



UNIVERSITY
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**AN INVESTIGATION INTO THE FINANCIAL SUSTAINABILITY
STRATEGIES FOR NGOs IN ZAMBIA; A
CASE STUDY OF ABT ASSOCIATES ZAMBIA**

By

Rachael .S. Mangango

Student No. 000960811

Supervisor

Dr. Kelvin Mukolo Kayombo

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DECLARATIONS

I affirm that this is my work and that all sources used have been specified and recognized by means of citing them using the Harvard method of referencing. This paper has been prepared by myself for this coursework.

RACHAEL .S.MANGANGO

DEDICATIONS

I wish to dedicate this research to my dear parents Mr. Albert & Mrs. Kalumbu Mangango who gave me the never-ending inspiration that education equalizes all humanity. This achievement brings joy, honor and pride on their faces.

This work is mostly dedicated to my Gorgeous Angels; Quisu-Aniyah, Tony-Mumu & Adriel-Yando, whose love and support I felt so strongly not overlooking my Dear husband Maposa who had to endure long hours of my absence due to this commitment. I can't thank you enough; my love for you knows no bounds.

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ABBREVIATIONS AND ACRONYMS

ACCA- Association of Chartered & Certified Accountants

DDR- Donor dependency ratio

DFID – Department for International Development

MANGO-Management Accounting for Non-Governmental Organizations

MFA- Mixed funding approaches

NGO – Non Governmental Organization.

NSR- NGO survival ratio.

USAID –United States Agency for International Development.

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Abstract

Purpose – This dissertation has got the primary aim of examining the possibilities of local non-governmental organizations to be financially sustainable. This is done with the help of a case study of Abt Associates – an American NGO operating in Zambia.

Research design/methodology – The study uses a mixed methods approach that contains qualitative, quantitative data and the case study approach. This is done with the help of secondary data from Abt Associates and primary data based on the responses of the respondents. Based on these, the findings of the research are derived.

Findings – The study finds that most of the NGOs have problems of maintaining financial sustainability because their source of funding is primarily from international donors. In case the donor withdraws the funds or the program comes to the end, the local NGO goes into voluntary liquidation. The study goes on to recommend ways in which the NGOs can improve their liquidity position by diversifying their sources of funding and by utilizing some of the non-traditional sources of funding on the market like debt instruments or income generating activities.

Limitations – It would definitely have been advantageous to include more NGOs and apply more liquidity ratios unlike just the Donor Dependency Ratio and the NGO Survival Ratio. The other limitation was the limited knowledge of respondents on the theories and practice of financial sustainability. However, these limitations did not compromise the accuracy and validity of the findings.

Recommendations – The primary recommendation coming out of this study is that NGOs should diversify their sources of financing in order to achieve financial sustainability. They also need to be dynamic in their operations, i.e. to change their mandate to be in line with the global social business environment. The NGOs should also be constantly monitoring their liquidity levels so as to assure continuity of operations.

Value – The primary contribution of this study is to alert NGOs about maintaining financial sustainability and bringing to their attention the necessity of continuity of programs in spite of some donors withdrawing their funding or the winding up of some programs.

Key Words: Financial Sustainability, NGO Management, Abt Associates, Zambia

CHAPTER ONE: INTRODUCTION

1.1 Chapter Introduction

The role and impact of non-governmental organizations (further referred herein to as NGOs) in the various activities of countries (especially developing countries) has increased dramatically. This has been due to massive social needs of developing countries' communities, globalization and technological advances that have reduced the distance (both geographical and cultural) amongst nations. According to Oluwafemi (2012), the World is divided into the rich North and poor South and in economic terms, the North has a population one quarter of the world and controls four-fifths of the income earned anywhere in the world. 90% of the manufacturing industries are owned by and located in the North. On the other hand, the South with four-fifths of the World population has got only one quarter of the World's population. This has resulted in global inequality and consequently, has got its own social ills.

The social ills are clearly manifested in the differences in living standards. Consequently, NGOs have sprung whose primary role is to reduce this gap between the two divides of the World by providing medicines, teaching people good health habits, improved education, increasing the role of women in society, empowering women, caring about children (especially the girl child) and many other activities aimed at improving the living standards of the people.

This dissertation is aimed at showing the financial difficulties that NGOs face in raising financing for their activities. However, the major issue is the financial sustainability of the NGO. This dissertation is being written in partial fulfillment of the requirement for the Greenwich MBA degree.

This chapter is organized in such a way that the dissertation highlights the problem statement, significance of the research, scope of the research, research objectives, research questions, background history of the chosen organization, and above all, give insight into the context of the title namely, the Financial Sustainability Strategies for an NGO in Zambia –A case study of Abt Associates Zambia.

1.2 Introduction

Zambia's history of benefiting from Foreign Aid dates back to the country's post-independence period starting from the mid-1970s when the country suffered a drop in copper prices and donors came to her rescue with enthusiasm. The positive response of donors to increase aid to this country opened doors for the creation of Non-Governmental Organizations (NGOs) and the relocation of already existing ones from Europe such as Save the Children, Oxfam, and Plan International to extend their charitable activities as postulated by Manji and O'Coill (2002). The gradual withdrawal of state participation in the economy in most of the African countries, especially the provision of public services created a vacuum in this area, which was quickly filled up NGOs.

Today, NGOs play a vital role in the Zambian economy and society due to the failure by government to offer public services of high standard, especially in the health and educational sectors (Mwansa, 1995). Many have come to help solve problems such as poverty, malnutrition, malaria, cholera, and AIDS, among many others. Yet others have come to solve new problems such as the fight against cervical cancer among women.

One thing all the NGOs have in common is that they seek funding for their projects which happen to be noble causes that are poorly funded by the government. There is therefore stiff competition amongst them in sourcing for funds. This research is intended to look at the financing options that are at the disposal of NGOs, in particular those that can provide the NGOs with long term operational and financial sustainability.

1.3 Background of the Research (Abt Associates)

As described above, most of the NGOs have the primary problem of maintaining financial sustainability throughout their lifespan or program time. The same applies to Abt Associates Zambia that will be a case study example applied in this case. From the onset it must be made clear that Abt Associates Zambia is part of the global American NGO - Abt Associates Inc. whose primary activity areas of focus globally are: Education, Food Security, Agriculture, Environment, Energy, and Governance and Justice.

Abt Associates is an International profit-making company with the home office in Bethesda, United States but it is a Not- for- profit organization in many parts of the world including

Zambia. Globally, it has a labor force of above 3,000 staff and in Zambia it has about 95 employees (Abt Associates, 2017).

In the year 1998, Abt Associate Inc. came to Zambia with the mandate to improve the provision of health care delivery services particularly targeted at children (Abt Associates, 2017). With time and the increased funding from USAID and DFID, it extended its services to include health provision for family planning to reduce mortality rates among pregnant women, and also family planning methods to adolescents who drop out of school because of early pregnancies. It also diverted into the prevention of malaria with the knowledge that malaria is one of the number one killers in Africa. Additionally, it has gone further to improve the health systems by strengthening the partnership with the Zambia Ministry of Health.

This dissertation focuses on the financial sustainability of these projects because one of the projects that are being funded by DFID is coming to an end in October 2018; and another one under strengthening health systems has its staff reduced in May this year, 2018 due to reduced funding from USAID under the government- to- government funding arrangement. Abt Associates has no capacity to continue without the two funders.

The purpose of this research is to scan the financial pools that are available that Abt Associates can utilize to maintain its long term existence and find alternative means to enhance its financial stamina so that it can widen its scope on the services rendered in this country.

1.4 Research Problem & Questions

1.4.1 Research Problem

Not-for-profit organizations do not generate their own income but rather they rely on the Aid from donors. In the case of developing countries, most of these donors are foreign institutions. This reliance on donor funding has created the need for NGOs to apply competitive strategies in order to win funding bids. The intention is for the NGOs to outplay their rivals in the hunt for financial resources and to find alternative funding strategies for their long term sustainability. Abt Associates in Zambia therefore needs to devise strategies to increase and diversify their funding sources as well as make themselves attractive to prospective donors. The pot of funding for donors is limited as it is being competed for by NGOs all over the world.

1.4.2 Research Aims

The research aims of this study are as follows:

- RA1 To find out the various methods of how NGOs finance their activities.
- RA2 To show NGOs the alternative ways of financing NGO activities
- RA3 To propose financial strategies to be adopted by NGOs so as to ensure financial sustainability.

1.4.3 Research Objectives

The research objectives of this paper are as follows:

- **RO1:** To identify alternative ways of financing, NGO activities so as to ensure financial sustainability in Abt Associates.
- **RO2:** To identify financial instruments this will provide financial sustainability for NGOs in Zambia, in particular Abt Associates.
- **RO3:** To identify financial strategies which provide financial sustainability to the NGOs in the absence of donor funding for Abt Associates.

1.4.4 Research Questions

With regard to the dwindling funding to Zambia by the pronouncement of the government and international community that Zambia has moved from a low income country to a middle income status, the research aims to define in 1.4.2 above, three questions namely:

- **RQ1:** What financing options are available to NGOs in Zambia that Abt Associates can adopt?
- **RQ2:** What financial instruments are available to NGOs in Zambia that Abt Associates can utilize?
- **RQ3** What strategies can Abt Associates adopt to enhance its long term financial sustainability?

