UNIVERSITY OF CAPE COAST

BUDGET COMPLIANCE AND FINANCIAL SUSTAINABILITY IN NON-GOVERNMENTAL ORGANIZATIONS: A CASE OF COMPASSION ASSISTED PROJECTS IN THE CENTRAL REGION

ERIC KWESI KOOMSON

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BY

ERIC KWESI KOOMSON

Dissertation submitted to the Department of Accounting, School of Business, University of Cape Coast, in partial fulfilment of the requirements for the award of Master of Business Administration Degree in Accounting.

SEPTEMBER 2022

DECLARATION

Candidate's Declaration

I hereby declare that this dissertation is my original work towards the Master of Business Administration Degree in Accounting, and to the best of my knowledge, this study has not been previously produced for the award of degree in whole or part in any other university. However, I have acknowledged information from other sources in this original work.

Name	Signature	Date
Eric Kwesi Koomson	……………………	…………………

Supervisor's Declaration

I hereby declare that the preparation and presentation of this dissertation were supervised under the guidelines on the supervision of the dissertation laid down by the University of Cape Coast.

Name	Signature	Date
Prof. Edward Marfo-Yiadom	…………………	……………………

ABSTRACT

The budget compliance and financial sustainability of Compassion Ghana were evaluated in connection with its projects in the Central Region. The study adopted a descriptive research design, employed a questionnaire for data collection, and analyse data with descriptive statistics and inferential statistics. Additionally, a sample of 195 project implementors was used for the study. The study findings indicated that Compassion Ghana engages in rigorous budgetary control practices. Also, the organization was ranked by the implementors as financially sustainable. However, the organization has over-reliance on donor funds and low internal revenue generation. Nonetheless, it has good financial management and good donor-management rapport. The study also showed that budgetary controls significantly influence financial sustainability positively. The study concluded that budgetary controls continue to be essential in the budget preparation process. It put management in the direction of ensuring efficient and effective use of resources which in the end helps to achieve the grand objective of improving the lives of people in the community. The study then recommended that non-governmental organizations should ensure strict budgetary control procedures to beat expenditures without affecting their objectives. Key variances should be analysed critically and corrective measures should be taken to resolve them.

KEYWORDS

Budgetary Controls

Financial Sustainability

Non-governmental Organizations

ACKNOWLEDGEMENTS

I want to acknowledge my co-supervisor Mr Emmanuel Yaw Arhin and supervisor Prof. Edward Marfo for their guidance and support that helped me to complete this work successfully.

DEDICATION

To wife and children

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CHAPTER ONE

INTRODUCTION

Background to the Study

Public Benefits Organizations (PBOs), also known as non-governmental organizations (NGOs) or non-profit organizations, have played an increasingly important role in economic development and progress throughout the years (Matayo & Muturi, 2018). According to Wafukho (2010), governments are increasingly accepting non-governmental organizations as vital partners in national building and development, as well as a force in fostering democratic growth. The acknowledgement of non-governmental organizations (NGOs) as essential actors in economic development have sparked a debate regarding how they use financial resources, with a focus on financial management techniques. Financial management efficiency is the backbone of an organization's existence and growth (Fiador, 2013).

Allis (2004) emphasizes that a financial resource is well known to be a significant asset to many organizations and institutions, which necessitates proper management of this resource to achieve the goals for which it was allocated. Coupled with those financial resources cannot be managed well without a sound budget and budgeting controls and financial management. A budget, according to Horngren (2002), is a system of related plans that quantitatively represent an entity's predicted future activities. A budget is an economic tool for enabling and implementing an organization's goal in a particular fiscal year, and it requires useful connection and management of all budgeting stages to be effective (Kimunguyi, Memba, & Njeru, 2015).

According to Horngren (2002), budgets are designed to perform a variety of functions, including planning, performance evaluation, activity coordination, plan implementation, control, communication, motivation, resource allocation, identification of potential bottlenecks, authorization of actions, and definition of goals and objectives. Therefore, the budget demonstrates how each aspect of the organization connects to the overall needs. To achieve a better result, the budget necessitates that the overall management and each individual in charge of a specific section debate the budget together (Igbinosun & Ohiokha, 2012).

Institutional financial management focuses on the institution's investment, financing, and working capital decisions (McMenamin, 2002). Financial management is critical for both corporate and non-profit organizations, including government institutions (Brigham & Houston, 2011), and institutions that lack solid and effective financial management are more likely to fail or collapse (McMenamin, 2002). Nonetheless, to effectively manage the resources of organizations, Mugo (2013) highlights that financial management controls should be instituted to protect the assets, ensure reliability in financial reporting, and enhance compliance with the relevant rules.

Serem (2013) explicates that the demand for accountability on the use of financial resources and good performance from the management of the organization is important since NGOs have many stakeholders such as donors, members, recipients of services, and regulators. Wanjiru (2013) added that organizations that can adopt effective financial management practices are almost sure to perform since projects cannot be launched without financial resources. As a result, financial management is a critical component in every organization because it oversees one of the most precious assets of the company, its financial resources.

However, in as much as budget compliance and financial management are important for organizations to efficiently and effectively utilize resources, budget compliance, and financial management are still at the embryonic stage. Due to these assertions, this study seeks to examine budget compliance and financial sustainability in non-governmental organizations in Ghana in the case of Compassion assisted projects in the Central Region.

Statement of the Problem

The activities of non-governmental organizations (NGOs) have increased in recent years as a result of increased funding from various sources (Matayo & Muturi, 2018). Many NGOs have failed to get cash from donors, according to Wanjiru (2013), because their financial management techniques are inadequate, making it harder for them to perform. It is the responsibility of management to ensure that monies are spent wisely and effectively.

According to Matayo and Muturi (2018), organizations establish and apply financial management policies as a tool for guaranteeing proper financial resource management in all aspects of their operations. Hence, the failure to implement proper management policies exposes NGOs to risks such as asset loss and misappropriation, the production of unreliable financial statements, incorrect and unreliable accounting data, which can lead to a loss of organizational confidence, and the use of accounting policies and procedures that are not under established laws and regulations.

Unfortunately, there is limited existing literature on the topics of budgetary controls and financial sustainability specifically related to NGOs. Only two studies were found in the literature, both focusing on Kenya and South Sudan (Chelangat, Sang, and Simiyu, 2018; Wandera and Sang, 2017). Consequently, there is a significant gap in research regarding this area in Ghana. Considering the growing prominence of NGOs in Ghana and their role in providing support to society, it becomes crucial to comprehend their financial management, budgeting practices, and financial sustainability. By filling this research gap, NGOs in Ghana can enhance their ability to sustainably fulfill their societal mandates. Therefore, this study seeks to examine budget compliance and financial sustainability in non-governmental organizations in Ghana with Compassion as the case study.

Purpose of the Study

The study aims to examine budget compliance and financial sustainability in non-governmental organizations in Ghana. The study will concentrate on Compassion-assisted projects in the Central Region.

Research Objectives

To achieve the aim of the study, the following specific objectives were established:

1. To examine the budgetary controls of Compassion in executing projects.
2. To investigate the financial sustainability of Compassion assisted projects.
3. To analyze the effect of budgetary controls on the financial sustainability of Compassion assisted projects.

Research Questions

The study was guided by the following research questions:

1. How does Compassion implement budgetary controls in executing projects?
2. How does Compassion ensure financial sustainability in Compassion-assisted projects?
3. What is the effect of budgetary controls on financial sustainability in Compassion assisted projects?

Significance of the Study

The results of the study will assist non-governmental organizations to practice sound budgetary controls and financial sustainability to aid the efficient and effective use of resources entrusted to their care. Also, it will NGOs to provide proper accountability to donors and other stakeholders. In addition, the results of the study will help contribute to the body knowledge of literature and therefore, serve as data for future studies.

