that allow them to set spending limits and bolsters their attempt to keep costs in line with revenues. Failure to engage in effective financial planning implies that an organization may not be able to reach its highest potential (Harir, 2015). On the opposite, Ernest (2012) discovered that lengthy approvals during budgeting hampered the overall efficacy of the mechanism when conducting a report on the organizational factors affecting the survival of local non-governmental organizations in Ghana.

4.4.3. Financial Monitoring and Evaluation

The thesis aimed to ascertain the degree to which different financial reporting and assessment systems are used in organizations. The results obtained as seen in Table 4.5.

Table 4. 5 Descriptive Statistics on Financial Monitoring and Evaluation

Variables	*SD*	*D*	*N*	*A*	*SA*	*Mean*	*Sta. Dev*
1. There exist a fully functional internal financial monitoring department including internal audit	*1.3*	*1.3*	*28.6*	*51.9*	*16.9*	*3.82*	*0.773*
2. NGO expenditure is continuously monitored in relation to the budget and the planned use of NGO funds	*9.1*	*16.9*	*24.7*	*32.5*	*16.9*	*3.31*	*1.206*
3. Financial transactions are recorded immediately they occur to facilitate finance monitoring	*11.7*	*11.7*	*27.3*	*35.1*	*14.3*	*3.29*	*1.202*
4. Financial statements and management reports are timely and reliable.	*19.5*	*10.4*	*23.4*	*29.9*	*16.9*	*3.14*	*1.364*
5. Financial statements and reports are prepared and presented following internationally accepted accounting principles and practices.	*11.7*	*20.8*	*20.8*	*28.6*	*18.2*	*3.21*	*1.291*
6. Evaluation programs are conducted at completion of projects	*13*	*14.3*	*18.2*	*35.1*	*19.5*	*3.34*	*1.304*
7. The results of monitoring and evaluation exercises is communicated to the stakeholders	*16.9*	*20.8*	*13*	*28.6*	*20.8*	*3.16*	*1.415*
Overall Mean Score and Standard Deviation						***3.32***	***1.22***

Source: Survey data (2021)

So as to examine the level of financial monitoring and evaluation practice of local NGOs, the study used seven related questions. The responses on whether there exist a fully functional internal financial monitoring department including internal audit, majority of the respondents (51.9%) agreed, 16.9% strongly agreed, 1.3% disagreed, 1.3% strongly disagreed and the remaining 28.6% were uncertain. The respondents were also asked whether NGO expenditure is continuously monitored in relation to the budget and the planned use of NGO funds. The responses were that 32.5% agreed, 16.9% strongly agreed, 16.9% were disagreed, 9.1% strongly disagreed, and 24.7% were unsure. The study sought to establish the respondents' view on whether financial transactions are recorded immediately they occur to facilitate finance monitoring. The responses were that 35.1% agreed, 14.3% strongly agreed, 11.7% were disagreed, 11.7% strongly disagreed, and 27.3% were unsure. The study result indicates that respondents level of agreement is moderate in this case.

On the issue whether financial statements and management reports are timely and reliable, 29.9% respondents agreed, 16.9% strongly agreed, 10.4% were disagreed, 19.5% strongly disagreed and the remaining 23.4% were neutral. Respondents also were asked whether financial statements and reports are prepared and presented following internationally accepted accounting principles and practices. The response was 28.6% agreed, 18.2% strongly agreed, 20.8% disagreed, 11.7% strongly disagreed and 20.8% were uncertain. The study inquired whether evaluation programs are conducted at completion of projects. The responses given were that 35.1% agreed with the statement, 19.5% strongly agreed, 14.3% were disagreed, 13% strongly disagreed, while the remaining 18.2% were unsure. Finally, the study further inquired whether the results of monitoring and evaluation exercises is communicated to the stakeholders. The response was 28.6% agreed, 20.8% strongly agreed, 20.8% disagreed, 16.9% strongly disagreed and 13% were uncertain to this statement.

The overall mean of respondents is 3.32. This indicates that the respondents to a lower extent agreed as to the adoption of financial monitoring and evaluation practices by local NGOs as it falls in the scale 2.61-3.40. The standard deviation was greater than one (1.22), indicating that respondents differed further on NGO spending monitoring. This means that the Financial Management and Evaluation activities in local NGOs were adopted to varying degrees, with the functioning internal financial monitoring department providing the highest level of acceptance.

The result suggested that NGOs' spending was moderately regulated on a continuous basis. This is consistent with Mbuva (2014), who conducted research into the factors affecting the financial survival of women-owned SMEs in Kenya's Machakos County and discovered that most NGOs' expenses were minimally managed. This finding is also consistent with Mbugua (2013), who investigated the impact of financial transparency on the success of nongovernmental organizations in Kenya and discovered that the majority of NGOs also lacked appropriate reporting and assessment practices. In a similar vein, Edmund (2010) investigated the main factors affecting the survival of local NGOs in Ghana and discovered comparatively low levels of financial oversight in the NGOs, resulting in the majority of them performing poorly. Lack of transparency in financial activities has been known to be due to insufficient supervision and appraisal, which does not sit well with most stakeholders, including donors, governments, and even beneficiaries, all of which affects NGOs' revenue sources and therefore financial sustainability (Odhiambo, 2013).

4.4.4. Financial Control Practices

The thesis aimed to ascertain the degree to which different financial management practices were implemented in organizations. The results obtained as seen in Table 4.6.

Table 4.6: Descriptive Statistics on Financial Control Practices

Variables	*SD*	*D*	*N*	*A*	*SA*	*Mean*	*Sta. Dev*
1. Value for money is determined on all projects	*2.6*	*1.3*	*35.1*	*44.2*	*16.9*	*3.71*	*0.856*
2. Variances of the budgets is communicated annually to stakeholders and full justification obtained.	*3.9*	*15.6*	*19.5*	*35.1*	*26*	*3.64*	*1.146*
3. There are unacceptable variances on budgets that the management must seek approval from the stakeholders	*6.5*	*18.2*	*27.3*	*31.2*	*16.9*	*3.34*	*1.154*
4. Budget performance reports are communicated to the donors and other financiers	*7.8*	*19.5*	*15.6*	*28.6*	*28.6*	*3.51*	*1.304*
Overall Mean Score and Standard Deviation						***3.55***	***1.115***

Source: Survey data (2021)

So as to examine the level of financial control practice of local NGOs operating in Addis Ababa, the study used four related questions. The responses on value for money is determined on all projects, majority of the respondents (44.2%) agreed, 16.9% strongly agreed, 1.3% disagreed, 2.3% strongly disagreed and the remaining 35.1% were uncertain. The respondents were also asked whether variances of the budgets are communicated annually to stakeholders and full justification obtained. The responses were that 35.1% agreed, 26% strongly agreed, 15.6% were disagreed, 3.9% strongly disagreed, and 19.5% were unsure. The study sought to establish the respondents' view on whether there are unacceptable variances on budgets that the management must seek approval from the stakeholders. The responses were that 31.2% agreed, 16.9% strongly agreed, 18.2% were disagreed, 6.5% strongly disagreed, and 27.3% were unsure. The study result indicates that respondents level of agreement is moderate. Finally, on the issue whether budget performance reports are communicated to the donors and other financiers, 28.6% respondents agreed, 28.6% strongly agreed, 19.5% were disagreed, 7.8% strongly disagreed and the remaining 15.6% were neutral.