The three objectives **RO1, RO2 and RO3** will direct how the research flows. The three research aims are to be accomplished by scrutinizing the research questions **RQ1, RQ2 and RQ3**.

1.5 Theoretical Background

For any organization to succeed, it must have the three major resources that are a prerequisite to its success namely, capital, human resources, and a product or service. Research has shown that the most important of this is human resource followed by capital (Barney, 1991). However, one can exist without the other. In this paper, we are concentrating on capital, especially the financial sustainability of an organization.

Financial sustainability can be understood to be the capability by the organization to maintain financial liquidity over time. Financial sustainability refers to the ability to maintain financial capacity over time as revealed by Bowman (2011). Regardless of an organization's status, whether for-profit or nonprofit, the challenges of establishing financial capacity and financial sustainability are central to an organization's function. Financial sustainability is one characteristic of an organization that has the capacity to survive the competition.

Organizational sustainability is the capacity of any firm to secure and achieve sufficient resources to aid it to fulfill its mandate effectively and consistently over time without too much dependence on any single funding source (Ceptreanu, *et al.*, 2017). For any organization to be sustainable, it must continuously scan its environment by conducting both SWOT and PESTEL analysis to know its internal and external threats. It should also evaluate its market attractiveness and competitiveness by examining its position on the market by using the Ansoff's Matrix model, Porter's Five Forces model, the BCG model and also Porter's Value Chain model (Johnson *et al.*, 2008).

Furthermore, sustainability requires an organization to carry out performance appraisal by using a model such as the Balanced Scorecard model of Kaplan & Norton in order to internally and externally benchmark its performance over time and against other players in the market. The BSC model examines performance from four perspectives namely, Customer, Internal Processes, Learning and Innovation, and Financial perspectives.

1.6 Dissertation Structure

The structure of this dissertation is presented as follows: Chapter 1 is Introduction; Chapter 2 is Literature Review which is used to respond to the raised questions; Chapter 3 outlines the research methodologies used to analyze the data collected; Chapter 4 is about research findings, the presentation of data captured through the questionnaire responses and interviews conducted

and; Chapter 5 is explanation of the findings from all sources. Finally, Chapter 6 is conclusions and recommendations based on the findings.

1.7 Chapter Summary

This chapter has clarified the topic area and explained the rationale that led to the title of this dissertation. The research is about the financial sustainability strategies for Abt Associates Inc. being one of the oldest NGOs in Zambia and has also presence in 60 other countries around the globe. Abt Associates has three major projects in Zambia funded by USAID and DFID. The Organization has been in existence in the country for more than twenty years providing health care delivery services ranging from family planning to malaria prevention, and strengthening health systems by working together with the Zambian Government Ministry of Health.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter scrutinizes information published regarding financial sustainability of NGOs in relation to funding sources and strategies of raising finances that rely on key organizational attributes. Additionally, the types of NGOs will be explained and their objectives, how they operate and why they exist and finally the challenges NGOs face in meeting their mandate. Furthermore, the donor motive to provide aid, strengths and limitations of foreign aid to both the recipient and contributor will be reviewed. Now the icing on the cake of this chapter will be done by looking at the models that enhance financial sustainability among NGOs.

2.2 Definition and meaning of NGO

Encyclopedia: Compiled and Edited by Nabhi's Board of Editors, (2005) defines NGO as an organization comprising persons that are free from government and have the interest of the community they want to serve at heart by giving them services which are largely humanitarian and not profitable. NGOs are usually local, national and international organizations in nature and are formed by ordinary citizens of any origin. According to Lewis (2009), NGOs are best-known for two different, but often interrelated, types of activity – the delivery of services to people in need, and the organization of policy advocacy, and public campaigns in pursuit of social transformation. NGOs are also active in a wide range of other specialized roles such as democracy building, conflict resolution, human rights work, cultural preservation, environmental activism, policy analysis, research, and information provision.

Whilst Nabhi defines an NGO as an organization not related to government but carrying out community services that are otherwise the domain of government, Lewis puts emphasis on the actual services conducted by the NGOs. Lewis' ranges of services for NGOs include those ones that can be considered by politicians as an undermining of their authority. Both authors have their own rights, but in modern times NGOs are organizations that provide services to the poor in developing countries. Nabhi's definition falls short of that while Lewis' definition is too wide for the scope of this work.

For the use of this dissertation, an NGO will be understood as a non-governmental organization. An NGO is any non-profit, voluntary citizens' group which is organized on a local, national or international level. NGOs perform a variety of services and humanitarian functions, bring citizen

concerns to Governments, advocate and monitor policies and encourage political participation through provision of information (Lekorwe and Mpabanga, 2007).

2.3 Theoretical Review

2.3.1 Resource Reliance Theory

The past few decades have been characterized by a growing body of profit-seeking public service areas with the understanding that profit-seeking organizations will deliver public services more efficiently than government can. These sectors include, but are not limited to, health care, corrections, education and garbage collection (Coupet and McWilliams, 2017).

According to Pfeffer and Salancik (1978) they maintain that organisations are only viable to the proportion of the immovability of their external environment. They further contend that external actors control the resources by applying demands on the organisation. The actors notice positive attributes in their association with the organisation and exercise power by controlling the resources. The deeper the dependence on external resources the higher the power forces from the funders to govern the beneficiary of the same resources.

Moore (2010) found that many NGOs depend on external funding and as such face uncertainty of being a going concern considering the drying pots of the donors. The financial conduct of an NGO is many a time determined by the level of resource availability such that when an organisation has varied resources the dependence levels are minimal and when the resources are limited, the dependence levels are heightened.

Willets (1995) revealed that external actors are dependent on NGOs in order to benefit from financial, tangible resources, information and social legality. The external actors come with rules to abide by and in most cases those rules conflict with the beneficiaries' goals. Ultimately NGOs will submit to the external actors for survival. Compliance with funders' conditions is critical to the existence of an NGO such that failure to comply has made many donors withdraw their funding and it has ended up with closure of such projects.

The argument to this theory is that NGOs can move off from dependency to self reliance or independence and that could result in financial sustainability. This is the essence of writing this dissertation to prove that a local NGO can achieve financial sustainability by reducing its dependence on donor funding by finding other sources of funding social projects.

2.3.2 Power Relations Theory

This theory basically puts emphasis on power relations that exist between those who have and those who want. This is a typical relationship between the donors and the NGOs. According to Stacie and Nexon (2016), power relations theory discusses the use of power to make public relations units more active, effective, and ethical in organizational decision making. Here, emphasis is put on who exerts influence between the donor and the NGO. It goes on to suggest that this is done in an active, ethical and effective (results-oriented) manner.

Then, there is the institutional approach to the power relations theory. DiMaggio and Powell (1983) are the neo-institutional theorists that developed the power relations theory. This theory seeks to bring out the similarities between the donors and the NGOs (beneficiaries of the resources). Coercive power is the type of power that uses force or threat and tries to hold back rewards as a form of punishment.

Wallace *et al.*, (2006) argue that the concepts of coercion and compliance nurture the relationship between NGOs in developing countries and international donors. Donor agencies regulate funding and consequently are in a position of power. These donors set the program and circumstances required for receiving funding (Markowitz and Tice, 2002).

According to Wallace *et al.* (2006) this coercion results in organizations consenting to the conditions of funding. Donors have control over the funding and can choose to withdraw their aid (Wallace *et al.* 2006). Abt Associates Zambia therefore, in most cases has to buy into the donor requirements in order to have funding. Failure to meet set conditions might lead to donor withdrawal and ultimately financial unsustainability leading to closure.

2.3.3 Institutional theory

The primary definition of institutional theory has been offered by Berthod (2017) which states that the institutional theory of organizations puts institutions at the core of the analysis of organizations' design and conduct. Institutions are further clarified as taken-for-granted beliefs, rules, and norms that shape the creation and spreading of organizational forms, design features, and practices. These, in turn, form the basis of action by all interested parties.

According to Scott (2004) institutional theory is the commonly agreed upon verbal position about myths and justice. Institutional theory of an Organization influences how the public's beliefs are met and gained by institutionalizing customs and guidelines. Institutional theory is

more concerned with the strong traits of the social arrangement. It takes into account the structures, routines, rules and norms so that they establish how they came up with strict guidelines for social behavior.

When it comes to donors and recipients, the financial stability aspect must take into consideration the institutional theory of where these funds will be implemented so that there is no conflict between the donor and society expectations. This theory is of importance to the donors so that they comply with the rules and regulations that control society's conduct and meet the expectations of the public. This ensures mutual understanding between both parties and attainment of the goals on either side.

From the analysis above, it can be concluded that the relationship between the donors and the NGOs is one based on power relations, i.e. who is in control (Berthod, 2017) and also the institutional theory which stipulates that the NGO is an institution that should operate according to the rules and regulations set by the donor institution (Scott, 2004).

2.4 Empirical Review

The empirical literature focuses on what other scholars and researchers have recognized about the main factors of financial sustainability of NGOs. The factors analyzed are sound financial management processes, income diversification, own income generation, and good donor relationship, management competence and measuring local NGO financial sustainability.

2.4.1 Good Donor relationship management

According to Lewis (2011), building good relationship with donors is one of the key factors to attaining financial sustainability in the not-for-profit sector. The good relationship aids the NGOs in being awarded more contracts in future due to the built-up trust from the past. Ali, (2013) concluded that donor relationship management contributed the greatest to NGOs financial sustainability, trailed by sound financial management practices, then income diversification and own income generation. On the other hand, Leon (2001) emphasized that all the four factors cannot be discussed in isolation as they were pillars of one concept and neglecting one would have adverse bearings on the comprehensive financial sustainability of the organization.