Delimitation of the Study

The delimitation of the research encompassed several aspects, including the specific geographic location, participants involved, variables examined, and the time frame of the study. In terms of location, the research was conducted within the Central Region. The participants consisted of Compassion Ghana project implementors operating within the chosen region. The primary variables under investigation were budgetary controls and financial sustainability. Additionally, the study followed a cross-sectional approach.

Limitation of the Study

The study utilized a descriptive research design, which facilitated gaining a deeper understanding of a particular phenomenon. It's worth noting that the selected sample size was intended to contribute to the existing literature rather than aiming for generalizability. Furthermore, time constraints were acknowledged as a limitation; however, diligent time management techniques were implemented to prevent adverse effects on the collection and analysis of data.

Organization of the Study

The study was divided into five main chapters. The background of the study, the purpose of the study, the statement of the problem, research objectives, research questions, significance of the study, delimitations, and limitations of the study were all discussed in chapter one. Chapter two evaluated previous studies related to the research topics in terms of conceptual review, theoretical review, and empirical review. The research methods were discussed in chapter four while chapter five provides the summary, conclusions, and recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW

Introduction

The literature review examines previous research on the topic under consideration. The theoretical review, conceptual review, empirical review, and conceptual framework all are sections of the literature review.

Theoretical Review

The main theories for the study were the financial control theory, agency theory, the theory of budgeting, and the theory of accounting.

Financial control theory

Ostman (2009) proposed the concept of financial control. According to this idea, the existence and potential roles of financial tools for organizations are extremely important. It also emphasizes that payments, financial instruments, accounting, control models, economic computations, and related concerns should be debated both within and outside the organization, taking into account internal characteristics as well as potential repercussions.

The theory of financial controls naturally focuses on organizations, allowing them to be examined from various latitudinal perspectives. The first is concerned with the functions of human people as they relate to what is accomplished through organizations, their activities, and their product. The second section concerns the organization's and activities' structure, as well as the transactions and relationships that diverse parties have with one another. The third latitudinal region is devoted to controlling systems, which are the repeating procedures and methods used to link current and future functions to external and internal resources. The fourth and final latitudinal section depicts various organizations' processes for specific concerns.

The theory goes on to say that the structure and financial control system work in tandem (Ostman, 2009). The financial control theory is particularly relevant to the current study because it provides a better knowledge of financial controls, which is an important part of financial management policy for an organization to adopt.

Agency theory

According to Jensen and Meckling (1976), companies are key organizations for maintaining contracts, so it is feasible to exercise control over agents' opportunistic behaviour. It assumes that businesses are made up of a web of interactions between the owners of economic resources (the principals) and the managers (the agents) entrusted with exploiting and managing those resources. Furthermore, Jensen and Meckling (1976) argued that agents have more information than the principal about the relationship, interest, or work performance, which is referred to as adverse selection and moral hazard.

The principal's capacity to determine if the agents are accomplishing exactly what they were hired to accomplish and that they have the necessary knowledge about how to accomplish their jobs is harmed by this information asymmetry. It also implies that the principals and agents would behave rationally to maximize their wealth. The presence of financial controls over the years gained through the implementation of a good organizational financial management policy has contributed to the reduction of the agency problem in organizations. The Committee of Sponsoring Organizations of the Treadway

Commission (COSO) states that for controls to be effective, they must be integrated into the entity's infrastructure, allowing for quick responses to changing situations and avoiding superfluous costs. This is because firms design and apply financial management policies to assist them to reach their goals. The study finds relevance in agency theory because NGOs rely on funding from external individuals and entities. These stakeholders require information that validates the effective financial management, transparency, and accountability of the resources allocated to the NGOs.

Theory of budgeting

According to Shields and Young (1993), the budget is an essential component of the general idea of efficient budgetary performance and serves as a detector of discrepancies between organisational objectives and performance. The capacity to assess the financial viability of a given plan is made possible by budgets, which forecast future financial performance. Most firms formalize this process by creating annual budgets and tracking performance against them (Silva & Jayamaha, 2012).

Indicating the quantity, quality, and timing of resources required, budgets show how the financial implications of corporate strategies translate into actual spending (Shields & Young, 1993). Comparing actual results to planned budgets, they establish benchmarks and, if necessary, take remedial action (Sharma, 2012). The way that budgets translate corporate objectives and serve as a benchmark for performance evaluation does have an impact on how people behave and make decisions. Hancock (2009) even referred to this operational planning as the foundation of management. A budget enables the establishment of a goal and a performance standard, with actual results then being compared to the created standard. It necessitates that those engaged look forward rather than backward (Hope & Fraser, 2013).

Budgets help with control, learning, and contracting with outside parties. They also make goals obvious (Selznick, 2008). This was demonstrated by Fisher by "tying compensation to performance measurements against the budget," which made goals explicit, communicated goals, and codified learning while also clarifying performance measures for specific individuals of a company (Goldstein, 2005). Budget compliance becomes essential within the context of budgeting theory, as without the existence of budgets, the need for adhering to them would not arise. The theory emphasizes the significance of budgeting and achieving budgetary performance as a means to control costs effectively. Ultimately, the goal is to align with the budget established by management.

Theory of accounting

According to Kaplan and Norton (1996), the goal of accounting theory is to provide a cohesive collection of logical concepts that serve as a broad frame of reference for the assessment and development of effective accounting practises and policy creation. The goal of creating a theory of accounting is to create a yardstick for evaluating the acceptability of accounting techniques, as demonstrated by Norreklit and Mitchell (2010). Accounting practices that do no live up to the norm ought to be disregarded. Accounting theory aids in describing and directing management processes to discover and locate the data required for budget development.

A more significant contribution to providing a baseline for measuring, converting, and translating different inputs about materials and equipment needed in the creation of a budget has come from the accounting field's use of the idea of money measurement. In assessing the budget and control measures that should be used, the accounting theory plays a significant normative role. It has aided in predicting both the impact of any change in situations and the expected result of budget action in a specific set of circumstances. According to Qi (2010), accounting theory sees a firm as a distinct thing whose operations are independent of its owners. This idea motivates the general budget philosophy as a tool for efficient management (Qi, 2010).

Many accounting concepts are used more extensively when using a budget as a tool for performance measurement and standard setting. In models created by accounting theory, standards can be established. The theory of management accounting also offers several control metrics. Variance analysis is that. because the budget is a tool in the plan. It offers a structure for providing management with feedback on how the budget has been implemented. Historical data is important for putting accounting theory into practice because it is used as a forecasting input. The early 20th-century cost accounting theory that Wedgwood established, which emphasises expense identification, allocation, and revenue maximisation, has given organisations a basic understanding and road map for budgeting and control. In addition to serving as a reference point in accounting, the matching idea is also used in budget analysis (Flamholtz, 2012). Budget compliance and financial sustainability rely on transparency and accountability as crucial elements. In the absence of proper record keeping and financial statements, stakeholders would be unable to assess the management of NGOs, which can result in the misallocation or mismanagement of resources. Maintaining transparency and accountability safeguards against potential misuse of funds.

Conceptual Review

Budget

According to Shaikh (2016), a budget is a comprehensive plan of activities for some specific period in the future. It is a forecast made ahead of time for the period to which it pertains. It serves as a company indicator because it is fully integrated with all of the company's actions for the period in question. A budget, according to Howell and Sakurai (1992), is a plan articulated in terms of money and subject to the limits imposed by members and environments, outlining how the resources available may be used to accomplish whatever the prominent persons decided to be the institution's objectives. Chartered Institute of Management Accountants (2005) defines a budget as a plan stated in monetary terms, created and authorized before a set period, usually outlining expected revenue to be made and/or spending to be incurred during that period, as well as the capital to be used.

Budget preparation process of NGOs

According to Accounting Guide (n.d.), Non-governmental organizations go through comprehensive five stages in preparing their annual budget. This includes budget planning, budget organization, budget funding, budget approval and implementation, and budget reviews.