According to the results, financial control mechanisms in local NGOs were adopted to a modest degree with overall mean value of 3.55 and standard deviation of 1.115, with value for money being assessed on all programs being applied the most and expenditure success reviews being transmitted to donors and other financiers being the least. According to Mutinda and Ngahu (2016), the value of the financial controls, as financial management tools, lies in their ability to track every expenditure and revealing areas of weakness in the financial management system which can result into loss of funds.

The study result is consistent with Gitonga (2014) found that good communication of expenditure results was critical for the overall sustainability of NGOs while studying the sustainability of orphans' donor sponsored project of church based organization in Kenya: a case of Zoe Ministry. Kamwana and Muturi (2014) also found that financial planning, financial monitoring, financial evaluation and financial controls (some measures of accountability) contributed to project performance. Strong financial controls are the key elements of a good financial management system in the NGOs (Weerawardena et al., 2010). Strong financial controls improve on the data being issued to the management and help safeguard the assets of the organization (Kamwana & Muturi, 2014). According to Kabdiyeva (2013), an organization exercises good governance when it has an internal system of checks and balances that ensures public interest is served and protected. Abdulkadir (2014) states that the application of internal control systems has the potential to help in the effective and efficient delivery of services

This implies that a proper financial control system contributes greatly towards ensuring that stakeholder's investments are safeguarded together with the organization's assets and thereby ensures the financial sustainability of the organization.

4.4.5. Local NGOs Financial Sustainability

The thesis aimed to determine how different facets of financial sustainability related to their respective non-governmental organizations. The results obtained as seen in Table 4.7.

Table 4.7: Descriptive Statistics on NGO Financial Sustainability

Variables	*SD*	*D*	*N*	*A*	*SA*	*Mean*	*Sta. Dev*
1. NGO annual statement of income and expenditure always has surplus	*10.4*	*48.1*	*37.7*	*3.9*	*0*	*2.76*	*0.721*
2. NGO funding is fully diversified.	*5.2*	*23.4*	*15.6*	*36.4*	*19.5*	*3.42*	*1.196*
3. The organization has less percentage of fixed cost as compared to total cost.	*9.1*	*26*	*24.7*	*24.7*	*15.6*	*3.12*	*1.224*
4. The organization has a positive operating margin ratio.	*9.1*	*18.2*	*29.9*	*15.6*	*27.3*	*3.34*	*1.304*
Overall Mean Score and Standard Deviation						***3.16***	***1.111***

Source: Survey data (2021)

In order to examine the the financial sustainability of local NGOs operating in Addis Ababa, the study used four related questions. The responses on whether NGO annual statement of income and expenditure always has surplus, majority of the respondents (48.1%) disagreed, 10.4% strongly disagreed, 3.9% agreed and the remaining 37.1% were uncertain. The respondents were also asked whether NGO funding is fully diversified. The responses were that 36.4% agreed, 19.5% strongly agreed, 23.4% were disagreed, 5.2% strongly disagreed, and 15.6% were unsure. The study sought to establish the respondents' view on whether their organization has less percentage of fixed cost as compared to total cost. The responses were that 24.7% agreed, 15.6% strongly agreed, 26% were disagreed, 9.1% strongly disagreed, and 24.7% were unsure. Finally, on the issue whether the organization has a positive operating margin ratio, 15.6% respondents agreed, 27.3% strongly agreed, 18.2% were disagreed, 9.1% strongly disagreed and the remaining 29.9% were neutral.

As indicated in table 4.7 above, the overall mean of respondents is 3.16. This indicates that the respondents to a lower extent agreed as to the financial sustainability of local NGOs as it falls in the scale 2.61-3.40. The overall standard deviation of respondents regarding financial planning practice adoption is 1.11 which is greater than one and implies there is some variation in respondent's perception towards the financial sustainability of local NGOs. This implies that, the majority of the NGOs were moderately sustainable, meaning that the NGOs were not very sustainable.

According to Omeri (2015) financial sustainability of an NGO simply is the ability of the organization to reallocate assets in the wake of opportunities and threat and maintain sound financial balance over a long period. If NGOs do have diversified income source, projects can be executed even when a particular funding source is curtailed (Saungweme, 2014). According to Okorley and Nkrumah (2012) to be financial sustainable NGOs must have the management capacity to raise funds and get their employees interested in their financial situation to get their full support and cooperation. However, for researchers like AbdelKarim (2002), financial sustainability goes beyond resource mobilization and income generation, sound financial management practices, income diversification etc.

The study finding is in line with Obo (2009), who found that most NGOs have a poor level of sustainability. This is probably emanating from poor financial management practices (Abdel Karim, 2002) or local NGOs source of revenue is not sufficiently diversified to ensure their financial sustainability.

4.5. Diagnostic Tests

The basic classical linear regression assumptions should be satisfied in order to maintain data validity and robustness of the regressed result of the research under the multiple regression models. Hence, this study has conducted the assumption tests such as, multi-collinearity, normality and heteroscedasticity.

4.5.1. Test for Multicollinearity

To have good results, the independent variables should not be highly correlated with each other. In multiple regression analysis, collinearity refers to the correlation among the independent variables (Pallant, 2007).

Therefore, to make sure that there is low collinearity, the values of Tolerance and VIF (Variance Inflation Factor) should be checked. According to Pallant (2007), tolerance indicates to what extent the independent variables do not explain much of the variability of a specified independent variable and the value should not be small (more than 0.10) to indicate the absence of collinearity. In addition to that, VIF, the inverse of tolerance value, should have a value of less than 10 to avoid any concerns of collinearity (Pallant, 2007).