These three authors agree that the lifespan of the NGO depended on the good relationship existing between the donor and the NGO. Therefore, this requires local NGOs (the recipients) of

the help to have good negotiating tactics and also be able to effectively implement the agreed upon resolutions.

2.4.2 Own Income Generation

Financial freedom is attainable if an organization is able to generate its own income that it can use without restrictions. Own income is a most important support for any not- for- profit organization and it gives donors confidence in dealing with such projects. Some of the ways in which NGOs can generate income are from subscriptions from members, trust or endowment fund, sale of goods, fundraising ventures and alliances among others (Leon, 2001). This is very important for NGO's because it is the first step in achieving financial sustainability because having own income generating activities is the actual diversification of the NGO's financial position and the de facto independence from donors.

Lewis (2011) stressed that an organization was more financially sustainable if it raised its own income that gave it the liberty to implement projects the organization wanted, even if it had challenges to find local and international donors. Raising own income enabled NGOs to have savings that would be shown separately in the annual financial statements and can be used for unexpected events and help reduce donor-dependence and cash-flow shortages as well as strengthening the NGO's ability to endure external financial shocks (Lewis, 2011).

Leon (2001) argues that for NGOs to reach their full potential of achieving their goals, they need to find alternative long term strategies to generate income other than relying on grants and donations.

Some of the challenges faced by many NGOs in trying to source for own income included identity difficulties where members, stakeholders and government began to view the organizations as 'for-profit 'and blame them of mission drift. It happens that the NGO may not have capacity to do profitable activities as NGO staff are used to and trained for not- for-profit activities (Lewis, 2011). Mixing the profit making activities and the non-profit aid activities of the organization also came with legal problems as issues such as tax exemptions by some governments could be cancelled once the NGOs start undertaking income generating activities.

2.4.3 Income Diversification

Income diversification is the spreading of risk by having varied sources of income unlike relying on one major source or few sources, mostly external international ones. Lewis (2011) describes income diversification as the widening of scope for income sources to include both local and international ones.

Leon (2001) defines income diversification as a situation whereby 60 percent of the total aid should be spread at least among five or more donors. Diversification of income saves organizations from immediate closures when the major or reliable donors back out and that reduces on the going concern of many projects.

Norton (2009) defined a realistic funding mix for an NGO as being 50 percent from international donors, 20 percent from membership fees, 20 percent from community fundraising and 10 percent from other income sources. Income diversification minimizes the possibility of having zero funding since the probability that all sources will be affected by the same economic shock is eliminated as the financial risk incurred by the NGO has been diversified.

Inadequate resource mobilization expertise is prevalent among the majority of the people found in not- for- profit sector hence the challenge with resource diversification skills. The donor should engage in variety financial training to prepare the minds of aid recipients on ways of income generation and sustainability strategies.

2.4.4 Sound financial management practices

Lewis (2011) defined sound financial management practices as taking action on financial matters of NGOs with an outcome of meeting the overall organization objectives. Financial policies and procedures are vital in defining sound financial management practices.

According to Krug and Weinburg (2004) the aim of not-for- profit financial management is to make sure that revenue can be maintained whilst delivering essential services. Gunderson (2011) noted that for financial sustainability to flourish, effective financial management includes funds flow control systems, financial planning, budgeting systems, asset management systems, accounting policies and procedures, internal and external auditing systems, reporting and monitoring systems, information systems, financial analysis, and plan implementation are all indispensable. Gunderson (2011) confirmed that the goal ought to be to manage revenues and expenditures carefully, and to foster financial stewardship as well as cost containment.

Leon (2001) noted that many NGOs apply donor-based accounting which was risky as it did not give adequate internal controls for regular assessments and this type of accounting was susceptible to human error. Sound financial management practices, good governance, and accountability are the backbone for strengthening value for money that leads to cultivating financial sustainability. Sound management practices contribute to financial sustainability by producing accurate financial reports that are reliable and reveal accountability to donors and attract more funding.

From the discussion above, it can be seen that Leon (2011) proposes applying financial management techniques such as those used by organizations for-profit. But Krug and Weinberg (2004) remind us that the financial operations of the NGO is rather to prudently run its finances in such a way as to provide essential services to selected sectors of society. Gunderson (2011) goes to say that the NGO needs to strike a balance between its revenues and expenditure in a sustainable manner.

2.4.5 Management competence

In simplest terms, management competence should be understood as the capability by the manager to perform the managerial functions. According to Merika et al., (2014), they stated that the competence of an effective manager covers three areas, political, conceptual and human competence. Political competence includes the ability to enhance one's position, build a power base and establish the right connections. Conceptual competence is the mental ability to coordinate all of the organization's interests and activities. Human competence is the ability to work with, understand, and motivate other people, both individually and in groups.

Drucker (1990) says not-for -profit organizations are in greater need of good management and governance than the profit organizations because the not- for -profit have to be cognizant of their environment since they manage diverse funding sources.

According to Ansoff and Mc Donnell (2010) they both were cognizant of management competence as a fundamental factor to the triumph of any organisation, both not- for- profit and profit. The attributes to look out for in the management competence are personal (biography and socialising), educational qualification and professional experience tailored to the job at hand and in this case would-be handling of not- for- profit projects (Boterf, 1997).

Challenges that come with management competence in the NGO sector are that donors are not willing to spend much of their grants on administrative costs to recruit highly qualified and competent people. In trying to save on administrative costs, compromises may be made which will affect the calibre of management and therefore affects the service delivery.

Failure to get competent management brings about some of the principal -agency problems whereby staff will swindle part of the money meant for activities to cover up on the expected perks that are being denied them in the budgets.

2.4.6 Measuring NGO Financial Sustainability

Lewis (2011) stated that financial sustainability is the ability of an NGO to generate revenues locally or from external donors for the foreseeable future for implementing activities. He further stated that the measure of financial sustainability is equal to net income which is calculated by either subtracting expenses from revenue, or maintaining liquidity as being the available cash to use for operating costs and finally solvency –where assets must be more than liabilities.

In accounting terms financial sustainability is measured by the sum of the following ratios: operating ratio, current ratio, quick ratio, debt ratio, and asset recycle life period and debt services current ratio (ACCA, 2009). On the other hand Abdelkarim (2012), views financial sustainability from the point of view of having divergent funding base so that the organization can exist even long after the external donors have withdrawn their funding to an NGO.

Leon (2011) notes that financial sustainability can be analyzed from a positive balance sheet perspective whereby an NGO has the flexibility to respond to demands of the environment such as floods and droughts that are unpredictable and need urgent attention without seeking approval from donors.

The discussion above illustrates the importance of understanding the concept of financial sustainability. On one hand, Lewis (2011) put emphasis on the NGO generating its own resources (whether local or international), the ACCA (2009) looks at the issue from a typical accounting way. This is myopic as the accounting rules apply to for-profit organizations and might just not be appropriate for an NGO. Abdelkarim (2012) emphasizes the necessity for an NGO having a divergent funding base. This means that the author looks at the issue from the risk management perspective by diversifying the sources of funding. Finally, Lewis (2011) posits that financial sustainability is related to having a positive balance which in practice boils down to the

organization maintaining high levels of liquidity. In spite of these divergent views, the most important aspect still remains the same that financial sustainability depends on the organization maintaining its liquidity over a long time.

2.4.7 Financial Sustainability Ratios

Financial sustainability of an NGO can be calculated using the two ratios “Donor dependency ratio” and “Survival ratio” (MANGO, 2010; Lewis, 2011). The computation of these two ratios is explained below.

Donor dependency ratio

The “Donor dependency ratio” is calculated as follows:

$$\text{Total Donor Income} \times 100 / \text{Total Income} \quad [\text{expressed as a \%}]$$

The higher the donor dependency ratio the less financially sustainable an NGO is.

NGO survival ratio

The “Survival Ratio” is calculated as follows:

$$\text{General Reserves} \times 365 / \text{Total Income} \quad [\text{Results expressed in days}]$$

This “Survival Ratio” measures the number of days an NGO can survive based on its current general reserves (unrestricted funds).

2.5 Conceptual Framework

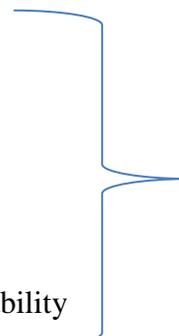
The Literature review in this chapter brings about the diagrammatic conceptual framework below:

Independent Variable

Good Donor Relationship Management
 Own Income generating
 Income Diversification
 Sound financial management practices
 Management competences
 Measuring Local NGO financial sustainability

Dependent Variable

NGO financial sustainability



Source: Leon, 2001.

2.6 Chapter Summary

NGOs financial sustainability can be traced back to a situation whereby an NGO depended solely on external donors with little or nothing generated by themselves in most cases. With the reduction in funding from donors we see most NGOs unable to be self-sustainable.

The Chapter reviewed the key factors that contribute to financial sustainability of not- for- profit organizations. These are sound financial management practices, good donor relationship, management competence, self -income generation and income diversification.

