

UNIVERSITY OF CAPE COAST

DETERMINANTS OF FINANCIAL SUSTAINABILITY OF THE PRESBYTERIAN CHURCH OF GHANA (PCG)

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UNIVERSITY OF CAPE COAST

**DETERMINANTS OF FINANCIAL SUSTAINABILITY OF THE
PRESBYTERIAN CHURCH OF GHANA (PCG)**

BY

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**A DISSERTATION SUBMITTED TO THE DEPARTMENT OF
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HUMANITIES AND LEGAL STUDIES, UNIVERSITY OF CAPE COAST, IN
PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF
MASTERS OF BUSINESS ADMINISTRATION DEGREE IN ACCOUNTING**

JULY, 2017

DECLARATION

CANDIDATE'S DECLARATION

In hereby declare that this dissertation is the result of my own original research and that no part of it has been presented for another degree in this university or elsewhere.

CANDIDATE'S SIGNATURE: DATE:

.....

NAME: REV. CHARLES KABUOS KUSAAH

SUPERVISOR'S DECLARATION

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

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ABSTRACT

This study sought to examine three main determinants of financial sustainability of the Presbyterian Church of Ghana (PCG) in view of the fact that the Church is grappling with serious financial challenges regarding funding administrative overheads, scholarships, and social services. The PCG is a major contributor to the socio-economic and spiritual development of Ghana since 1828 in areas like health, education, agriculture, etc. It was guided by three objective predictors of financial sustainability, namely; income generation, income diversification and donor support/ relationship management. The study engaged a descriptive research design with the target population comprising members of the governing body, programme leaders, national finance committee members, etc. The sample consisted of 60 respondents out of a population of 115 technocrats of the Church. The instruments for data collection included questionnaire, personal interviews and PCG annual financial reports. The primary data collected through the administered questionnaire was processed using a computer application known as Statistical Package for Social Sciences (SPSS). The research findings based on the given predictors of financial sustainability were analysed and interpreted in order to draw useful conclusions by establishing an appropriate roadmap. Equity balance, low administrative costs, operating margins, concentration of income streams and accounting ratios were mentioned as good measuring rods for financial sustainability. The study concluded that, income diversification and income generation could significantly influence financial sustainability of PCG. The study therefore recommended that the church intensified fund raising strategies by

diversifying sources of income through income generating projects and strategic partnerships, cost reduction, and then increase in monitoring and evaluation processes.

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DEDICATION

To my late parents and family members

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CHAPTER ONE

INTRODUCTION

Background to the Study

This chapter serves as the introduction to the study. It contains the background of the study in relation to the determinants of financial sustainability of the Presbyterian Church of Ghana (PCG). It includes a statement of the problem, research objectives, research questions, significance of the study, definition of terms, scope and limitations of the study, and organization of the study.

Financial sustainability in Church Based Organizations (CBOs) in the third world countries, especially in Africa has been a challenge for some time now. This is due to the declining support from their traditional funders (Asamoah-Prah, 2011). The Budgets of these organizations have always been in deficits and consequently, their net worth is shrinking unimaginably (Okorley & Nkrumah, 2012). This phenomenon is as a result of the world economic recession and changes in the priorities in the north which consequently has affected the volume and nature of available aid. Even CBOs with good fundraising strategies could no longer be complacent as a result of pressing demands of poverty and the need for fund raisers in the local scene to attend to social needs. Some of these CBOs have assumed expanded service delivery roles on behalf of governments that were outsourcing social welfare delivery and relying on funding from the International Monetary Fund and World Bank (Mawudor, 2016).

What is worrisome (for which this study sought to address) is the fact that most of the Presbyterian Church of Ghana (PCG) development projects depend largely on donations and grants from the Basel missionary partners mostly in Europe and America

with little inherent capacity for financial sustainability. In the quest for sustainability, Church Based Organizations (CBOs) dependency on foreign aid is a worrying factor for the following reasons:

- a) A Christian body which remains dependent on external assistance, support and guidance would never grow beyond infancy,
- b) Dependency is a reflection of deficiency in creativity and innovativeness,
- c) Too much dependency on foreign donors violates the “3-self principle”, namely, self-governing, self-propagating and self-supporting,
- d) Funding from foreign sources creates vulnerability to foreign economic and political manipulation to a large extent,
- e) Perpetual aid has never developed any country, for in an aid environment, the recipient governments are less interested in fostering entrepreneurship and the development of a middle class (Moyo, 2009).

The All Africa Conference of Churches (AACC) in their response to calls from its 173 member Churches (including the Presbyterian Church of Ghana), organized an international symposium on the “Sustainability of the Church in Africa” in which delegates called for a determination to overcome the dependency crisis in the Church. They further called for Church leadership in Africa to “conceptualize the insight and articulate the stroke which would cut the Gordian knot inhibiting Church financial growth in Africa (AACC, 1996).