Table 4.8: Multicollinearity Test table

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Financial Planning	.657	1.521
	Financial Monitoring and Evaluation	.440	2.272
	Financial Control	.511	1.955

Source: Survey data (2021)

Table 4.8 shows that financial forecasting had a tolerance of 0.657 and a VIF of 1.521, financial management and appraisal had a tolerance of 0.44 and a VIF of 2.272, and financial supervision had a tolerance of 0.511 and a VIF of 1.955. When tolerance is less than 0.1 and VIF is greater than 10, multicollinearity occurs. However, for all factors, the measures were within an appropriate range, so the problem of multicollinearity did not exist

4.5.2. Test for Normality

Multiple regression analysis requires that the study variables are normally distributed. Normal distribution is one of the most important assumed statistical procedures. A standard normal distribution is one with a mean of zero and a standard deviation of one (Garson, 2012). A common test for normality is to run description statistics to get skewness and kurtosis. Skewness should be within -2 and +2 range if the data is normally distributed. Kurtosis is the peakness or flatness of distribution and the distribution shall commonly fall between -2 and +2, although a few other authors like (Garson, 2012), are more lenient and allow kurtosis to fall within -3 and +3. The findings on Normality Test obtained are presented by Table 4.9.

Table 4.9: Skewness and kurtosis for normality of the data

	N	Skewness	Kurtosis
	Statistic	Statistic	Statistic
Financial Sustainability	191	-0.24	-1.995
Financial Planning	191	0.757	-0.36
Financial Monitoring and Evaluation	191	0.386	0.48
Financial Control	191	-0.002	-0.465
Valid N (listwise)	191		

Source: Survey data (2021)

Skewness was -0.24 and kurtosis was -1.995 for financial sustainability. Skewness was 0.757 and kurtosis was -0.36 for financial planning. Skewness was 0.386 and kurtosis was 0.48 for financial monitoring and evaluation. Skewness was -0.002 and kurtosis was -0.465 for financial control. All of the factors were appropriate and their Skewness numbers ranged from +/-2 to +/-2. Furthermore, the kurtosis values were all similar to zero, plus or minus two, meaning that the data are dispersed towards the respective means and hence natural. This meant that the data could be analyzed using regression and correlation analysis.

4.5.3. Heteroscedasticity Test

When the variance of the errors varies through observations, this is referred to as heteroscedasticity. Heteroscedasticity was tested using the Breusch-Pagan/Cook-Weisberg method in this analysis. Table 4 displays the results of the research.

Table 4.10: Heteroscedasticity Test

Ho	Chi2(4)	Prop>Chi2
Constant Variance	0.291	0.682

Source: Survey data (2021)

The research yielded a chi square of 0.291 and a p-value of 0.682>0.05. This meant that the null hypothesis of homoscedasticity was accepted with 95% certainty. As a result, heteroscedasticity was not an issue, and the data was suitable for analysis.

4.6. Inferential Analysis

The aim of the analysis was to determine the underlying relationships between variables and the degree to which the independent variables affected the dependent variables. This was accomplished by the use of correlation analysis and multiple regression analysis.

4.6.1. Correlation Analysis

Correlation analysis is a technique for determining the relationship between two or more sets of variables. To determine the existence and level of association, the study used bivariate correlation from which Pearson's correlation coefficient is considered. Pearson's correlation coefficient falls between -1.0 and +1.0, indicates the strength and direction of association between the two variables (Field, 2005). The Pearson's correlation coefficient (r) was used to conduct the correlation analysis to find the level and direction of the relationships between the dependent and independent variables. It was also used to rank the variables that have the strongest associations with financial sustainability. Correlations of 0.30 are regarded to mention worthy (Cohen, 1988). High correlation coefficients illustrate higher level of association between the variables i.e. dependent and independent. According to Cohen (1988), the value of Pearson's correlation is divided into three areas. A correlation coefficient between 0.10 and 0.29 will indicate a small correlation, a correlation coefficient between 0.30 and 0.49 will indicate a medium correlation, and a correlation coefficient between 0.50 and 1.0 will indicate a strong correlation. The bivariate correlation of a two-tailed test confirm the presence of statistically significant difference at probability level $p<0.05$ i.e. assuming 95% confidence interval on statistical analysis. Table 4.11 shows the interaction that was discovered between various sets of variables.

Table 4.11: Pearson's correlation between motivation (Intrinsic & extrinsic) and organizational commitment

		Financial Planning	Financial Monitoring & Evaluation	Financial Control	Financial Sustainability
Financial Planning	Pearson Correlation	1			
	Sig. (2 tailed)				
Financial Monitoring & Evaluation	Pearson Correlation	0.576**	1		
	Sig. (2 tailed)	0.000			
Financial Control	Pearson Correlation	0.473**	0.693**	1	
	Sig. (2 tailed)	0.000	0.000		
Financial Sustainability	Pearson Correlation	0.438**	0.597**	0.685**	1
	Sig. (2 tailed)	0.000	0.000	0	

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

Source: Survey data (2021)

Table 4.11 Correlation Analysis findings showed that financial planning and financial sustainability had a Pearson Correlation of 0.438 and a p-value of 0.000. The positive coefficient showed that financial planning had a positive impact on the financial sustainability of local non-governmental organizations operating in Addis Ababa. At 95 percent confidence interval, the p-value0.05 showed that financial planning had a major positive impact. These results contrast with those of Juma (2012), who investigated the factors influencing the sustainability of donor-funded community development projects in Bungoma County and concluded that donor policy has a significant impact on project sustainability. Ayom (2013) discovered that financial preparation practices have a positive impact on NGO sustainability. As a result, an NGO that implements proper financial planning practices would greatly boost its financial sustainability.

The Pearson's coefficient of association between financial monitoring and assessment and financial sustainability was 0.597, with a p-value of 0.000. The positive coefficient showed that financial monitoring and evaluation had a positive impact on the survival of local non-governmental organizations. At the 95 percent confidence mark, the p-value0.05 showed that the beneficial impact of financial monitoring and evaluation was meaningful. Kamwana and Muturi (2014) studied the effects of financial management on performance of World Bank funded projects in Kenya, a case of KPLC projects. The study found that financial planning, financial monitoring, financial evaluation and financial controls (some measures of accountability) contributed to project performance. This relates with Ernest (2012) who studied organizational factors influencing sustainability of local non-governmental organizations in Ghana and established the same. Owolabi (2010) studied NGO accountability and sustainable development. It was observed, as in many other jurisdictions and NGOs that the NGOs studied were accountable essentially to the owners or those stakeholders with economic power over their organizations and conducted regular monitoring and evaluation of application of funds. Kakumani and Prabhakar (2014) found out that monitoring and evaluation practices brought about donor confidence and hence affecting level of financing available to the firms. As a result, an NGO that implements effective financial monitoring and evaluation practices would increase its financial viability dramatically.