We move on to Chapter 3 that builds on from this Chapter and Chapter 1 by presenting the methods used for the empirical research of this assignment.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the approach that will be used in the design and execution of the study; including description of the procedures and methods of data collection and analysis. It describes the research design, the study area, study sample and sample selection, data collection procedures, data analysis and processing and the limitations of the study will be given and explained. Blumberg, *et al.*, (2014) stated that “The research design constitutes the blueprint for the collection measurement and analysis of data.” Thus a description is given on the methods that will be selected and why they were selected.

3.2 Research Approach and Strategy Justification.

This section of the chapter will discuss the research methodology by explaining the strategy and the steps to be undertaken in the process. The justification of the research is also shown.

3.2.1 Research Paradigm

In this research, an interpretivist approach is undertaken. This depends on the researcher interpreting various elements of the research results. This focuses on meaning of the phenomenon being discussed and therefore, it can employ multiple methods in order to reflect different aspects of the issue. The interpretivist approach states that people are different and can have different views on the same phenomenon (Kumar, 2011).

This method has been chosen because access to information about the organization Abt Associates is not readily available. Therefore, it was necessary to select respondents who will be able to say something about the organization. Secondly, the knowledge on the measurement of financial sustainability of an organization is scanty and not readily available (Goldkuhl, 2012).

Hence, the observatory aspect of interpretivism was chosen, especially that it is also based on the inductive conclusion. It is by observing the subject that the respondents were able to provide answers to the questionnaire. The other approach of positivism was not appropriate in this case as it would have required performing a scientific approaches to get the answers to the research questions.

3.2.2 Inductive Approach

The research takes an interpretive view the research results are explained through observation of the obvious of the players in order to test the relationships among variables without meddling with the variables being examined. Based on this, an inductive approach was applied because conclusions were made by induction based on the relationship observed.

According to Goddard and Melville (2004), observations are made based on known theories which are tested throughout the research process. The observed results from these actions are taken as the conclusions. On the other hand, Bernard (2011), explains the inductive approach to research as involves the search for pattern from observation and the development of explanations and theories based on certain hypotheses. This is the approach that was applied in this case. First observations were made by conducting the survey and then, the theories are tested by the researcher.

3.2.3 Research Design

The research method applied in this case is the mixed method. Mixed methods research is a methodology for conducting research that involves collecting, analyzing and integrating quantitative (e.g., experiments, surveys) and qualitative (e.g., focus groups, interviews) research (McKim, 2017). In its essence, mixed methods research focuses on selecting, analyzing, and interpreting quantitative and qualitative data in a single study or a series of studies.

In this case, the qualitative research was the literature review that looked at various ways of interpreting financial sustainability. The quantitative part depends on deriving numerical data from information obtained in form of surveys and questionnaires (Kumar, 2011).

3.2.4 Purpose of Study

The purpose of this study was exploratory and was aimed at exploring the possibilities of NGOs achieving and maintaining financial sustainability

3.3 Research Strategy and Implementation

Within research methodology, research strategy assumes as the “general plan of how the researcher will go about answering the research questions” (Saunders et al. 2009). In this

dissertation, the case study method has been applied. The case study method depends on citation and who used it.

3.3.1 Sampling Frame and Sample Size

The sampling will be based on the non-random and purposive selection of respondents. This is because the research topic requires specialized knowledge and therefore, respondents should be experts in financial sustainability or are experts in the area of financing NGOs. In this case, 100 respondents were selected according to the following criteria: Citations and examples

- Fifty (35) are experts in financial management
- Fifteen (15) are representatives of Donor organizations
- Ten (10) are representatives of suppliers/vendors and bankers of NGOs
- Fifteen (15) are managers, financial managers of NGOs operating in Zambia including Abt Associates – the case study example.

The 75 respondents are considered to a representative sample of the potential group of people that can answer the research questionnaire. In this case, the research questionnaire was administered amongst these respondents 3rd – 14th September and the data collected was sorted out, coded and counted. The results were presented in graphic form and shown in chapter four, below.

3.3.2 Data Collection

The applied data collection tool was the Questionnaire which was conducted through personal interviews. The questionnaire was semi-structured with the Likert-style of answers. Therefore, the first part of the questionnaire was self-administered by the respondent while the second part was a face-to-face interview with the researcher, whose primary role was to explain the meanings of some of the concepts and phrases. The data collection process took place over a period of two weeks from the 3rd – 14th September 2018.

3.3.3 Data Analysis

The data analysis depended on undertaking the following steps:

- Coding the answers to each specific question.
- Allocating the respondents' answer to the appropriate code

- The segregated codes and the counted and appropriate percentages are calculated for each answer given by the respondents.
- The calculated percentages are then presented in graphical format.

Based on these graphics, appropriate conclusions from the research questionnaires are made and referred to the research questions presented in chapter one. The achieved results were initially interpreted using statistical methods with the help of computer software – MS Excel.

3.3.4 Research Integrity

According to Krstic (2016), research integrity relates to the performance of research to the highest standards of professionalism and rigor, and to the accuracy and truth of the research record in publications and elsewhere. In this case, the research integrity is assured by triangulation of data collection and the appropriately selected instruments that assure integrity.

Data triangulation is the use of multiple methods or data sources in qualitative research to develop a thorough understanding of phenomena (Carter et al., 2014). Triangulation also has been viewed as a qualitative research strategy to test validity through the convergence of information from different sources in the process of explaining one parameter (Saunders et al., 2009).

This method has been used a lot in those researches where qualitative methods are applied such as Olsen, 2004; Kaulio, 1998. In the case of this dissertation, the mixed-method type of triangulation is used. This means that a number of methods have been used to arrive at the same conclusion.

3.4 Ethical Issues

In conducting research of this nature, a number of ethical issues have to be taken into consideration. In this specific case, the following three are important:

- The researcher will ensure confidentiality of information from the respondents. Respondents will be informed before their participation that the study will be voluntary.
- Official views and opinions of the subjects regarding issues to be raised on the subject will be respected. This is by virtue of political inclination. The research project will be presented to them beforehand.

- The researcher undertakes to provide the institutions and persons concerned with the research report. This will be done to ensure that the researcher does not misrepresent their views.

Then there could be other issues on the research concerned that go beyond the scope of this work and therefore, are not discussed here.

3.5 Chapter Summary

The research methodology has been described here to the fullest extent. The range and scope has been presented. The data creation, collection and processing was fully described. The same applies to the data analysis. The chapter went on to describe the integrity and validity of the research results. The chapter concluded with a discussion of ethical issues related to this research.

CHAPTER FOUR: RESEARCH FINDINGS AND ANALYSIS

4.1 Chapter Introduction

This chapter concentrates on showing the results of the research that was undertaken according to the methods described in chapter three above. The chapter is organized in such a way that research findings are presented in graphical format (Pie and Bar Charts) in line with the research questionnaire. But they are arranged in such a way that afterwards, it is easy to address the research questions. There is a specific section that does that. The paper goes on to analyze the financial sustainability of Abt Associates based on ratio analysis. The chapter ends with conclusions arising from the field research.

4.2 Research Findings

As stated earlier, the respondents were chosen based on the knowledge about the NGO – Abt Associates and secondly, their knowledge on the financial management of NGOs. To that effect, the respondents were purposively selected.

The author prepared 100 questionnaires and managed to distribute 75 of them among the selected groups of respondents. A total of 63 respondents managed to bring back the questionnaires and/or participate in the research process. This means that the return rate was 84% which is relatively high. This can be attributed to the fact that most of the respondents had a relationship with Abt Associates Zambia.

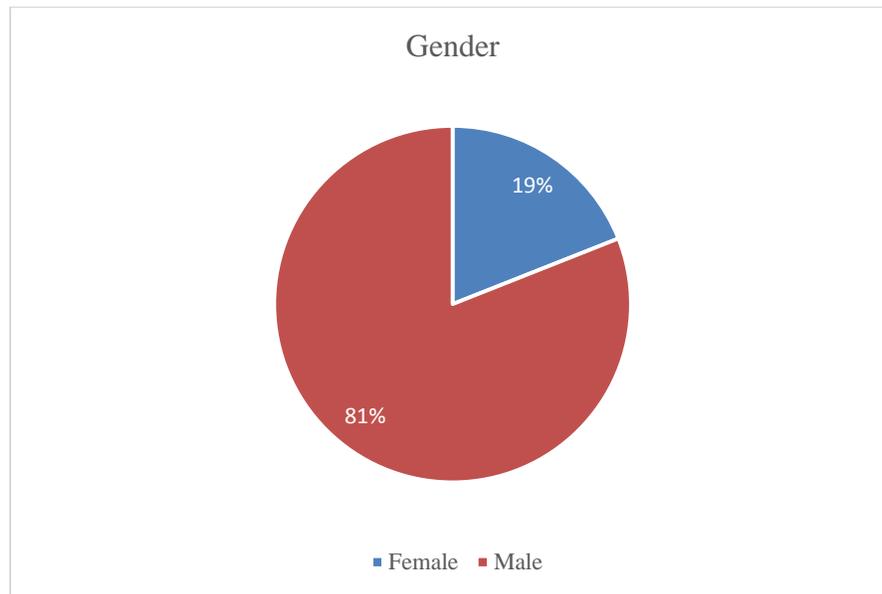
4.3 Demographics

The issue of demographics is discussed based on three criteria: gender, age and academic qualifications. This is done to know the characteristic of the respondents and their capability to understand the issues raised in the research.