Budget planning

A clear goal that the entity wants to accomplish must be stated. The activities that can be broken down into phases must serve those aims.

Budget organization

The appropriate individuals are chosen by management to run the project. Each person is given defined assignments with adequate time. Additionally, the management and the accountable party figure out how much money is needed for each action. Not all of the money must be used at the start of the project; it must be spread out over the cause of action.

Budget funding

Finding funding is the next stage. The management must identify potential contributors whose goals align with those of our project. Following then, management must request a grant from those sources.

Budget approval and implementation

After management and the board have approved, the budget will be finished. Additionally, the organisation will carry out the project in accordance with the plan after obtaining funding from the donor.

Budget review

The management analyses the actual outcome with the budget on a monthly and quarterly basis. Therefore, any significant deviation is examined, and appropriate action is then taken to deal with it.

Budgetary control of NGOs

Budgetary control is a financial accounting technique that aids in the oversight of an organization's receipts and expenditures. It gives a company a better tool for planning, monitoring, and controlling financial activities (CFA Journal, 2021). The concept of budgetary control is based on the comparison of planned and actual expenditures. The planned amounts are estimated depending on the market and company conditions at the time. This is the step of the planning activities that must be done in accordance with market analysis and expectations.

Furthermore, budgeting comprises directors' duties to a policy's criteria, as well as a continual comparison of actual and planned results, either to ensure the policy's goals by independent initiative or to give a solid foundation for its amendment (Shaikh 2016). Budgetary control, according to Brown and Howard (2002), is a cost-control strategy that comprises preparing budgets, synchronizing divisions and creating responsibilities, comparing the actual outcome to the planned outcome, and responding to maximize profit. Therefore, effective and efficient control measures are a key managerial duty that guarantees that all initiatives are consistent with those necessary to deliver the strategic and long effectiveness and success of the organization (Jensen, 2003).

Purpose of budgetary control

The purpose of budgetary control, according to CFA Journal (2021), is as follows:

Measurement of performance

Variance is created when budgeted and actual expenditures are compared. The variations can be positive or negative; positive deviations are a good sign for the management because their performance exceeds expectations. If, on the other hand, the variance is negative, the causes for the manager's poor performance must be investigated. Furthermore, the company must determine whether or not performance was harmed by the external economic environment or by the manager's incompetence. The strength of the variation is indicated by the volume of variation. If an undesirable variation is still not significant, the expense of acting may be greater than the benefits gained.

Controlling financial and operational activities

Budgeting sets the course for managers who are accountable for proactively making decisions. They have targets in mind from the beginning of the period and the ability to focus their energies on achieving regular objectives. The budgeting process also enables managers to determine the company's overall risk. If the goal is to boost sales enormously, for example, it is sensible to seek mergers and acquisitions. Furthermore, managers who are responsible for spending budgets are expected to be more skeptical before authorization.

Creates responsibility centres

There is a principle of responsibility centres in the accounting sector. These revenue and expense centres have their revenue and expenses. Setting a budget to assist in determining the income and spending targets for each responsibility centre. Setting a budget for the responsibility centre makes it easier to track its success and commitment to the company's overall profit/loss. Budgetary controls and responsibility accounting, when used together, create transparency and foster a culture of increased efficiency throughout a business.

Monitoring tool for management

In the management of the organization, the budget is extremely significant. It promotes collaboration among several departments, which meet at a table to determine what needs to be done and with what resources. Managers must consider activities that will take place within the organization if the budget process is to be implemented effectively. The budget aids in the consideration of all managerial aspects, such as inventory purchases, inventory holding costs, production costs, production losses, expected sales, expected expenses, stock required limit, expected revenue, cost of goods sold, related administrative and operational expenditure, and so on. It encourages managers to consider several managerial issues that will assist them to increase their efficiency and profit margins.

Financial sustainability of NGOs

Financial sustainability, according to Devkota (2010) and Lewis (2011), is an NGO's ability to generate income domestically while also ensuring that external funders keep on making funding available at essential levels for programs. Financial sustainability is measured by net earnings (income excess overspending), liquidity (currency available to make payments), and solvency (the connection between assets and debt/liabilities), according to Pathfinder International (1994). Also, Abdelkarim (2002) and Lewis (2011) emphasized that financial sustainability comprises the ability to build a broad base of funding such that an organization's organisational framework and benefits generation exist when external funding stops.

Factors affecting the financial sustainability of NGOs

The following factors affecting the financial sustainability of NGOs were identified by Abdelkarim (2002):

Financial management

Financial management entails implementing robust actions to address financial issues that will have negative impacts on the objectives and its ability to achieve future objectives (Lewis, 2011). Furthermore, sound and effective financial management consider two primary issues: financing NGOs' long-term goals and minimizing the impact of dangers on the organization's financial resources. Moreover, the soundness of an NGO's financial management practices is partly determined by its administration and financial rules and processes.

According to Leon (2001), NGOs' ability to manage resources, forecast financial status, and use current assets might help them raise additional cash. Therefore, effective and efficient financial management and administration procedures controlled by a set of strong organizational principles assist a non-profit organization in making the most of its resources and ensuring good financial management (Leon, 2001).

Diversification of income

Income diversification is broadening sources of income to include a diverse range of local and foreign donors. According to Leon (2001), an NGO's funding must originate from at least five different avenues. External crises and the unpredictability of external financial support are mitigated by diversifying income sources. Lewis (2011) described revenue diversification for NGOs as obtaining financing from as many sources as possible, including local business networks, and the public, national, and local government, rather than solely relying on external institutional donors.

Internal generation of funds

Independent income is another important pillar of financial stability, as it comprises raising unlimited and flexible cash. Donations to a trust/endowment fund, fundraising for institution building/operations, sales of goods/services, financial management, and corporation collaborations are all options for NGOs to raise funding (Leon, 2001). Independent income, on the other hand, evaluates other funds produced by the NGO along with its activities and from sources other than donors to develop reserves.

Donor - management relations

Favourable donor engagement, according to Lewis (2011), entails cultivating and maintaining excellent relationships with donors. An NGO's financial sustainability is determined by the strength of its partnerships with its contributors. Lewis (2011) further said that understanding what the donor expects, who the NGO's contact information in the donor's organization is, and what they want is an important element of donor relationship management. Furnishing accounts on the use of donor funds according to grant agreements, the agreed-upon scope of projects, timetables, and budgets is also part of maintaining relationships with donors.

Empirical Review

Budgetary control

Gladstone and Karim (2020) investigated the role of budgetary control in the monitoring and assessment of non-profit financial operations. According to the findings, the majority of non-profit organizations in Ghana acknowledge the value of budgeting and have established a well-resourced budgeting department to enhance efficient monitoring and assessment of their activities. This has enabled the NGOs to get a rating of 71.11 percent on the organization's performance metrics. The creation of a budgeting department in their organizations has aided them in achieving the 30 percent administrative cost and 70 percent program budgeted cost. Budget compliance is still a key tool for NGOs to manage their resources.

Shaikh (2016) researched the importance of budget and budgetary control. Budgetary control, according to the study, aids in the coordination and organization of a company's financial activities. According to the findings, budgetary control is very useful for company management in controlling expenditures using a powerful tool known as a budget. It will serve as a benchmark for assessing and evaluating individual and departmental performance.

Kimunguyi, Memba, and Njeru (2015) examined the impact of budgetary control on the performance of NGOs. The study adopted a descriptive research design and a purposive sampling procedure for choosing NGOs. According to the findings, budgetary control has a good impact on NGOs' performance. Employees should be informed of budgetary controls and their impact on NGOs' performance, according to the report.