The Pearson's coefficient of association between financial control and financial sustainability was 0.685, with a p-value of 0.000. The positive coefficient showed that financial control had a positive impact on the survival of non-governmental organizations. At the 95 percent confidence mark, the p-value0.05 showed that the positive impact of financial control was important. Mawanda (2008) states internal controls are processes designed and affected by those charged with governance, management, and other personnel to provide reasonable assurance about the achievement of an entity's objectives. According to Mutinda and Ngahu (2016), the value of the financial controls, as financial management tools, lies in their ability to track every expenditure and revealing areas of weakness in the financial management system which can result into loss of funds. Strong financial controls are the key elements of a good financial management system in the NGOs (Weerawardena et al., 2010). Strong financial controls improve on the data being issued to the management and help safeguard the assets of the organization (Kamwana & Muturi, 2014). According to Kabdiyeva (2013), an organization exercises good governance when it has an internal system of checks and balances that ensures public interest is served and protected. Abdulkadir (2014) states that the application of internal control systems has the potential to help in the effective and efficient delivery of services. As a result, an NGO that implements proper financial control procedures would greatly boost its financial sustainability.

Notably, Output of correlation analysis (Table 4.11) represented in matrix of pair-wise correlation. This study has calculated correlation of dependent variables with independent variables. It was found that Financial planning, Financial monitoring and evaluation and financial control are positively correlated with Financial sustainability. The linear relationship between financial planning and financial sustainability (0.438), financial monitoring & evaluation and financial sustainability (0.597) and Financial control and financial sustainability (0.685) was statistically different from zero/statistically significant. Thus, it is implied that changes in the independent variables cause changes in financial sustainability (dependent variable).

4.6.2. Multiple Regression Analysis

The thesis aimed to determine the impact of accountability on the financial sustainability of local non-profit organizations operating in Addis Ababa. Financial Control, Financial Planning, Financial Monitoring and Evaluation (predictor variables) and Financial Sustainability were studied using a multiple regression model (dependent variable). Table 4.12 shows the description of the regression model.

Table 4. 12: Model Summary

Model	R	R square	Adjusted R Square	Std. Error of the Estimate
1	0.709[a]	0.503	0.483	0.49928

a. Predictors: (Constant), Financial Control, Financial Planning, Financial Monitoring & Evaluation

Source: Survey data (2021)

The coefficient of correlation in Table 4.12 was 0.709, meaning that accountability has a favorable impact on financial sustainability. Thus, integrating transparency mechanisms into the activities of local NGOs working in Addis Ababa will boost financial sustainability. The adjusted R2 coefficient of determination was 0.483, meaning that the regression could explain up to 48.3 percent of the difference in financial sustainability. The remaining percentage of uncertainty may be attributed to predictors not used in the model, such as the NGO's funding source, management, and particular NGO variables.

Table 4.13 displays the model fitness test outcomes, showing the model's predictability in forecasting financial sustainability.

Table 4.13 Analysis of Variance (ANOVA)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18.424	3	6.141	24.636	.000[b]
	Residual	18.197	188	0.249		
	Total	36.621	191			

a. Dependent Variable: Financial Sustainability
b. Predictors: (Constant), Financial Control, Financial Planning, Financial monitoring & Evaluation

Source: Survey data (2021)

The model fitness result shows an F-statistic of 24.636>2.492 and a p-value of 0.0000.05. At a 95% confidence level, this means that the model is fit for prediction. As a result, financial transparency has a huge impact on the financial sustainability of local NGOs.

Table 4.16 displays the analysis multiple regression model coefficients that may be used for estimation.

Table 4.14: Regression Coefficient Analysis of the Model

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.224	0.347		.646	0.520
	Financial Planning	0.291	0.110	.385	2.6455	0.021
	Financial Monitoring & Evaluation	0.287	0.120	.374	2.3917	0.024
	Financial Control	0.464	0.105	.511	4.4190	0.000

a. Dependent Variable: Effectiveness

Table 4.14 presented results of financial sustainability as dependent variable and financial planning, financial monitoring and evaluation and financial control explanatory variables for the sample of 191 local NGOs operating in Addis Ababa. The explanatory power of this model, as indicated in table 4.12, is high (i.e. around 48.3 %). This implies that around 48.3% of the variability in financial sustainability of local NGOs can be explained by the change of the accountability variables (financial planning, financial monitoring and evaluation and financial control) included in the model. The regression F- statistic takes a value 24.636. F-statistics tests the null hypothesis that all of the slope parameters (β's) are jointly zero. In the above case p-value of zero attached to the test statistic shows that this null hypothesis should be rejected even at 1% level of significance. Therefore, the variables are jointly significant in explaining the dependent variable

4.7. Discussion of the Regression Results

As it is shown in the above table 4.14, financial planning, financial monitoring and evaluation and financial controls were the statistically significant factors affecting financial sustainability of local NGOs based in Addis Ababa. Financial planning and financial controls had positive and statistically significant impact on financial sustainability at 1%. Financial monitoring and evaluation had positive and statistically significant impact on financial stainability at 5%.

4.7.1. Financial Planning and Financial Sustainability

The results showed that the coefficient of the financial planning was positive and statistically significant, which means that the financial planning ratio does affect the financial sustainability of local NGOs in Addis Ababa. The measure had a p-value of 0.021, which indicates that it was important at the 95 percent confidence level since it was less than 0.05. As a result, financial planning has a huge impact on NGO survival. The coefficient value indicates that a one-unit increase in financial planning, on average, will result in a 29.1 increase in financial sustainability of NGOs. This implies that a well thought out financial plan allows the NGO to keep its financials up to date and stable, by knowing ahead of time what amount is required for certain things (Sontag-Padilla et al., 2012). It also allows an NGO to maximally apply its limited financial resources to the intended cause which may in turn inspire donors to continue offering their support in the knowledge that the funds will be put into optimal use (Elliott, 2012).