4.3.1 Gender

Fig 1 shows that 81% of the respondents were men while 19% of them were women. This is in line with the Gender Report (CSO, 2018) that suggests that most of the employees in the NGO sector are men. However, there has been noticed a systematic rise in the number of women in the sector. The sample was not gender-biased but rather the number of women in the NGO sector who have financial acumen is low compared to men.

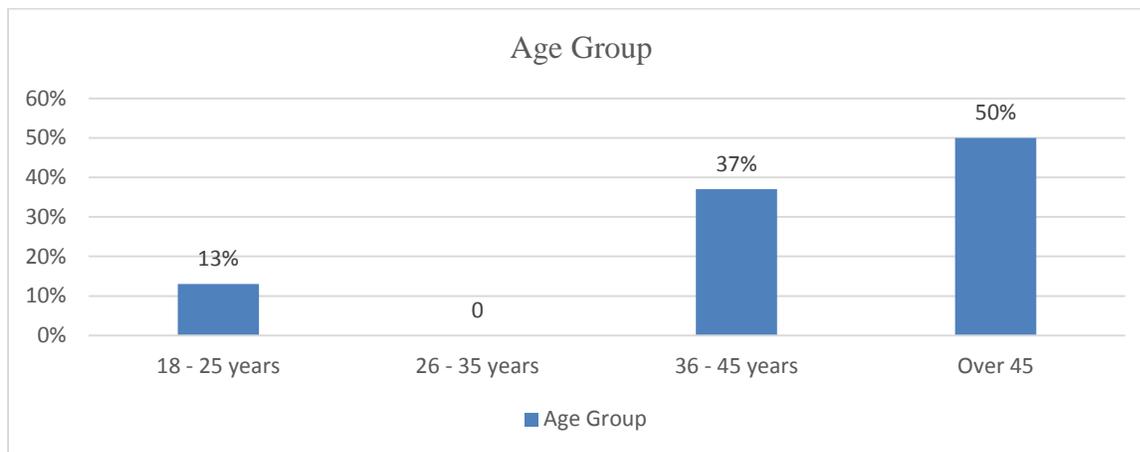
Fig. 1: Gender distribution of the respondents



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4.3.2 Age distribution of the respondents

Fig. 2: Age distribution of the respondents

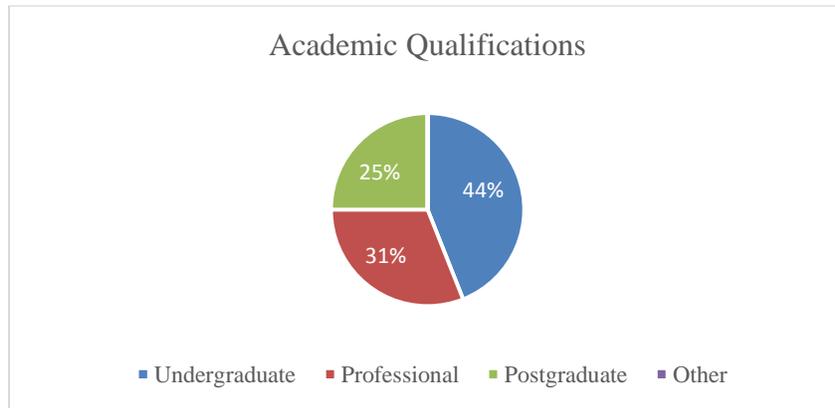


From Fig. 2., we can see that majority of the respondents are in the mature age groups: 37% of the respondents declared belonging to the 26 – 45 years old group and 50% declaring to be over 45% of age. This shows that the respondents are mature and experienced, therefore, their opinions are supposed to be well-thought of and knowledgeable.

4.3.3 Qualifications of the respondents

The sample of respondents was made up of people with knowledge of finance and therefore they understood the concept of financial sustainability. According to Fig 3, below, the respondents who declared to have an “undergraduate” qualification were (44%). The next big group of respondents is those ones with professional qualifications such as ZICA, ACCA, and CIMA and so on, and these are 31%. These are qualifications in the financial field. The third group consists of people who declare to have postgraduate qualifications and they are 27% of the respondents. It is to be noted that the numbers add up to more than 100 because some of the respondents declared to have more than one qualification.

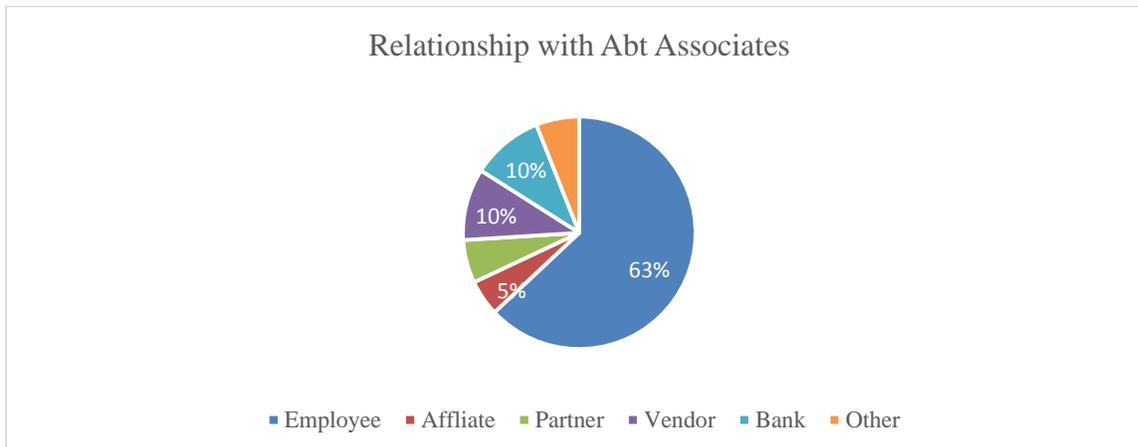
Fig. 3: Academic Qualifications of the Respondents



4.4 Relationship with Abt Associates

4.4.1 The relationship of the respondent with Abt Associates

Fig 4: Respondents’ relationship with Abt Associates

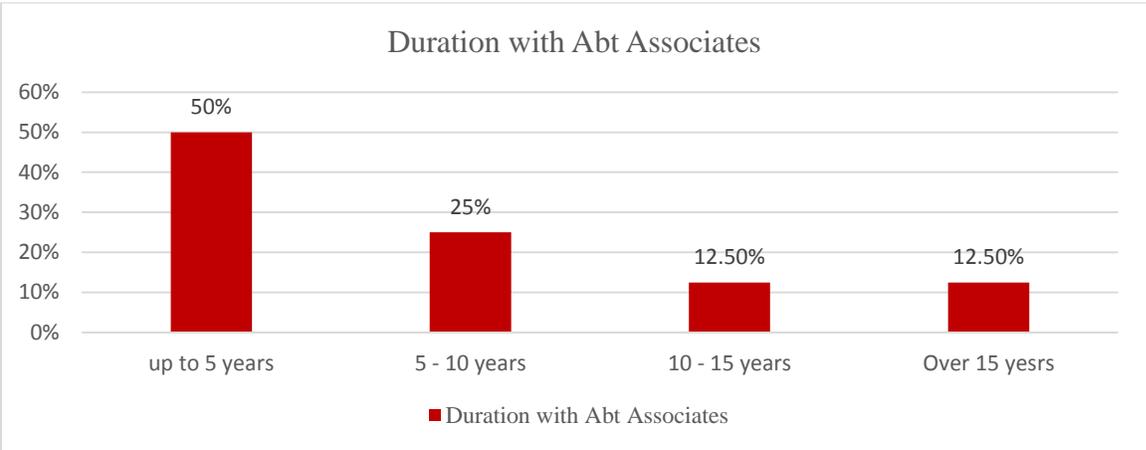


From the graph we can see that majority of the respondents (63%) were employees of Abt Associates. This was so because they are better placed to understand the concept of financial sustainability and have knowledge about the operations of the organization. This was followed by two groups (10% each) of vendors and the banks that co-operate with the organization. The last groups who scored 5% each were two groups (“Partners” and “Others”). The last group that scored just 5% were respondents that were classified as “Affiliates”.

It is important to note that the majority of the respondents were from the organization itself because Abt Associates is relatively unknown in Zambia. The organization offers very specialized social services in family planning and related activities. In order to obtain another opinion, it was decided to make sure that banks, partners and associates should participate in the research. The intention was to make sure that the research was not biased. Their small size corresponds to their low impact on the operations of the organization. But they can be a source of valuable information on the organization.