Kimani (2014) investigated the impact of budgetary controls on the performance of non-profit organizations. A total of 7,127 Non-Governmental Organizations were included in the study's target group. Thirty non-governmental organizations, both local and foreign, with headquarters in Nairobi, were chosen using the convenience judgmental sampling technique. According to the results of the study, budgetary management has a weak positive influence on NGO performance in Kenya, as assessed by R square, which is 14.3 percent. Employees should be made aware of financial controls and their impact on the organization's success, according to the findings. It also suggests that businesses look into other elements that influence success aside from budgetary controls.

Gandi (2010) examined the association between budgeting and budgetary control and the financial performance of NGOs. The study used a correlation research design and a mixed research approach. The study revealed that there is a positive significant association between budgeting, budgetary control and financial performance of NGOs.

Financial sustainability

Abdulkaddir (2021) investigated the impact of financial planning, financial monitoring and assessment, and financial controls on the financial sustainability of NGOs in Addis Ababa. The study adopted a descriptive research design and selected the respondents using a simple random sampling procedure. The findings showed that financial planning, financial monitoring and assessment, and financial controls significantly influence financial sustainability.

Shava (2021) researched the financial sustainability of local and multinational non-profit organizations in Zimbabwe. The study adopted a qualitative approach using interviews and documents. The findings showed that poor resource allocation, lack of transparency, limited donor funding, and the changing priority of donors impact the financial sustainability of NGOs.

Ebenezer, Musah, and Ahmed (2020) investigated the determinants of the financial sustainability of NGOs in Ghana. According to the findings of the study, NGOs are highly dependent on donors and have minimal income diversification and internal generation of funds. Also, the study concluded that NGOs are not financially viable.

Omeri (2015) assessed the factors impacting the financial sustainability of NGOs in Kenya. The study used a descriptive research design and a simple random sampling procedure to select the respondents. The study showed that income diversification, the competence of employees, and strategic financial planning influence the financial sustainability of NGOs.

Effect of budgetary controls on financial sustainability

Chelangat, Sang, and Simiyu, (2018) examined the impact of financial planning on the financial sustainability of NGOs in Nairobi County. The study revealed a strong positive impact of financial controls on NGO financial sustainability. The study also found that several NGOs were not sustainable, a challenge that could be resolved through proper financial planning. It was suggested that NGOs' management try to improve financial management techniques to improve their financial sustainability.

Wandera and Sang (2017) looked into the impact of financial management difficulties on NGO financial sustainability in South Sudan. The outcomes of the study revealed that budget control and the financial viability of NGOs in South Sudan have a strong and favourable relationship. The findings also revealed that financial reporting and NGOs' financial viability in South Sudan had a substantial and favourable association. In addition, the findings revealed that income source diversification and the financial viability of NGOs in South Sudan had a strong and favourable link. Furthermore, the findings revealed that donor relationship management and the financial viability of NGOs in South Sudan had a strong and favourable association.

Critical analysis of empirical evidence

The existing literature emphasizes the significance of budgetary controls and the importance of maintaining financial sustainability. Various authors have suggested key factors such as effective financial management, diversification of income sources, maintaining good donor relations, and generating internal funds. However, there is a lack of comprehensive studies on budgetary controls and financial sustainability specifically focused on Ghana. Upon reviewing the available literature, only two studies were identified, both of which were conducted outside of Ghana. This significant gap in terms of volume and geographical location hinders the evaluation of budgetary controls and the financial sustainability of NGOs in Ghana. Considering the increasing prominence of NGOs in Ghana over the years, conducting a study in this area becomes imperative to ensure the sustainable financing of these organizations in their mission to serve society.

Conceptual Framework

The study's conceptual framework is depicted in the diagram below.

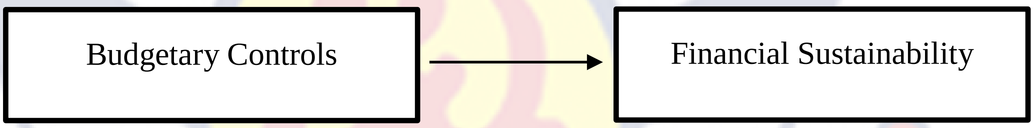

Figure 1: Conceptual Framework

Source: Author (2021)

Chapter Summary

This chapter looked at prior studies on the subject. Budgetary control has an impact on the activities of non-profit organizations, according to the study. Non-profit organizations' financial viability and program implementation are also heavily influenced by their financial sustainability. As a result, budgetary control and financial sustainability are critical to non-profit organizations' success.

CHAPTER THREE

RESEARCH METHODS

Introduction

The research methods organize the procedures that will be followed during the study. The research approach, research design, study organization, population, sampling procedure, data collection instrument, data collection method, and data processing and analysis are all discussed in this section.

Research Approach

Creswell (2014) explained that research approaches are research strategies and techniques that cover everything from basic ideas to detailed data collecting, analysis, and interpretation of methodologies. According to Creswell (2014), there are three research approaches quantitative, qualitative, and mixed approach. Moreover, this study adopted the quantitative research approach with the reason being that the study intended to collect data using numbers rather than words, and also employ statistical methods to answer the research questions and achieved the research objectives.

Research Design

A research design, according to Saunders, Lewis, and Thornhill (2009), is a technique utilized by a researcher to perform investigations to obtain the desired outcome. A research design is also what researchers employed to accomplish the study's goals (Zikmund, Babin, Carr & Griffin, 2009). The study adopted a descriptive research design to assess budget compliance and financial sustainability in Compassion assisted projects in Central Region. Descriptive research, according to Robson (2002), tries to present an accurate profile of people, events, or situations. Also, the research aimed at gaining insight into budget compliance and financial management of Compassion assisted projects in the Central Region but did not provide a causal relationship. Based on that assertion the research design was deemed appropriate for the research.

Study Organization

Compassion was used as a case study. The charitable organization is an advocate for children and has a holistic dedication to Jesus Christ in all their dealings. The organization is Christ-centered, church-driven, and child-focused including providing scholarships for child education. The organization is the world's largest activist in child development through scholarships. Moreover, the mission of the organization is to eradicate child poverty through Jesus Christ. The organization employs comprehensive methods to enhance child development by thoughtfully blending physical, social, economic, and spiritual care. Furthermore, the organization has the aspiration of equipping churches to fulfill its mission as salt and light with the mission of ensuring community change, maximizing mutual respect, and resources, and common purpose critical in children's care. The study used compassion as a case study because it is a non-profit organization as such it raises funds through personal donations, donors, and other organizations interested in social development. Therefore, the need to ensure financial sustainability is high to continue achieving its mission of ensuring child development through scholarships.

Population

A population is a group of people who have similar characteristics and meet particular requirements (Creswell, 2009; McMillan & Schumacher, 2010). The population of the study comprised the project workers of

Compassion assisted projects in the Central Region. Moreover, the Compassion database showed 396 project workers on assisted projects in the Central Region. Therefore, 396 project workers were used as the population of the study.

Sampling Procedure

Sampling aims to pick individuals who are a fair representation of a larger community so that the sample's conclusions can be applied to the entire population (Creswell & Plano Clark, 2007). The sample determination table of Krejcie and Morgan (1970) was utilized to choose the sample for this study. Using the Krejcie and Morgan (1970) table, a population of 396 requires a 195-sample size. Also, the study adopted a simple random sampling procedure to select the respondents for the study. This technique was adopted to give the respondents an equal chance of being selected for the study.

Krejcie and Morgan Sample Determination

$$n = \frac{x^2 Np(1-p)}{e^2(N-1) + x^2 p(1-p)}$$

n = sample size

N = population size

e = acceptable sampling error (0.05)

x^2 = chi-square of degree of freedom 1 and confidence interval 95% (3.8410)

p = proportion of population (0.50)

$$n = \frac{3.841 \times 396 \times 0.5(1-0.5)}{0.05^2(396-1) + 3.841 \times 0.5(1-0.5)}$$

$$n = \frac{380.259}{1.94775}$$

$$n = 195.230$$

Therefore, the sample size was 195 project workers.