This result is consistent with what is expected and with what was found by Harir (2015) who emphasized that failure to engage in effective financial planning implies that an organization may not be able to reach its highest potential. In recognition of the importance of financial planning in ensuring organization financial sustainability, Juma (2012) also asserted that project finance system affected project sustainability to a very great extent where auditing was done quarterly.

Gyamfi (2010) noted that financial planning allows the non-governmental organizations to create financial controls that allow them to set spending limits and bolsters their attempt to keep costs in line with revenues.

4.7.2. Financial Monitoring and Evaluation and Financial Sustainability

The regression result showed that the coefficient of the financial monitoring and evaluation was positive and statistically significant, which means that the financial monitoring and evaluation does affect the financial sustainability of local NGOs in Addis Ababa. The measure had a p-value of 0.024, indicating that it was statistically meaningful at the 95 percent confidence level because it was less than 0.05. As a result, increasing financial monitoring activities would greatly boost local NGOs' financial sustainability. The coefficient value indicates that a one-unit increase in financial monitoring and evaluation, on average, will result in a 28.7 increase in financial sustainability of NGOs. This implies that policy and practice for project performance should be carefully evaluated and the results of that evaluation feed-back into improved approaches.

This study result is consistent with Kamwana and Muturi (2014) who studied the effects of financial management on performance of World Bank funded projects in Kenya. The study found that financial planning, financial monitoring, financial evaluation and financial controls (some measures of accountability) contributed a lot to project performance with coefficient of determination 0.89. Ernest (2012) who established the same result in his study focused on organizational factors influencing sustainability of local non-governmental organizations in Ghana. Those findings were complemented by the findings of Kakumani and Prabhakar (2014) who found out that monitoring and evaluation practices brought about donor confidence and hence affecting level of financing available to the firms.

4.7.3. Financial Control and Financial Sustainability

The study result indicated that the coefficient of the financial control was positive and statistically significant, which means that the financial control does affect the financial sustainability of local NGOs in Addis Ababa. The coefficient value indicates that a one-unit increase in financial monitoring and evaluation, on average, will result in a 46.4 increase in financial sustainability of NGOs. This implies that strong financial controls improve on the data being issued to the management and help safeguard the assets of the organization and thereby financial sustainability of NGOs (Kamwana & Muturi, 2014).

This result is in line with the findings of Weerawardena et al. (2010) who noted that strong financial controls are the key elements of a good financial management system in the NGOs. According to Kabdiyeva (2013), an organization exercises good governance when it has an internal system of checks and balances that ensures public interest is served and protected. Abdulkadir (2014) states that the application of internal control systems has the potential to help in the effective and efficient delivery of services. As a result, an NGO that implements proper financial control procedures would greatly boost its financial sustainability.

Furthermore, the study result showed that all accountability factors such as financial planning, financial control, and financial monitoring and assessment, have a constructive and meaningful effect on financial sustainability. As a result, a unit increase in these independent variables would result in a substantial unit increase in the local NGOs' financial sustainability level as indicated in the regression coefficient.

The results were close to those of Nturibi (2004), who believes that for an NGO to be viable, stable financial systems are needed to promote transparency and cash flow forecasts. The following regression model was fitted using the model coefficients table.

$Y = 0.224 + 0.291 X1 + 0.287X2 + 0.464X3$

Whereby; Y refers to financial sustainability, X_1 is the Financial Planning, X_2 is the Financial Monitoring and Evaluation practices and X_3 is the Financial Control practices.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1. Introduction

This chapter summarizes the observations from Chapter 4, as well as the conclusions and recommendations. The chapter further discusses the study's future research directions

5.2. Summary of Findings

The thesis aimed to ascertain the impact of financial transparency on the financial sustainability of Addis Ababa-based local NGOs. Only budget preparation was found to have a high level of adoption, while the others had modest levels of adoption, with stakeholders' interest having the lowest level of adoption. Financial planning and financial sustainability had a Pearson Correlation of 0.438 and a p-value of 0.000, according to the correlation report. The positive coefficient showed that strategic planning had a positive impact on the financial sustainability of non-governmental organizations. At the 95 percent confidence mark, the p-value0.05 showed that the positive impact of financial planning was important. As a result, an NGO that implements sound financial planning activities would greatly increase financial security by ensuring that all of the NGOs' financial resources are properly accounted for.

The study also aimed to determine the effect of financial monitoring and assessment on the financial sustainability of local NGOs operating in Addis Ababa. Financial monitoring and Evaluation activities in local non-governmental organizations (NGOs) were developed to have moderate levels of adoption, with the functional internal financial monitoring department having the highest level of adoption. Financial monitoring and assessment, as well as financial sustainability, were found to have a Pearson's coefficient of association of 0.597 and a p-value of 0.000. The positive coefficient showed that financial reporting and assessment had a positive impact on the survival of local non-governmental organizations. At the 95 percent confidence level, the p-value0.05 showed that the beneficial impact of financial monitoring and assessment was meaningful. As a result, an NGO that implements effective financial reporting and evaluation activities would greatly increase financial sustainability by increasing clarity and financial responsibility.

Furthermore, the analysis sought to determine the impact of financial controls on the financial sustainability of local NGOs working in Addis Abeba. The results show that financial control mechanisms in NGOs were adopted to a modest degree, with value for money being calculated on all programs that were applied the most and budget performance reviews being communicated to donors. The Pearson's coefficient of association between financial control and financial sustainability was 0.685, with a p-value of 0.000. The positive coefficient showed that financial control had a positive impact on the survival of non-governmental organizations. At the 95 percent confidence level, the p-value0.05 showed that the positive impact of financial control was important. As a result, an NGO that implements effective financial control activities would greatly increase financial security by controlling the inflow and outflow of capital within the organization.

The study's ultimate goal was to determine the impact of financial transparency on the financial sustainability of local NGOs working in Addis Abeba. Multiple regression analysis was used to accomplish this aim. According to the results, accountability has a significant positive impact on financial sustainability. Accountability has a favorable impact on financial sustainability, according to the coefficient of association of 0.709. As a result, accountability accounted for up to 48.3 percent of the variance in financial sustainability. The p-value of 0.05 indicates that accountability has a major positive impact on the financial sustainability of local non-profit organizations operating in Addis Ababa. As a result, providing well-structured financial governance mechanisms in NGOs would significantly improve their financial sustainability by maintaining clarity and dependability in financial operations.