4.4.2 Duration of relationship with Abt Associates

Fig. 5: Duration of relationship with Abt Associates



The duration (time) someone has been or has known an organization is an indication of how knowledgeable they can be about the same organization. The people with the longest duration of relationship with Abt Associates (over 15 years) were just 12.5%, together with those whose time with Abt Associates was 10 – 15 years. However, the majority of the respondents (50%)

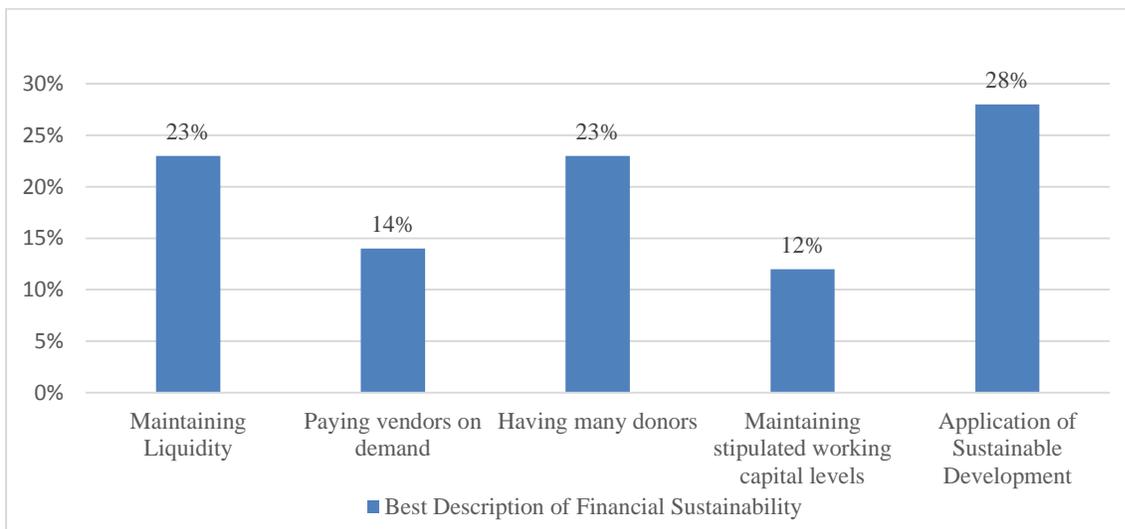
have a deeper understanding because they have been with the organization for five years and above.

4.5 Financial Sustainability

Basically, financial sustainability boils down to the organization having capability to finance its activities over a long period without losing liquidity or going bankrupt. Since this is a new concept related to sustainable development, it is imperative to find out if the respondents understand the meaning of this phrase and its implications.

4.5.1 Best description of financial sustainability

Fig. 6: Description of financial sustainability



The essence of this question was to ask the respondents to explain the concept of financial sustainability in their own words. Actually, it comes out that more than 50% of the respondents understood the concept, although they explained according to their understanding.

According to the respondents (28%), the best description for financial sustainability is the application of sustainable development theories in the field of finance. The next opinion of the 23% of the respondents was that financial sustainability meant an organization “having many donors” or “maintaining liquidity”. The other two options: “paying vendors on demand” and

“maintaining stipulated working capital levels” were expressed by 14% and 12% of the respondents, respectively.

From these responses, it can be seen that most of the respondents well understood the concept of financial sustainability by mentioning sustainable development and maintaining liquidity. The others were rather not near the truth. These results bid well for the research because they show that most of the respondents understood the concept of financial sustainability. Therefore, what would be the best way (sustainable) for funding NGOs? The next point provides the answer.

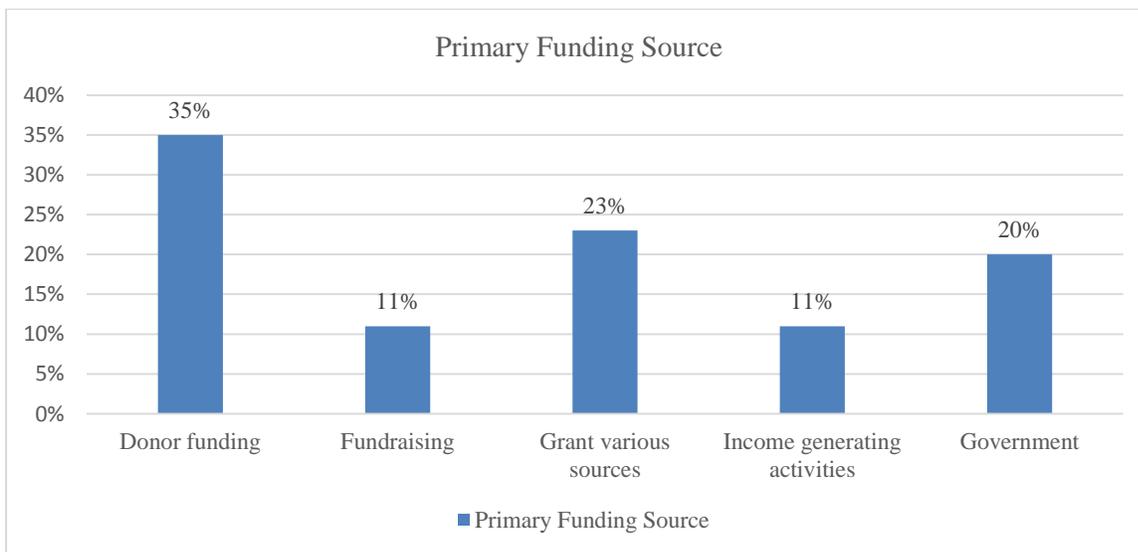
According to Werker and Ahmed (2007), donors usually dictate the policy of the NGO. Some of the donors prefer not to dictate but instead, fund only those NGOs whose goals are in line with their (donors) expectations or profile. This is the situation with Abt Associates especially that the Zambian branch is part of the global Abt Associates Inc.

4.6 Sustainable funding for NGOs

The essence of writing this dissertation was to find the most sustainable way a non-governmental organization can fund its activities. Therefore, the respondents were given a choice of fund sources to choose from which in their opinion was appropriate for NGOs.

4.6.1 Selected primary funding sources for NGOs

Fig. 7: Potential sources of funding for NGOs



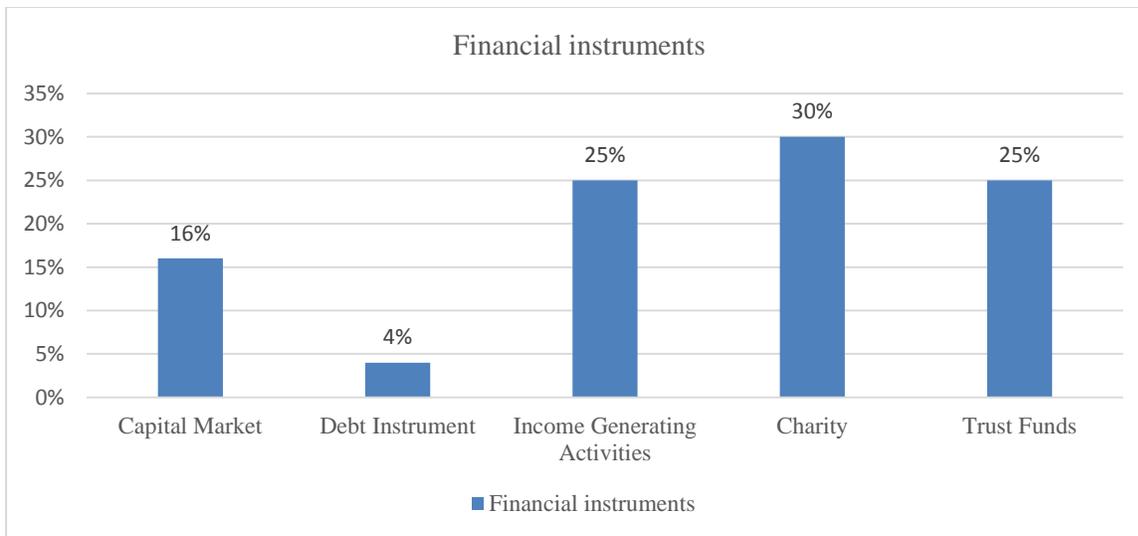
According to the answers provided by the respondents, the most appropriate source was donor funding at 35%. This was followed by “grants from various sources” – 23% and closely followed by government funding at 20%. The respondents mentioned two other sources “fundraising” and “income generating activities”, which each scored 11%.

These responses are contrary to the generally accepted opinion that NGOs need to be financially independent (Lewis 2011). The responses from the respondents are rather saddening as they are consolidating the “beggar mentality” being exhibited by most organizations in developing countries, including Zambia. The point is what happens when donor funding expires or government changes its policies in reference to funding social activities and in that way funding NGOs? This is the question that most managers of NGOs must provide an answer to. On the other hand, it is necessary to know the financial instruments that respondents viewed as being appropriate in using to fund NGO activities.

4.6.2 Financial instruments for NGOs

Therefore, if the NGOs are cautious about finding new sources of funding, maybe depending on their current knowledge of the industry, it will lead them to proposing some financial instruments for funding purposes. This is presented in Fig. 8, below.

Fig. 8: Recommended financial instruments for financing NGOs



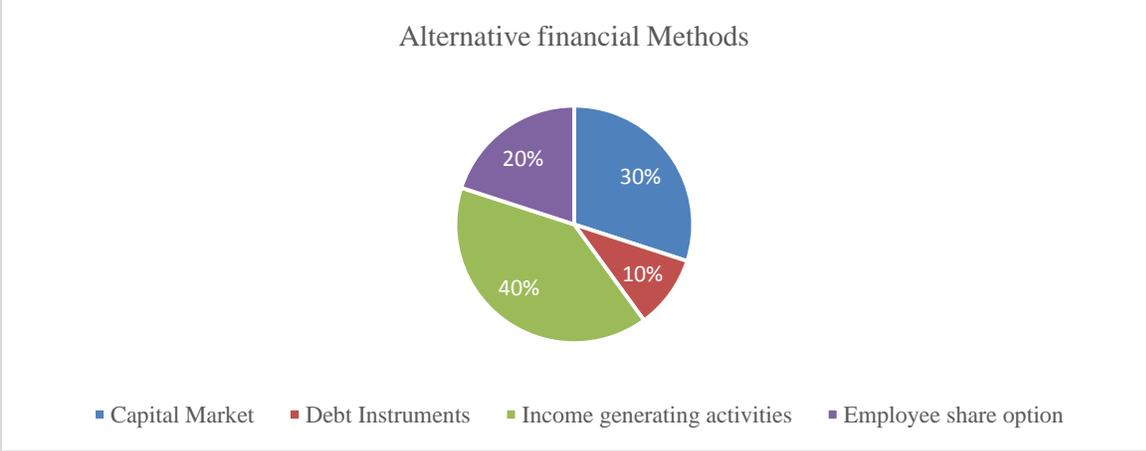
According to the respondents, the most popular funding instrument would be to raise money from charity activities (30%). This is closely followed by two instruments: “income generating activities” and “trust funds”. Both of these scored 25%. The next instrument would be the various opportunities offered by the capital market which scored 16% and lastly, the debt instrument which just scored 4%.