Table 1: Distribution of Sample among Project Implementors

Projects	Frequency
GH0218	12
GH0219	17
GH0220	11
GH0228	15
GH0229	14
GH0312	11
GH0315	12
GH0316	7
GH0411	20
GH0650	15
GH0651	16
GH0750	18
GH0880	10
GH0935	17
Total	195

Data Collection Instrument

The data collection tool for the study was a questionnaire that was adapted from Saungweme (2014). The questionnaire was created with the study's research aims in mind. The study opted to use a questionnaire as a data collection method due to its standardization and widespread acceptance in research practices. Questionnaires are recognized as a reliable means to collect data. Additionally, the questionnaire approach offers the advantage of time efficiency since respondents are provided with a predetermined set of questions and options to choose from, streamlining the data collection process. In addition, the questionnaire was subdivided into three sections. The first section gathered the respondents' background information. The second section gathered data about Compassion's budgetary control processes while the third section gathered data on the financial viability of Compassion-assisted initiatives.

Data Collection Method

Respondents were first told about the study's goal to make data collection more convenient and stress-free. They were given a questionnaire to fill out after they gave their assent. They were given a maximum of one week to complete the questionnaire. The researcher then moved to various project sites to collect the completed questionnaires for further analysis.

Data Processing and Analysis

The collected questionnaires were coded and edited with the Statistical Package for Social Sciences (SPSS) version 21. During the coding phase, the available options on the questionnaire were assigned numerical codes such as 1, 2, 3, 4, and 5. The data was then reviewed to identify responses with a significant number of missing codes, and those responses were subsequently eliminated to mitigate their impact on the overall data. The questionnaire was conducted online, which served as a preventive measure against coding and editing errors. The data was appropriately organized and subsequently imported into SPSS version 21 for analysis. Afterward, descriptive statistics (such as mean, standard deviation, frequency, and percentage), Pearson’s correlation coefficient, and regression analysis were used to analyse the data.

Regression Model

Model: The effect of budgetary control and financial sustainability of Compassion assisted projects

$FSit = \alpha + \beta 1BCit + eit$

Where FS is financial sustainability

BC is budgetary control

Ethical Consideration

Ethical research holds great importance in academic studies. In order to uphold ethical standards, the participants were adequately informed and their consent was obtained. The researcher assured them of the confidentiality and anonymity of their data. Furthermore, the collected data was maintained with integrity and transparency, ensuring its originality.

Chapter Summary

This chapter examined the study's research design, population, and sampling procedure. Also, the data gathering instrument and method utilized for data collection, as well as the data processing and analysis tool.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

The results of the study were discussed in this section. The results were organized under the questionnaire and the study objectives. It starts with demographics, followed by descriptive statistics, and inferential statistics.

Demographics

The main demographics this study explored were age, gender, and educational level. This is presented in the table below:

Table 2: Demographics

	Frequency	Percent
Gender		
Male	124	63.6
Female	70	35.9
Missing numbers	1	0.5
Total	**195**	**100.0**
Age		
20 - 29	29	14.8
30 - 39	130	66.7
Missing numbers	36	18.5
Total	**195**	**100.0**
Educational Qualification		
Secondary	5	2.6
HND	29	14.9
Bachelor's Degree	129	66.2
Master's Degree	28	14.4
Missing numbers	4	2.1
Total	**195**	**100.0**

Source: Fieldwork (2022)

The report from Table 1 showed that out of the sample size of 194 male was the dominant respondent in the study with 63.6% (124) followed by the female counterparts with 35.9% (70). Concerning their age, the majority were within the age bracket of 30 – 39 years (66.7%) followed by 20 – 29 (14.8%). Also, the report showed that the respondents had a higher level of formal education. Most of them had Bachelor’s Degree 66.2% (129), followed by HND 14.9% (29), Master’s Degree 14.4% (28), and then Secondary education 2.6% (5). The demographics show a high level of the youthful population in Compassion and the organization is poised to attract employees with a high level of education; however, the gender balance should be a bridge as males were extremely higher than the females in the study.

Projects

The table below shows the projects assisted by Compassion Ghana.

Table 3: Projects

Projects	Frequency	Percent
GH0218	12	6.2
GH0219	17	8.7
GH0220	11	5.6
GH0228	15	7.7
GH0229	14	7.2
GH0312	11	5.6
GH0315	12	6.2
GH0316	7	3.6
GH0411	20	10.2
GH0650	15	7.7
GH0651	16	8.2
GH0750	18	9.2
GH0880	10	5.2
GH0935	16	8.2
Missing number	1	0.5
Total	195	100.0

Source: Fieldwork (2022)

Table 2 showed 14 assisted projects of Compassion Ghana and the result revealed that project GH0411 has the highest implementors 20 (10.2%), followed by GH0750 18 (9.2%), GH0219 17 (8.7%), GH0651 16 (8.2%) and GH0935 16 (8.2%), GH0228 15 (7.7%) and GH0650 15 (7.7%), GH0229 14 (7.2%), GH0218 12 (6.2%) and GH0315 12 (6.2%), GH0220 11 (5.6%) and GH0312 11 (5.6%), GH0880 10 (5.2%), and then project GH0316 with the lowest implementors 7 (3.6%).

Project Location

The table below shows the location of the projects assisted by Compassion Ghana.

Table 4: Project Location

Location	Frequency	Percent
Asikuma	23	11.8
Mando	17	8.7
Bisease	28	14.4
Amoanda	16	8.2
Ba	15	7.7
Enyan Denkyira	12	6.2
Abaasa	7	3.6
Owane	20	10.3
Ajumako Esikado	13	6.7
Osebzi	17	8.7
Essiam	11	5.6
Ajumako Techman	16	8.2
Total	195	100.0

Source: Fieldwork (2022)

Concerning the location of Compassion assisted projects, the results from Table 3 showed that most of the projects are sited in Bisease 28 (14.4%), this is proceeded by Asikuma 23 (11.8%), Owane 20 (10.3%), Mando 17

(8.7%) and Osebzi 17 (8.7%), Amoanda 16 (8.2%) and Ajumako Techman 16 (8.2%), Ba 15 (7.7%), Ajumako Esikado 13 (6.7%), Enyan Denkyira 12 (6.2%), Essiam 11 (5.6%) then Abaasa 7 (3.6%).

Budget Preparation Process

The budget preparation process of Compassion Ghana was also explored. This section was ranked on a scale of 5 (1 = Strongly Disagree, 2 = Disagree, 3 = Undecided, 4 = Agree, and 5 = Strongly Agree). Therefore, any means above 3 implies acceptance by the respondents while any means below or equal to 3 implies unacceptance by the respondents. The report is shown in the table below:

Table 5: Budget Preparation Process

	N	Mean		Std. Deviation
	Statistic	Statistic	Std. Error	Statistic
Budget Planning	**195**	**4.29**	**.055**	**.772**
Management defines specific budget objectives they intend to achieve	195	4.34	.055	.767
Management set out the activities needed to achieve the budget objectives	195	4.14	.075	1.050
Management-specific objectives are SMART	195	4.37	.055	.765
Budget Organization	**195**	**4.22**	**.056**	**.785**
Management assigns teams to a specific task	194	4.19	.061	.850
Each team has a time frame to complete the project	191	4.26	.066	.909
Management allocates enough resources for each team to complete the project successfully	195	4.22	.062	.866

Budget Funding	**195**	**3.95**	**.065**	**.904**
The management lays out the procedures to fund the budget	195	4.08	.067	.932
Management makes correspondents with donors whose interests are aligned with that of the organization	194	3.90	.075	1.051
Management applies for grants from those donors whose interests are aligned with that of the organization	193	3.88	.078	1.083
Budget Implementation and Approval	**195**	**4.39**	**.051**	**.719**
The budget becomes complete when management approves it	194	4.46	.052	.728
Management implements the budget when funding is received from donors	195	4.33	.060	.834
Budget Review	**195**	**4.13**	**.061**	**.855**
Management sets out procedures to review the budget monthly, quarterly, and yearly to check the budget performance	195	4.11	.065	.901
Management takes corrective actions to address any significant difference that will arise in the actual results and expected results	192	4.15	.064	.886
Overall Budget Preparation Process	**195**	**4.19**	**.046**	**.638**

Source: Fieldwork (2022)

Key (Bold is composite variable, SD = Standard Deviation)

The report from table 4 revealed that Compassion Ghana engages in a rigorous budgeting preparation process (Mean = 4.19, SD = 0.0638). Moreover, concerning the budgeting preparation process, the implementors rated them as follows; budget implementation and approval was ranked first (Mean = 4.39, SD = 0.719), this was proceeded by budget planning (Mean =

4.29, SD = 0.772), budget organization (Mean = 4.22, SD = 0.785), budget review (Mean = 4.13, SD = 0.855), and then budget funding (Mean = 3.95, SD = 0.904).