5.3. Conclusions of the study

Based on the results, the study concludes that local NGOs' financial planning activities were comparatively poor. Financial monitoring and Evaluation activities in local NGOs were adopted to a moderate extent, with the functional internal financial monitoring department providing the highest level of acceptance. Similarly, the report concludes that financial monitoring and evaluation activities in non-governmental organizations had moderate extents of adoption. This suggests that accounting practices in local NGOs are not completely implemented, which may explain why the majority of local NGOs are facing low levels of sustainability.

The study found that financial forecasting, financial monitoring and assessment, and financial control all have a positive and meaningful impact on the financial sustainability of local non-profit organizations. As a result, the report states that financial forecasting, financial monitoring and assessment, and financial controls should be implemented. As a result, financial transparency is a significant determinant of the financial sustainability position of the NGOs.

The study's overarching goal was to determine the impact of transparency on the financial sustainability of local NGOs operating in Addis Ababa. According to the study result, financial transparency has a significant positive impact on financial sustainability. As a result, improving NGO financial transparency processes would increase the competitiveness of NGOs. As a result, the poor financial sustainability faced by NGOs is attributed in part to a lack of adequate financial transparency practices in the NGOs. As a result, accountability practices are critical in achieving better financial performance in NGOs.

5.4. Recommendations of the study

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

- The report found that non-governmental organizations (NGOs) did not adequately implement accountability practices. As a result, the study proposes that management at local NGOs should emphasize on accountability practices as one of their main strategies. Local NGOs' administration must improve various accountability practices, such as budget monitoring, overhead ceilings, financial reporting, financial plan review, and stakeholder engagement. Through doing so, NGOs' financial sustainability will be greatly improved, as will their overall results.
- The study recommends that local NGOs should develop proper and reliable accountability measures to monitor results, increase credibility, and accountability. The study also suggests that in order for local NGOs to gain trust from financiers, they should be accountable by implementing effective financial controls and partnering with an existing NGO or obtaining funding from a well-known organization.
- The study further advises that all local NGOs' management should ensure that their

organizations have financial governance processes and protocols in place so that boards and officers recognize their fiduciary obligations to ensure NGO funds are adequately handled and charitable purposes are carried out. The research further suggests that local NGO management should closely review strategy and procedure for accountability practices, and that the outcomes of the assessment input be used to strengthen accountability mechanisms.

5.5. Suggestions for Further Research

The aim of this analysis was to look into the impact of accountability on the financial sustainability of local non-governmental organizations (NGOs) operating in Addis Abeba. The study suggests that further research be conducted on the impact of financial accountability on NGO financial sustainability, especially for those NGOs operating in other parts of the country.

This will confirm the findings and enable generalization of the findings. The study was also done on only local NGOs operating in Addis Ababa, this meant that the findings are applicable to only those NGOs. A repeat study is therefore recommended where other categories of NGOs will be studied. This will validate the results and enable them to be generalized. The research was also limited to local NGOs working in Addis Abeba, so the results are limited to those organizations. Another analysis of different types of NGOs is also advised.

References

Abraham, A. (2003). Financial Sustainability and Accountability: A Model for Nonprofit Organizations. AFAANZ 2003 Conference Proceedings, 6-8 July 2003 (p. 26). Brisbane, Australia: AFAANZ.

Abongó F. O. and Ombaba K. B. M., (2018). Financial Management Capacities and Financial Sustainability of Community Based Organizations in Turkana County, Kenya. *Africa International Journal of Multidisciplinary Research* (AIJMR), 2 (3), 59-69.

Agyemang, G., Awumbila, M., Unerman, J., & Dwyer, B. (2009). *NGO Accountability and Aid Delivery*. Technical Sustainability Report: ACCA Global Publication

Akintola, O. (2011). NGO Accountability and Sustainable Development in Nigeria. *Journal of modern accounting and auditing, 7*, 67-75.

Anthonia, O. U. (2013). *Non-Governmental Organizations (NGOs), Conflict and Peace Building in Nigeria*. Open Journal of Philosophy Vol.3, No.1A, 207-212

Anthony, N., & Young, W., (2003). *Management Control in Non-profit Organizations*. Burr Ridge, IL: McGraw Hill.

Ayom, A. A. (2013). *Internal Controls and Performance in NGOS: A Case of Management Sciences for Health South Sudan*. Unpublished Bachelor's Degree in Business Administration project, Cavendish University Uganda.

Ashoka, J. & Mango, K. (2015). An Assessment of NGO’s Institutional Performance; South-Western Publishing.

Barney, J. B. (2001), “Is the Resource-Based “view” a Useful Perspective for Strategic Management Research? Yes.” *Academy of Management Review*, 26,1, 41-56.

Bezjian, J., Holmstrom, W., Kipley, D. (2009). Creating not-for-profit organizational legitimacy during periods of economic constraints and diminishing donor resources. *The Business Renaissance Quarterly, 4*(4), 49-67.

Brinkmann, J. &Henriksen, A. (2002), Vocational ethics as a subspecialty of business ethics, *Journal of business ethics*, 81, 623-634

Burgess, O., & Akers, R., (1966). A Differential Association-Reinforcement Theory of Criminal Behavior. *Social Problems Journal*, 14: 363-383.

Carroll, R., & Stater, T. (2009). Understanding Sustainability of not for profit organizations: Resource Guide. New Delhi: Vikas Publishing House PVT Ltd.

Cressey, H. (2003). *Responsibility and Detection in Management Fraud; Reading and Cases in Auditing*. Dame Publications, Houston, TX.

Cooper, D.R and Schindler, P.S. (2003). *Business research methods*. Irwin: McGraw- Hill. Cressey, H. (2003). *Responsibility and Detection in Management Fraud; Reading and Cases in Auditing*. Dame Publications, Houston, TX.

Creswell, J.W. (2003). *Research design: Qualitative, Quantitative, and mixed methods*. Sage Publication: Los Angeles

Cronbach, L. J. (1951). *Coefficient alpha and the internal structure of tests*.

Ebrahim, A., &Kasturi, R., (2010). *The Limits of Non-profit Impact: A Contingency Framework for Measuring Social Performance*. Harvard Business School, Working Paper 10-099

Edmund, E., (2010). *Key Factors Influencing the Sustainability of Local NGOs In The Wassa East And Wassa West Districts Of The Western Region of Ghana.* MSC Thesis. University of Cape Coast

Ernest L. O. (2012).Organizational factors influencing sustainability of local non- governmental organizations: Lessons from a Ghanaian context. *International Journal of Social Economics* 39 No. 5, p. 330-341.

Fanning, K. &Cogger, K. (1998), Neural network detection of management fraud using published financial data. *International journal of intelligent Systems in Accounting, Finance & Management,* 7 (1), 21-41.