From these figures, it can be seen that the respondents are very conservative and would rather raise money from charity. But this is very difficult and it can be noted that the respondents are confusing their offering of charity as a potential source of money. Trust funds are also a poor source of receiving funding because it is not a diversification from the existing donor funding. It is representing donor funding with trust funds. The other option is income-generating activities. This requires undertaking commercial activities and this might be contrary to the mandate of the organization (NGO). The capital market could be an interesting way of raising capital but due to the risk involved, most NGOs would not opt for that method.

4.6.3 Alternative financing methods for NGOs

In such a situation, are there alternative sources of funding for the NGOs? The views of the respondents are presented below in Fig. 9.

Fig. 9: Alternative sources of financing for NGOs



The respondents were of the view that NGOs should concentrate on creating “income generating activities”: - 40% as this will be the most viable option to the current financial woes of some

NGOs. Just behind this was investing in any of the instruments on the capital market – 30%. 20% of the respondents viewed “employ share options’ as one of the best alternative. The least alternative were debt instruments which scored just 10%. This means that the respondents are risk averse and choose those alternative methods that provide the most minimum ris but a greater rate of return.

According to Norton (2009), the best and most realistic funding mix for an NGO is 50% from international donors, 20 % from membership fees, 20% from community fundraising and 10% from other income sources. This rule is not reflected in the financial structure of Abt Associates and therefore needs to be restructured.

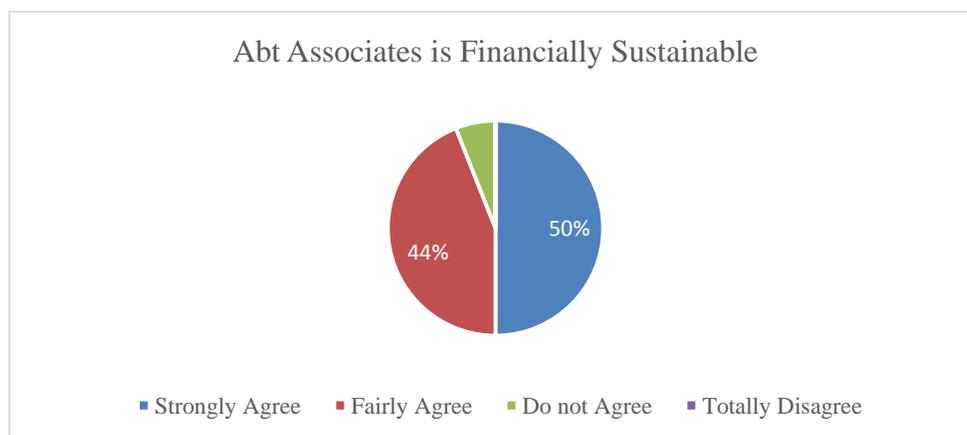
4.7 Financial Sustainability and Abt Associates

In this section of the research, the respondents were asked to address the question of how financially sustainable was the organization – Abt Associates? The responses are presented in Fig. 10, below.

According to the graph below, 50% of the respondents strongly agreed with the statement that Abt Associates was financially sustainable. Another 44% agreed with this statement while 6% though that the organization was financially sustainable. Nobody disagreed with the statement that the organization was financially unsustainable.

4.7.1 Is Abt Associates Financially Sustainable?

Fig. 10: Financial sustainability of Abt Associates



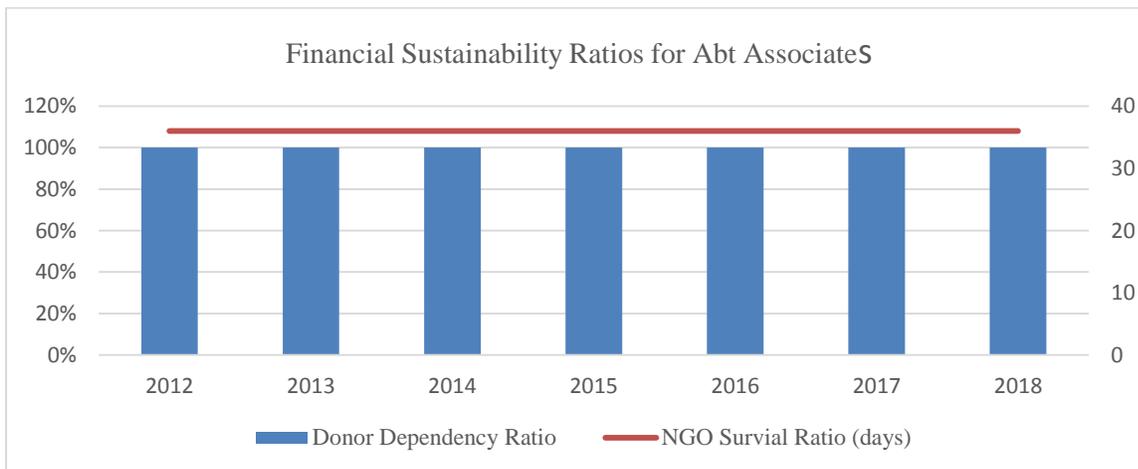
It is important to compare these results with the mathematical calculation of financial sustainability as explained in section 2.4.7 above and the calculation done on the financials of Abt Associates below.

4.8 Financial Sustainability Ratios for Abt Associates Zambia

Based on the formulae in section 2.4.7 and based on the financial data from the financial reports of Abt Associates, the Donor Dependency Ratio and the NGO Survival Ratio were computed and the results presented in Fig. 11, below:

In all the seven years under analysis, it came out that the achieved results were the same over the whole researched period. The Donor Dependency Ratio (DDR) was constant at 100%. This was so because the organization has no extra sources of income, apart from what it gets in form of donor-funding. In a similar manner the NGO Survival Ratio (NSR) expressed in days was also constant at 36 days. This was so because the local management had arbitrarily decided to set aside 10% of the funds they receive from the donor to be reserves. It is these reserves that have created the 36 days survival period.

Fig. 11: Financial sustainability ratios for Abt Associates Zambia.



The information that is derived from Fig. 11 is that Abt Associates has been conducting a financial policy that made the organization to be 100% dependent on donor funding and had a survival rate of 36 days! This is clearly a financially unsustainable policy because the

organization is dependent on one source of funding (donor funding) and it can run its own affairs without donor funding for just slightly a month (36 days). So we go on to answer the research questions.

4.9 Research Objective One: *To identify alternative ways of financing NGO as to ensure financial sustainability*

The research showed that there are many financing options that are available to NGOs as shown in Fig. 8 and Fig. 9. See above. Therefore, the NGOs in a bid to ensure financial sustainability, they need to put in place alternative ways of financing their activities apart from donor funding. These include but not limited to the following:

- Participating in income generating activities
- The issuance of debt instruments
- Using the capital market as an alternative way of raising funding

However, the application of these methods is dependent on the ingenuity of the managers, their appetite for risk and the profile of the NGO. This is important lest the intention of the NGO is misinterpreted to mean that it is exploiting the poor in order to enrichen itself. The issuance of debt instruments has limitations and is heavily dependent on DDR. For NGOs with high DDR, their capability to issue debt is limited almost zero (unless the donor) agrees while those NGOs with low DDR can issue debt. This is dependant on whether the NGO a stream cash to finance the servicing of the debt. However, this is only possible if the NGO has income generating activities.

4.10 Research Objective Two: *To identify financial instruments that would provide financial sustainability in Zambia NGOs, in particular Abt Associates.*

In this section, the financial instruments available to NGOs in Zambia are discussed and the relevant options before Abt Associates are presented. The opinion of the respondents was that the best financing instruments are:

- Acquisition of shares in for-profit companies
- Issuance of debt instruments
- Alternative and innovative financing methods from the Capital markets

Donor funding is safe but not sustainable in the long run. Income generating is not the core activity of the NGO and investments on the capital markets are risky and unpredictable. NGOs do not possess such manpower skills to handle such investments. To create a strategy that can assure the organization of financial sustainability, the respondents were of the view that the NGOs need to have the following competencies and experiences:

- Good relationships with the donors
- Diversification in income-generating activities
- Sound financial management systems
- Management competencies
- Transparency in operations
- Checks and balances for early warning of potential risks

4.11 Research Objective Three: *To identify strategies which provide financial sustainability in the absence of donor funding, in particular Abt associates*

The NGOs that are financially sustainable are currently using benchmarks that are based on the Norton Recommendations (Norton, 2009). These benchmarks recommend a funding structure comprising of up to 50% donor funding, up to 30% income generating activities and the rest can be distributed according to the risk appetite of the respondents.