Challenges of Budget Preparation

The following challenges were explored in connection with Compassion Ghana budget preparation. This section was ranked on a scale of 5 (1 = Strongly Disagree, 2 = Disagree, 3 = Undecided, 4 = Agree, and 5 = Strongly Agree). Therefore, any means above 3 implies acceptance by the respondents while any means below or equal to 3 implies unacceptance by the respondents. The table below shows the result.

Table 6: Challenges of Budget Preparation

	N	Mean		Std. Deviation
	Statistic	Statistic	Std. Error	Statistic
Budgeting frequently becomes challenging and rigid.	193	2.58	.086	1.188
Budgets can occasionally be utilised to cover up inefficiencies.	193	2.85	.088	1.229
Whenever unit aims are permitted to take precedence over organizational objectives, budgeting fails.	192	2.99	.090	1.245
Budgets are frequently so complex that they are burdensome, pointless, and excessively expensive.	194	2.41	.088	1.232
Budgets are created based on projections and projecting of future events, which is often not accurate.	192	3.38	.099	1.379
Overall Challenges	**195**	**2.84**	**.069**	**.967**

Source: Fieldwork (2022)

Key (Bold is composite variable, SD = Standard Deviation)

The report from table 5 showed that Compassion Ghana does not encounter serious challenges in budget preparation (Mean = 2.84, SD = 0.967). However, the implementors agreed that “Budgets are created based on projections and projecting of future events, which is often not accurate” (Mean = 3.38, SD = 1.379).

Budgetary Controls

The first objective was to examine the budgetary controls of Compassion in executing projects. This section was ranked on a scale of 5 (1 = Strongly Disagree, 2 = Disagree, 3 = Undecided, 4 = Agree, and 5 = Strongly Agree). Therefore, any means above 3 implies acceptance by the respondents while any means below or equal to 3 implies unacceptance by the respondents. The report is presented in the table below:

Table 7: Descriptive Statistics

	N	Mean		Std. Deviation
	Statistic	Statistic	Std. Error	Statistic
Management holds meetings to review budget performance	192	3.54	.053	.730
There are policies in place to track spending on projects	192	3.56	.055	.757
Budgetary control is done by the budget committee	191	3.16	.062	.862
Projects costs are always reviewed by the executive committee	191	3.29	.060	.832

Management prepares reports on budget performance evaluation regularly	191	3.20	.068	.943
Budget variances analyses are reported to the budget committee regularly	192	3.14	.074	1.019
Management implements timely corrective actions on budget variances reported	192	3.22	.070	.968
There is always follow-up on budget plans by the budget committee	193	3.34	.060	.839

Source: Fieldwork (2022)

The report from table 2 showed that Compassion ensures budgetary controls in all executed projects in the Central Region. The implementors ranked these budgetary control activities in descending order starting from: “there are policies in place to track spending on projects” (Mean = 3.56, SD = 0.757), “management hold meetings to review budget performance” (Mean = 3.54, SD = 0.730), “there is always follow up on budget plans by the budget committee” (Mean = 3.34, SD = 0.839), “projects costs are always reviewed by the executive committee” (Mean = 3.29, SD = 0.832), “management implements timely corrective actions on budget variances reported” (Mean = 3.22, SD = 0.968), “management prepares reports on budget performance evaluation regularly” (Mean = 3.20, SD = 0.943), “Budgetary control is done by the budget committee” (Mean = 3.16, SD = 0.862), and “budget variances analyses are reported to the budget committee regularly” (Mean = 3.14, SD =

1.019). This report agrees with Gladstone and Karim (2020) who investigated the role of budgetary control in the monitoring and assessment of non-profit financial operations. According to the findings, the majority of non-profit organizations in Ghana acknowledge the value of budgeting and have established a well-resourced budgeting department to enhance efficient monitoring and assessment of their activities. According to Shaikh (2016), budgetary control is very useful for company management in controlling expenditures using a powerful tool known as a budget. It will serve as a benchmark for assessing and evaluating individual and departmental performance.

Financial Sustainability

The second objective was to investigate the financial sustainability of Compassion assisted projects. Key factors that influence financial sustainability were examined including financial management, diversification of income, internal generation of income, and donor-relation management. This section was ranked on a scale of 5 (1 = Strongly Disagree, 2 = Disagree, 3 = Undecided, 4 = Agree, and 5 = Strongly Agree). Therefore, any means above 3 implies acceptance by the respondents while any means below or equal to 3 means unacceptance by the respondents. The report is presented in the table below:

Table 8: Descriptive Statistics

	N	Mean		Std. Deviation
	Statistic	Statistic	Std. Error	Statistic
Financial Management	**195**	**3.25**	**.064**	**.891**
There is sufficient allocation of resources for all assisted projects	193	3.36	.079	1.095
Projects initiated are finished timely under the planned budget	192	3.47	.054	.751
There are sufficient funds for all contingency activities	193	3.01	.081	1.123
Diversification of Income	**195**	**2.42**	**.059**	**.825**
Funds are solicited from several avenues	193	3.00	.067	.935
There is minimum reliance on funds from external donors	188	2.40	.085	1.168
There is an investment of surplus funds in endowment funds	189	1.90	.071	.979
Internal Generation of Income	**195**	**2.64**	**.064**	**.901**
There are measures in place to solicit funds from the public	190	2.91	.074	1.022
There is a financial plan for raising funds for projects	192	2.90	.071	.984
There is an endowment fund for receiving donations from philanthropists	192	2.24	.076	1.052
Donor-Management Relations	**195**	**3.71**	**.071**	**.988**
There is effective communication with donors	190	3.74	.064	.886
There is a strong network of donors	189	3.77	.066	.904

There is a provision of accountability to gain the trust of donors	190	3.85	.065	.898
Overall Financial Sustainability	**195**	**3.01**	**.051**	**.711**

Source: Fieldwork (2022)

Key (Bold is composite variable, SD = Standard Deviation)

The report from table 3 was examined based on the four main sub-scales of financial sustainability (financial management, diversification of income, internal generation of income, and donor-relation management).

Financial Management

With financial management, the implementors agreed that Compassion undertakes financial management in their executed projects (Mean = 3.25, SD = 0.891). In order of importance, the following activities are undertaken to ensure financial management in projects: "projects initiated are finished timely under the planned budget" (Mean = 3.47, SD = 0.751), "there is sufficient allocation of resources for all assisted projects" (Mean = 3.36, SD = 1.095), and "There are sufficient funds for all contingency activities" (Mean = 3.01, SD = 1.123). This agrees with Abdulkaddir (2021) that financial planning, financial monitoring and assessment, and financial controls significantly influence financial sustainability.