Field, A. (2013). *Discovering statistics using SPSS*. 4th ed. London: Sage.

Filly, W., (2005). *Oh So Sharp cut above the rest.* Glasgow Herald

Ganesh, K., Swami, D., and Shaik, U., (2015). Financial Sustainability: A Model to Govern the Non-Profit Organization. *International Journal of Business and Administration Research Review*, 3: 10, 242-246

Gitonga, I., (2014). *Determinants Influencing Sustainability Of Orphans Donor Funded Project Of Church Based Organisation In Kenya: A Case Of Zoe Ministry*. MBA Project, Kenyatta University.

Goddard, A., & Assad, M., (2006). Accounting and Navigating Legitimacy in Tanzanian NGOs. *Accounting, Auditing & Accountability Journal*, 19 (3), 377-404.

Goddard, A., & Assad, M., (2006). Accounting and Navigating Legitimacy in Tanzanian NGOs. *Accounting, Auditing & Accountability Journal*, 19 (3), 377-404.

Goodhart, C.A.E. (2004), “Financial supervision from an historical perspective: was the development of such supervision designed, or largely accidental?”, paper presented at the Structure of Financial Regulation, Bank of Finland Conference, mimeo

Harrison, W., Horngern, C., Thomas, C. &Suwardy, T. (2011), *Financial Accounting. International Financial Reporting Standards*. 8th ed, Sage Publication: London.

Hassan, A. & for had, A. (2013). *The role of NGOs in the Sustainable development in Bangladesh*. Present Environment and Sustainable Development, VOL. 7, no. 2,

Hinkle, D. E. & Oliver, J. D. (1983). How large should the sample be? A question with no simple answer? or... Educational and Psychological Measurement, 43, 1051- 1060.

Johnson, G., & Scholes K., (2007). E*xploring corporate strategy. Dorling Kindersley (India) P Source:* PVt ltd, New Dehli.

Jordan, L., &Tuijl, P. v. (2012). *NGO Accountability: "Politics, Principles and Innovations"*. London: Routledge

Juma, K., (2012). *An Examination into Factors Affecting Sustainability of Donor Funded Community Development Projects in Bungoma County*. MBA Project, Kenyatta University.

Kamwana, C., &Muturi, W., (2014). Effects of Financial Management on Performance of World Bank Funded Projects in Kenya: A Case of KPLC Projects. *European Journal of Business Management*, 2 (1), 370-384.

Karanja, J., &Karuti, J., (2014). Assessment of Factors Influencing Financial Sustainability of Non-Governmental OrganisationsinIsiolo County, Kenya. *International Journal of Economics, Commerce and Manageme*nt. II, 9

Kerlinger, F. (1986). *Foundations of behaviour research* (3rd ed.). New York: Holt, Rinehart, and Winston.

Kihato, C. and Rapoo, T. (1999), "An independent voice? A survey of civil society organizations in South Africa, their funding and their influence over the policy process", Research Report No. 67, Centre for Policy Studies, Johannesburg.

Kristin, W., (2014). Non-*Profit Financial Sustainability.* A Master of Arts thesis in Interdisciplinary Studies. Dalhousie University

Lewis, A. (2012). Organizational Development and Sustainability of NGO in Central and Eastern Europe. *CEU Political Science Journal*, 2, 3

Lin, W., Hwang & Becker, J. (2003). A fuzzy neural network for assessing the risk of fraudulent financial reporting. *Managerial Auditing Journal*, 18 (8), 657-665.

Ludwig, G., and Pemberton, J., (2011). A managerial perspective of dynamic capabilities in emerging markets: the case of the Russian steel industry. *Journal of East European Management Studies*, 16(3), pp. 215–236.

Martha Dubiwak (2017). "Assessment of Resource Mobilization and Its Management in Local NGOs (The Case of Local NGOs in Addis Ababa)". MSc Project, Addis Ababa University.

Martz, W. (2013), “Evaluating organizational performance: rational, natural, and open systems models”, *American Journal of Evaluation*, 34, 3, 385-401.

Mason, C.H. and Perreault, W.D. (1991). “Collinearity, Power, and Interpretation of Multiple Regression Analysis”. *Journal of Marketing Research*, 28(3), 268-280.

Mawanda, S., (2008). *Effects of Internal Control System on Financial Performance in an Institution of Higher Learning in Uganda: A case of Uganda Martyrs*. Uganda Martyrs University.

Mbugua, P., (2013). *The Effects of Financial Accountability on the Performance of Non-Governmental Organizations in Kenya.* University of Nairobi MBA project

McCarthy, J., and Zald, M., (1977). Resource Mobilization and Social Movements: A Partial Theory. *The American Journal of Sociology*, 82, 6, pp. 1212-1241

MelakuAyalew (2018). “NGO Governance Practice and Challenges: A Study on NGOs in Ethiopia”. EMBA Project, Addis Ababa University.

Moore, M.H. (2000). Managing for value: organizational strategy in for-profit, non-profit, and government organizations. *Non-profit and Voluntary Sector Quarterly*, 29(1), 183-204.

Mpofu, P. (2012).Cultural Capital and the Sustainability of NGOs’ Development Programs in Zimbabwe: An Integrative Approach. *Journal of Sustainable Development*; 5, 10

Mugenda, A. and Mugenda, O (.2003). *Research methods; quantitative and qualitative approaches.* Africa Center for Technology (ACTS), Nairobi Kenya

Murithi, C.,(2014). *Factors that affect sustainability of non-profit organisations in Kenya*. Unpublished MBA Project, USIU.

Ngahu, S., &Mutinda, M., (2016). Determinants of Financial Sustainability for Non-Governmental Organizations in Nakuru County, Kenya. *IOSR Journal of Business and Management* 18(9)

Nganga, S., Jain V., &Artivor, M., (2003). *Corporate Governance in Africa: A Survey of Non-*

Governmental Organizations. London Business School

NGO Nikkhah, A. H. &Redzuan, M. B. (2010).The Role of NGOs in Promoting Empowerment for

Sustainable Community Development. *J Hum Ecology Journal,* 30(2): 85-92 Njoroge, B., (2013). *An Investigation on The Factors Influencing Sustainability Of NGO'S In Kenya.*MSC Finance Project, University of Nairobi.

Nturibi, D., (2004). *A case study of the integrated community care and support project in Kenya*. Family Planning Promotion Services, Nairobi.