According to the respondents (they had the freedom to propose answers), the most frequently repeated answer was that the NGO should endeavor to achieve long term financial independence by acquiring variety donor-funding. The respondents were of the view that this strategy should be accompanied by income generation (independent of the donor funding), development of external linkages and the creation of confidence and credibility in the NGO. The critical success factor would be transparency.

4.12 Chapter Summary

This chapter looked at the research findings. It shows the research findings presented in graphical format. It presented the respondents’ views on financial sustainability, and financial sustainability related to Abt Associates. It went on to calculate the financial sustainability of Abt Associates based on the financial ratios.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1 Chapter Introduction

The intention of conducting this study was to discuss and present information on financial sustainability as a way of assuring NGOs operating in developing countries like Zambia, with financial sustainability. This analysis is important because more than often NGOs in developing countries are totally dependent on donor funding. When this funding is withdrawn (for various reasons), the local NGOs usually goes into voluntary liquidation, especially if it cannot find new funders' or new programs with money. What is the way forward for such an NGO is the essence of the study and the results of those findings are presented below.

5.2 Research Conclusions

5.2.1 RQ1: What financing options are available to NGOs in Zambia that Abt Associates can adopt?

From the answers by the respondents, it can be concluded that there are many options available to Zambian NGOs in raising money to finance their activities. These include and are not limited to:

- Donor funding
- Participation in income generating activities
- The use of innovative financial instruments available on the capital markets
- Acquiring debt
- Membership fees from the sponsors of the fund

5.2.2 RQ2: What financial instruments are available to NGOs in Zambia that Abt Associates can utilize?

There are a number of instruments that the NGO can apply. These include:

- Debt finance
- Capital market instruments like hedging instruments
- Participating in income generating activities as shareholders

In this case, the choice of financing options available to the NGO is limited. The limitation is caused by the nature of the NGO business activity, i.e. funding social programs that do not necessarily generate income. Secondly, because of that NGOs have to be conservative in their financial management strategy so as not to lose the funds for the projects or to be accused of speculating the lives of the poor.

5.2.3 RQ3: What strategies can Abt Associates adopt to enhance its long term financial sustainability?

The research proposes that Abt Associates Zambia should adopt a “mixed funding approach” that is structured as follows:

- Mixed funding options to contain donor funding, income generating activities and fees from members and sponsors.
- Maintaining the following benchmarks:
 - a) Donor Dependency Ratio to be maintained at 50% or less
 - b) The NGO Survival Ratio of 90 days or more

Other authors have come up with research has been conducted on assuring NGOs with the necessary knowledge on financial sustainability (Ceptreanu *et al.*, 2017; Abdelkarim, 2012; Bowman, 2011; Lewis, 2011). This study puts all these various aspects of financial sustainability of NGOs in one document. The following are some of the conclusions arising from the research:

- a) Nongovernmental organizations (NGOs) have got an important role to play because of their nature of activities. They supplement government in offering social services that are critical to the development of developing countries. NGOs operate in areas like increasing public awareness on human rights, increase democracy, offer educational programs, and carry out health campaigns and all those activities aimed at fostering the well-being of communities (Silva and Burger, 2015). For example, the organization which is a case example of this study - Abt Associates offers services in family planning, malaria and health systems services.
- b) Arising from point (a) above, NGOs need to have in place financing structures and methods. As such, the financial structure and prowess of the local NGO is totally dependent and is a function of its sources of funding. As the case of Abt Associates

shows, most of the NGOs are hundred percent funded by donor institutions. This has got an impact on its risk profile, which might affect its capacity and management of programs.

- c) As Mwansa (1995) contends, NGOs are in business and therefore, need to generate profits. That author goes on to say that “NGOs are not in the business of providing charity”. This means that the NGO can be part of a wider strategy by the donor institution and therefore, the aim of the NGO would not necessarily be to provide the social services. In some instances, the local NGO could be a cost center for the donor institution with the donor wanting to reduce their tax base by increasing costs.
- d) Most of the NGOs do not have the financial acumen to handle such complex issues. This makes them to become totally dependent on their external financial resource environment. The major constraints for the NGOs in such a situation like the inability to raise own capital, failure to undertake profit-making activities or the use of the capital markets. This renders the NGO to be financially vulnerable. Abt Associates is in such a situation because it is totally dependent on funding from its mother-institution in the United States.
- e) In order to continuously monitor financial sustainability, NGOs must be measuring the two ratios that indicate the readiness of the organization to avoid financial insecurity. These are the donor dependent ratio and the NGO survival ratio. In both cases, Abt Associates performs badly as it is 100 percent dependent of the donor and it can only manage 36 days of operations without donor funding. Therefore, Abt Associates is NOT financially sustainable.

5.3 Recommendations arising from the Research

The following are the recommendations arising from this research:

1. Based on the research and its findings, Abt Associates Zambia is NOT financially sustainable and should put in place a strategies such as fundraising events, share options to employees and soliciting of trust funds to manage this sustainability,. But on the other hand, it is not ease for the local Abt Associates to do that as they are part of the global Abt Associates Inc. The Zambia branch is just part of the global strategy of the mother institution.

2. Based on the research, the recommended strategy would be a “Mixed Funding Approach” – MFA. This strategy should be applied in the following manner:
 - a. Choose three funding methods in the following ratios: donor funding – 50%; Income generating activities – 30% and membership fees – 20%. This is an adaptation of the Norton Recommendations.
 - b. Set benchmarks to be achieved based on the following recommendations:
 - i. The Donor Dependency Ratio – 50%
 - ii. The NGO Survival Ratio – 90 days
 - iii. Measure the organization accordingly using its financial statements.
 - iv. Assess the organization based on the benchmarks above, and adjust accordingly.
 - c. These activities should be undertaken by the Financial Director and should be performed quarterly and annually.
3. In order to increase financial sustainability knowledge amongst managers, the NGO should allocate funds in its budget for on-going training. The outcome of this training is that the finance team will be vigilant on following up the cost of implementing the organization’ activities into the community in such a way the NGOs can achieve value for money, coupled with maintaining financial sustainability by making sure that the benchmark DDR and NSR are achieved.

5.4 Chapter Summary

This chapter was aimed at making conclusions and recommendations arising from the study. The chapter is divided into sections that deal with the findings themselves, a discussion of those findings and a section on recommendations. The recommendations are twofold: the academic recommendations regarding future research activities and secondly, a practical set of recommendations for NGOs as they go on executing their activities.

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APPENDIX 1: RESEARCH QUESTIONNAIRE

RESEARCH QUESTIONNAIRE – Abt Associates

This questionnaire is prepared to find out the financial sustainability of NGOs operating in Zambia. The case study example is Abt Associates Zambia. The results of the questionnaire will be used in preparing the Masters of Business Administration thesis of the University of Greenwich.

In case of Questions 1 – 10, you are expected to tick your choice of answers as per instructions. For questions 11 – 15, you are expected to write your answers in the provided space.

Q1: Gender (Sex): Female Male

Q2: Age Group: 18 – 25 26 – 35 36 – 45 Over 45

Q3: Kindly state your qualification. Choose ALL that apply

Undergraduate Professional (ZICA, ACCA, etc.) Postgraduate Other

Explain “Other”:

.....
.....
.....

Q4: What is your relationship with Abt Associates Inc.?

Employee Affiliate Partner Vendor Bank Other

Explain “Other”:

.....
.....
.....

Q5: How long has been your relationship with Abt Associates?

0 - 5 years 5 – 10 years 10 – 15 years above 15 years

Q6: What is the best description of financial sustainability in the NGO sector? Choose as many as possible

- a) Maintaining liquidity all the time
- b) Able to pay vendors on demand
- c) Having many funding donors
- d) Maintaining certain working capital levels
- e) Applying the concept of sustainable development in financial management.

Q7: In your opinion what are the primary funding sources for NGOs? Choose as many as possible

- a) Donor funding
- b) Fundraising
- c) Applying for grant from various sources
- d) Involvement in income generating activities
- e) Government

Q8: What financial instruments are ideal for use within NGOs? Choose as many as possible

- a) Capital market funding
- b) Issuance of debt instruments
- c) Funding income generating activities.
- d) Charity from well wishers
- e) Trust funds

Q9: Which alternative financial method to donor funding is best suited for Abt Associates activities?

- a) Capital market funding
- b) Issuance of debt instruments
- c) Financing income generating activities.

d) Employee share options

Q10. “Abt Associates has sound financial sustainability systems in place” do you agree with this sentence?

a) Strongly agree

b) Fairly agree

c) Do not agree

d) Totally disagree

Q11. In what ways do you think the financial sustainability can affect the operations of an NGO with operations in developing countries like Zambia?

.....
.....
.....

Q12. In your opinion, do you think NGOs in Zambia should be financially sustainable?

.....
.....
.....

Q13. What does it take for an NGO to be financially sustainable?

.....
.....
.....

Q14. What recommendations would you make for NGOs to improve their financial sustainability capacity?

.....
.....
.....

Q15. What are the key success factors to achieve the sustainability you have mentioned in Q14 above?

.....
.....
.....

SAMPLING TECHNIQUE

Sampling was administered against 75 professionals who have got knowledge (by virtue of their work) about financial sustainability. The respondents were selected as follows;

- *Experts in financial management*
- *Representations of donor organizations*
- *Vendors, Bankers, Suppliers*
- *Managers, Financial Management of NGO operating in Zambia.*