Diversification of Income

Concerning diversification of income, the implementors disagree that Compassion diversify its income generation (Mean = 2.42, SD = 0.825). In ascending order, they disagree with "there is an investment of surplus funds in endowment funds" (Mean = 1.90, SD = 0.979) and "there is minimum reliance on funds from external donors" (Mean = 2.40, SD = 1.163). However, they were undecided with “funds are solicited from several avenues” (Mean = 3.0, SD = 0.935). This agrees with Ebenezer, Musah, and Ahmed's (2020) findings that NGOs are highly dependent on donors and have minimal income diversification and internal generation of the fund. Also, Omeri (2015) concluded that income diversification, the competence of employees, and strategic financial planning influence the financial sustainability of NGOs.

Internal Generation of Income

Moreover, the implementors disagree that Compassion generates income internally (Mean = 2. 64, SD = 0.901). This implies that Compassion over-rely on donor support and aid to run its activities. The respondents disagreed with these questions in ascending order: “there is an endowment fund for receiving donations from philanthropists” (Mean = 2.24, SD = 1.052), “there is a financial plan for raising funds for projects” (Mean = 2.90, SD = 0.984), and “there are measures in place to solicit funds from the public” (Mean = 2.91, SD = 1.022). This agrees with Ebenezer, Musah, and Ahmed's (2020) findings that NGOs are highly dependent on donors and have minimal income diversification and internal generation of the fund.

Donor- Management Relations

In addition, the implementors agreed that Compassion has strong donor- management relations (Mean = 3.71, SD = 0.988). The respondents agreed in ascending order as: “there is effective communication with donors” (Mean = 3.74, SD = 0.886), “there is a strong network with donors” (Mean = 3.77, SD = 0.904), and “there is a provision of accountability to gain the trust of donors” (Mean = 3.85, SD = 0.898). This agrees with Wandera and Sang

(2017) that donor relationship management and the financial viability of NGOs in South Sudan had a strong and favourable association.

Overall, the implementors fairly agreed that Compassion ensures financial sustainability in their assisted projects in the Central Region (Mean = 3.01, SD = 0.711). The organization ensure sound financial management and donor-relation management; however, there is a high reliance on donor funds and aids and as a result, there is low diversification of income and internal generation of funds to support their activities.

Correlation

The study also examined the relationship between budgetary controls and financial sustainability variables (financial management, diversification of income, internal generation of income, and donor-relation management). The report is presented in the table below:

Table 9: Correlation (Budgetary Controls and Financial Sustainability Sub-scales)

		1	2	3	4	5
1	Budgetary Controls	1				
2	Financial Management	.297**	1			
3	Diversification of Income	.456**	.309**	1		
4	Internal Generation of Income	.501**	.357**	.587**	1	
5	Donor-Management Relations	.440**	.649**	.332**	.545**	1

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

Source: Fieldwork (2022)

The report from table 4 indicated that there is a positive relationship between budgetary controls (r= 0.297) and financial management, (r = 0.456) diversification of income, (r = 0.501) internal generation of income, and (r = 0.440) donor-management relations.

Table 10: Correlation between Budgetary Controls and Financial Sustainability

		1	2
1	Budget Compliance	1	
2	Financial Sustainability	.554**	1

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

Source: Fieldwork (2022)

The report from table 5 showed that there is a strong positive relationship between budgetary controls (r = 0.554) and financial sustainability. This agrees with Wandera and Sang's (2017) findings that budget control and the financial viability of NGOs in South Sudan have a strong and favourable relationship.

Budgetary Controls and Financial Sustainability

The last objective was to investigate the effect of budgetary controls on financial sustainability in Compassion assisted projects. Regression analysis was carried out to determine how budgetary controls influence the financial sustainability of Compassion-assisted projects in the Central Region. This starts with the model fit, followed by regression output and then ANOVA.

Table 11: Model Fit Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.554[a]	.307	.303	.593

a. Predictors: (Constant), Budget Controls

Source: Fieldwork (2022)

The model was examined to ensure its good fit with the study variables. The R Square was used to determine the fitness of the model. The report from Table 6 revealed that R Square was 0.307 (30.7%). This implies that the model explains only 30.7% variations between the predictor (budgetary controls) and dependent variables (financial sustainability). Although the model was weak, it was able to predict a significant variation between budgetary controls and financial sustainability.

Table 12: Regression Output

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	1.242	.196		6.336	.000
Budgetary Controls	.537	.058	.554	9.239	.000

a. Dependent Variable: Financial Sustainability

The effect of budgetary controls on financial sustainability was examined with the help of linear regression analysis. The report from table 7 showed that budgetary controls positively and significantly (Beta = 0.554, p-value< 0.01) predict the financial sustainability of Compassion-assisted projects in the Central Region. This implies that efficient and effective budgetary controls will result in the financial sustainability of NGOs and vice versa. This agrees with the findings of Chelangat, Sang, and Simiyu, (2018) which revealed a strong positive impact of financial controls on NGO financial sustainability.

Table 13:ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	30.068	1	30.068	85.366	.000[b]
Residual	67.979	193	.352		
Total	98.047	194			

a. Dependent Variable: Financial Sustainability

b. Predictors: (Constant), Budgetary Controls

Source: Fieldwork (2022)

Finally, the significant difference between budgetary controls and the financial sustainability of Compassion was examined. The analysis from the ANOVA report in Table 8 showed that there is a positive significant difference (F = 85.366, p-value<0.01) between budgetary controls and the financial sustainability of Compassion.

Chapter Summary

This study focused on assessing the budget compliance and financial sustainability of Compassion-assisted projects in the Central Region. The research examined the budgetary control measures implemented by the organization, with project implementors confirming that the organization emphasizes budgetary controls to identify any deviations in budgeting and implement corrective actions accordingly. Additionally, the study explored the financial sustainability of the organization by investigating its funding sources for projects. The findings revealed that donor management relationships played a critical role in ensuring financial sustainability. Transparency and accurate reporting were identified as key factors that facilitated the organization's ability to secure funding from loyal donors. Following donor relations, financial management practices, income diversification, and internally generated funds were also important contributors to financial sustainability. However, it is important to note that relying heavily on external funding sources poses a potential risk of financial instability for the organization.

Furthermore, the study revealed positive correlations between budgetary control and the sub-scales of financial sustainability, suggesting that enhancing budgetary control procedures is likely to have a positive impact on the overall financial sustainability of an organization. To further investigate the significance of this relationship, a regression analysis was conducted, which confirmed the statistical significance of the relationship. These findings highlight the importance of management prioritizing budgetary compliance, as it has the potential to effectively enhance the financial sustainability of the organization.

CHAPTER FIVE

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

Introduction

This chapter serves as a summary of the main findings of the study, presents conclusions and recommendations based on those findings, and suggests areas for further research.

Summary of Key Findings

This section provides a summary of the findings obtained from the analysis conducted in the study. The key findings are as follows:

Budgetary Controls

- The research findings demonstrated that the implementation of Compassion-assisted initiatives in the Central Region adheres to strict budgetary control procedures. This outcome is encouraging for management, as it ensures effective management and regulation of resources. Robust budgetary controls facilitate the appropriate distribution of resources, project performance assessment, cost management, and accountability and transparency.

Financial Sustainability

- While the Compassion-assisted project in the Central Region demonstrates satisfactory financial sustainability on the whole, a detailed examination of its sub-components reveals a heavy reliance on donors and financial management for maintaining this sustainability. This excessive dependence on external funding can pose a potential obstacle if the funding source diminishes significantly. Additionally, the organization faces limited options for diversifying its income, resulting in a lack of internal revenue generation. This poses challenges in terms of securing alternative funding from various sources and reducing financial vulnerability.

Impact of Budgetary Control on Financial Sustainability

- In this study, inferential statistics were employed, utilizing correlation and regression analysis, to examine the connection between budgetary control and the financial sustainability of Compassion-assisted projects in the Central Region. The results of the analysis indicated a significant and positive relationship between budgetary control and financial sustainability. Therefore, strengthening and empowering budgetary control procedures have a positive impact on the organization's financial sustainability.