Nuka, D., (2010). *Sustainability of NGOs in Kosova: Challenges of the third sector and the ways forward.* Master of Science Degree in Service Management at the American university in Kosova

Obo, D., (2009). *Microfinance in Ethiopia, Elixir or Poison?* PhD thesis. Institute of Social Studies, Hague, Netherlands

Odhiambo, O., (2013). *Accountability of donor funding by Non-Governmental organizations in Kisumu County*. Unpublished MBA Project, University of Nairobi.

OECD (2011). *Public Governance: Policy Framework for Investment User's Toolkit*. Available at www.oecd.org/investment/pfitoolkit.

Omeri, L., (2015). Factors influencing financial sustainability of NGOs in Nakuru County, Kenya. *International Journal of Economics, Commerce and Management* 3(2).

Owolabi, A.A. (2010). *NGO Accountability and Sustainable Development in Nigeria*. Lagos: Pan-African University

Pallant, J. (2010). *SPSS Survival Manual. A step by step guide to data analysis using SPSS* (4th ed.). Melbourne: Open University Press.

Pearce, A. and Robinson, R. B. (2003). *Strategic managements: formation, implementation and* *control.* McGraw Hill.

Pratt, V. & Hailey, J. (2012). Understanding Private Donors in International Development, Briefing Paper 31, INTRAC, Oxford.

Pretorius, C. and Pretorius, N. (2008), Review of Public Financial Management Reform Literature, DFID, London.

Rabi'u A., Noorhayati M., & Muhammad S. (2015). Fraud Triangle Theory and Fraud Diamond Theory: Understanding the Convergent and Divergent for Future Research. European Journal of Business and Management, Vol.7, No.28.

Rosetta, T.A. (2010). *Successful Models of Non-Governmental Organizations in Consultative Status: Best Practices in Education*.

Seblewongel Endashaw (2015). "Assessment of Financial Management Practices in Selected International Non-Government Organizations Working in the Health Sector". MBA Project, St. Mary's University.

Sekaran, U. (2010) *Research Methods for Business: A skill Building Approach* (5th Edition.) USA: John wiley & Sons Publisher

Siddaraju, V.G. (2010). Role of non–governmental organizations in promoting sustainable agriculture development in Karnataka. *International NGO Journal*: 6 (2), pp. 057-061

Tam, K. & Kiang, M. (2012). Managerial applications of neural networks: the case of bank failure prediction. *Management Science*, 38, 7, 926–947.

Tooley, S. & Hooks, J. (2009). *Public Accountability: The Perceived Usefulness of School Annual Reports.* Paper Presented at 23rd ANZAM Conference 2009 on Sustainable Management and Marketing, Southbank, Melbourne

Tuckman, W., & Chang, A. (2009). Sustainability: World Vision Transformational Development Indicators. New Delhi: Vikas Publishing House.

United States Agency for International Development (USAID, 2010). *NGO Sustainability Index* *for Sub-Saharan Africa.* Bureau for Africa: Office of Sustainable Development

Wandera, T. V., & Sang, D. P. (2017). Financial Management Practices and Sustainability of Non-Governmental Organizations Projects in Juba, South Sudan. *International Journal of Finance*, *2*(4), 38–57. https://doi.org/10.47941/ijf.113

APPENDICES

Appendix I: Questionnaire

This study seeks to find out the **effect of accountability on financial sustainability of local non- government organization operating in Addis Ababa.** Please answer all the study questions as honest as possible. All information obtained will strictly be used for academic purpose only and treated strictly confidential.

SECTION A: BACKGROUND INFORMATION

1. How many years have you worked with the NGO or within NGO sector?

   Less than 2 years ( )

   2 – 5 years ( )

   5 – 10 years ( )

   Over 10 years ( )

SECTION B: NGO ACCOUNTABILITY

2. To what extent do the following **financial planning practices** apply to your non-governmental organizations? Use a scale of 1 to 5 where 1 is to strongly disagree, 2 disagree, 3 is neutral, 4 to agree and 5 to strongly agree.

Financial Planning Practices	1	2	3	4	5
1. The NGO prepares budgets on annual basis that guide spending for the NGO					
2. Expenditure outside the budget requires directors approval and must be fully justified					
3. Administration and overheads expenditure have a ceiling which is set in relation to expected funding					
4. There is full and accurate reporting on the financial planning to the stakeholders.					
5. In Financial planning, management seeks counsel and guidance from professional advisors.					
6. Financial proposals are analyzed and debated vigorously by all stakeholders before they are approved and implemented.					

7. Stakeholders of the organization participate in budgetary process.					

3. To what extent do the following **financial monitoring and evaluation practices** apply to your nongovernmental organizations? Use a scale of 1 to 5 where 1 is to strongly disagree, 2 to disagree, 3 is to neutral, 4 to agree and 5 to strongly agree.

Financial Monitoring and Evaluation Practices	**1**	**2**	**3**	**4**	**5**
1. There exist a fully functional internal financial monitoring department including internal audit					
2. NGO expenditure is continuously monitored in relation to the budget and the planned use of NGO funds					
3. Financial transactions are recorded immediately they occur to facilitate finance monitoring					
4. Financial statements and management reports are timely and reliable.					
5. Financial statements and reports are prepared and presented following internationally accepted accounting principles and practices.					
6. Evaluation programs are conducted at completion of projects					
7. The results of monitoring and evaluation exercises is communicated to the stakeholders					

4. To what extent do the following **financial control practices** apply to your nongovernmental organizations? Use a scale of 1 to 5 where 1 is to strongly disagree, 2 to disagree, 3 is to neutral, 4 to agree and 5 to strongly agree.

Financial Control Practices	**1**	**2**	**3**	**4**	**5**
1. Value for money is determined on all projects					
2. Variances of the budgets is communicated annually to stakeholders and full justification obtained.					
3. There are unacceptable variances on budgets that the management must seek approval from the stakeholders					
4. Budget performance reports are communicated to the donors and other financiers					

SECTION B: NGO FINANCIAL SUSTAINABILITY

5. Kindly indicate the extent to which the following aspects of financial sustainability applies to your organization. Use a scale of 1 to 5 where 1 is to strongly disagree, 2 to disagree, 3 is to neutral, 4 to agree and 5 to strongly disagree.

Financial Sustainability Measure	1	2	3	4	5
1. NGO annual statement of income and expenditure always has surplus					
2. NGO funding is fully diversified.					
3. The organization has less percentage of fixed cost as compared to total cost.					
4. The organization has a positive operating margin ratio.					