Conclusions

This study focused on the utilization of budgetary controls to ensure both budgetary compliance and financial sustainability of Compassion-assisted projects in the Central Region. Despite the abundance of NGOs in Ghana, the concept of financial sustainability remains relatively unexplored concerning the long-term viability of these organizations. By implementing budgetary controls, management is held accountable and resource wastage is minimized, thereby enabling continuous contributions to society. Typically, NGOs heavily rely on external resources for their programs and projects, but excessive dependency carries inherent risks. To mitigate these risks and reduce the likelihood of project failures, NGOs must diversify their funding sources by blending them with other available options.

Recommendations

Based on the key findings and conclusions, the study coined the following recommendations;

- Non-governmental organizations (NGOs) need to prioritize the implementation of stringent budgetary control procedures to effectively manage expenses without compromising their objectives. One way to achieve this is by conducting a thorough comparison between the budgeted amounts and the actual costs incurred in projects, identifying significant variances, and taking appropriate corrective measures to address them. Regular meetings should be held to review expenses and compare them against planned estimates, enabling the organization to maintain cost control and optimize resource utilization. By adopting these practices, NGOs can ensure responsible financial management while staying aligned with their mission.
- The study findings indicated a limited capacity for NGOs to generate funds internally, highlighting a higher reliance on external sources of funding. Achieving financial sustainability necessitates striking a balance between internal and external funding streams. To address this, NGOs can engage in fundraising activities and leverage the Pareto principle to attract affluent individuals who have the potential to contribute a significant portion (approximately 80%) of the organization's income internally. By generating surplus funds, NGOs can explore investment opportunities and utilize the returns earned to support their projects and initiatives, thereby enhancing their overall financial sustainability.

Suggestions for Further Research

The study made the following suggestion for further research;

- A time series of research should be conducted on budget compliance and financial sustainability of NGOs to understand the area in a broader sense.
- Also, the study should be conducted in other regions to have a regional perspective to have conclusive evidence.

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APPENDICES

UNIVERSITY OF CAPE COAST

COLLEGE OF HUMANITIES & LEGAL STUDIES

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING

Dear Respondent,

This study examines the budget compliance and financial sustainability of NGOs in Ghana. Your participation in this study will help to determine the budget compliance and financial sustainability of Compassion-assisted projects in the Central Region. Your responses will be treated with strict confidentiality.

FIRST SECTION: BACKGROUND OF RESPONDENTS

Please tick the appropriate box

1. Gender
   a) Male ☐
   b) Female ☐

2. Age
   a) 20 – 29 years ☐
   b) 30 – 39 years ☐
   c) 40 – 49 years ☐
   d) 50 – 59 years ☐
   e) 60 and above ☐

3. Highest Educational Qualification
   a) WASSCE ☐
   b) HND ☐
   c) Bachelor's Degree ☐
   d) Master's Degree ☐

4. Which project is under your control?
   a) GH0218 ☐
   b) GH0219 ☐
   c) GH0220 ☐
   d) GH0228 ☐
   e) GH0229 ☐
   f) GH0312 ☐
   g) GH0315 ☐
   h) GH0316 ☐
   i) GH0411 ☐
   j) GH0650 ☐
   k) GH0651 ☐
   l) GH0750 ☐
   m) GH0880 ☐
   n) GH0935 ☐
5. What is the location of your project?
   a) Asikuma ☐
   b) Mando ☐
   c) Bisease ☐
   d) Amoanda ☐
   e) Ba ☐
   f) Enyan Denkyira ☐
   g) Abaasa ☐
   h) Owane ☐
   i) Ajumako Esikado ☐
   j) Osebzi ☐
   k) Essiam ☐
   l) Ajumako Techman ☐

SECOND SECTION: BUDGET PREPARATION PROCESS

The budget preparation process is the procedure whereby the budget is created and approved by management. These procedures include budget planning, budget organization, budget funding, budget approval and implementation, and budget review.

Please respond how you agree or disagree with each of the following statements in connection with the budget preparation process. ***Scale: Strongly Disagree (1), Disagree (2), Undecide (3), Agree (4), and Strongly Agree (5)***

No	Budget Planning	1	2	3	4	5
1	Management defines specific budget objectives they intend to achieve					
2	Management set out the activities needed to achieve the budget objectives					
3	Management-specific objectives are SMART					
	Budget Organization					
1	Management assigns teams to a specific task					
2	Each team has a time frame to complete the project					
3	Management allocates enough resources for each team to complete the project successfully					
	Budget Funding					
1	The management lays out the procedures to fund the budget					
2	Management makes correspondents with donors whose interests are aligned with that of the organization					
3	Management applies for grants from those donors whose interests are aligned with that of the organization					
	Budget Approval and Implementation					
1	The budget becomes complete when management approves it					
2	Management implements the budget when funding is received from donors					
	Budget Review					
1	Management sets out procedures to review the budget monthly, quarterly, and yearly to check the budget performance					
2	Management takes corrective actions to address any significant difference that will arise in the actual results and expected results					

THIRD SECTION: BUDGETARY CONTROLS

Budgetary control is a financial accounting technique that aids in the oversight of an organization's receipts and expenditures

Please respond how you agree or disagree with each of the following statements in connection with budgetary controls. ***Scale: Strongly Disagree (1), Disagree (2), Undecide (3), Agree (4), and Strongly Agree (5)***

No	Budgetary Controls	1	2	3	4	5
1	Management holds meetings to review budget performance					
2	There are policies in place to track spending on projects					
3	Budgetary control is done by the budget committee					
4	Projects costs are always reviewed by the executive committee					
5	Management prepares reports on budget performance evaluation regularly					
6	Budget variances analyses are reported to the budget committee regularly					
7	Management implements timely corrective actions on budget variances reported					
8	There is always follow-up on budget plans by the budget committee					

FOURTH SECTION: CHALLENGES OF BUDGETING

This section measures the challenges associated with budgeting.

Please respond how you agree or disagree with each of the following statements. ***Scale: Strongly Disagree (1), Disagree (2), Undecide (3), Agree (4), and Strongly Agree (5)***

No	Challenges of Budgeting	1	2	3	4	5
1	Budgeting frequently becomes challenging and rigid.					
2	Budgets can occasionally be utilised to cover up inefficiencies.					
3	Whenever unit aims are permitted to take precedence over organizational objectives, budgeting fails.					
4	Budgets are frequently so complex that they are burdensome, pointless, and excessively expensive.					
5	Budgets are created based on projections and projecting of future events, which is often not accurate.					

FIFTH SECTION: FINANCIAL SUSTAINABILITY

Financial sustainability is an NGO's ability to generate income domestically while also ensuring that external funders keep on making funding available at essential levels for programs.

*Please respond how you agree or disagree with each of the following statements in connection with financial sustainability. **Scale: Strongly Disagree (1), Disagree (2), Undecide (3), Agree (4), and Strongly Agree (5)***

No	Financial Management	1	2	3	4	5
1	There is sufficient allocation of resources for all assisted projects					
2	Projects initiated are finished timely under the planned budget					
3	There are sufficient funds for all contingency activities					
	Diversification of Income					
1	Funds are solicited from several avenues					
2	There is minimum reliance on funds from external donors					
3	There is an investment of surplus funds in endowment funds					
	Internal Generation of Funds					
1	There are measures in place to solicit funds from the public					
2	There is a financial plan for raising funds for projects					
3	There is an endowment fund for receiving donations from philanthropists					
	Donor-Management Relations					
1	There is effective communication with donors					
2	There is a strong network of donors					
3	There is a provision of accountability to gain the trust of donors					

Adapted from Saungweme (2014)

Thank You