On the global scene, church based organizations constitute 82% of the non-profit social services providers (NCCS, 2007). According to the US Department of Health and Human Services (HHS), these organizations play a commendable and

appreciable level of social transformations, and have been found to be quite successful in curbing poverty and social decay (US-HHS, 2015).

CBOs have not been able to provide desired services commensurate with the growth of churches globally. It is the membership of the churches that supports them (Burlingame, 2004). In times of serious economic fluctuations, church members' contributions reflected such fluctuations (Boddie & Cnaan, 2006; Burlingame, 2004). In the United States, the President's Advisory Council (2010) posits that the Jewish Federation of North America that represented 157 Jewish Federation raised and made available nearly \$3 billion through a faith reflected organization's net work. In 2005, the Lutheran Services in America reported that its members also made available more than \$16 billion across the country. The Council also declared that "Feeding America" served more than 37 million people each year through 61,000 local faith-based agencies (US President's Advisory Council, 2010).

The above facts and many others suggest that both bilateral and multilateral organizations continue to support CBOs. Mawudor (2016) further observes that despite all these numerous and generous funders on the global scene, CBOs were still not receiving enough funding to carry out their programmes. This was the bane of their financial sustainability challenges. The world economic turbulence has rendered these CBOs financially vulnerable. Even in these times of financial turbulence church members' tithes and offerings waned, thus, affecting the CBOs negatively. Small to medium sized churches with low enrollments such as 2,000 people or less were greatly challenged in their quest to deliver needed social services. Wutnow (2004) observes that donor funding was economically driven, and economically dependent. Boddie and

Cnaan (2006) note that traditional funding from members of the churches and federal state government grants were insufficient to sustain the CBOs and the social services they provided.

Church members' funding, just like those of donor sources were not stable enough revenue sources for social services delivery by the CBOs. This phenomenon pushed churches to try a variety of Internally Generated Funds (IGF) sources, but those have not been stable enough to meet or maintain the existing social services (Boddie & Cnaan, 2006). Financial sustainability amongst the CBOs is a global phenomenon affecting both local and international organizations. Funding from donors as a primary source of revenue fluctuates in accordance with the changing global economic situation. CBOs that are so much linked to their foreign donor sources might suffer or even forfeit some of their planned operations (Mawudor, 2016).

The role being undertaken by CBOs was recognized in 2007 by the World Bank's 'Directorate of Faith' based on the maxim that poverty could not be fought without attending to people's spiritual dimension and its manifestations in the leaders of religious institutions (Marshall, 2007).

In the African context, church based organizations have played a major role in the development in the sub-Saharan countries in Africa. They have together played the following roles in relation to governance and public performance: a) Public policy and decision making relating to values and morals, electoral processes, promotion of transparency and information strategy. b) Social justice and the rule of law c) Enhanced social services delivery, d) Facilitating and supporting reconciliation and peace building in conflict areas (Narayan, 2000).

The Berkley Centre for Religion, Peace and world affairs (2009) observes that churches and their related organizations have a great potential to add value to development by mobilizing highly motivated voluntary service. This was possible because of their tangible and intangible proximity to society and diverse communities. They further observed that African communities, African governments and international bodies increasingly recognized that the CBOs in the continent were important actors in the field of development. In the areas of Education, Health care, Women's rights among others, the CBOs have pioneered several innovative ways to solving deep-seated challenges, and they have also partnered with worldwide agencies like the United Nations, World Bank, USAID, etc. These efforts together constitute a colossal amount of development work in Africa (The Berkley Centre for Religion, Peace and world affairs, 2009).

It is increasingly becoming clearer that states in the developing countries could no longer be the sole providers of goods and services to eradicate poverty and to ensure sustainable development among their people. It is in view of this fact that NGOs (including Church based organizations) are taking active part in the provision of complementary social services to the citizenry by harnessing their potentials for needed development. They also assert that those organizations were getting some support, albeit inadequate, because of their flexibility and quick response to the people's needs than the governments (Lekorwe, & Mpabanga, 2007).

In the Ghanaian context however, Adam (2004), posits that Ghana had surprisingly registered 3,000 NGOs (CBOs inclusive) across the country. The non-governmental sector in Ghana has been accompanied by the heightening expectation of

accountability and the demonstration of ability to provide significant developmental services to the nation. NGOs/ CBOs were heavily challenged with the following weaknesses: a) Lack of experienced manpower, b) limited financial assistance, c) having short range objectives, d) yielding to political influence and corruption (Schiavo-Campo, et al. 2000). Okorley and Nkrumah (2012), observe by anecdotal evidence that many non-governmental organizations fold up within the first two years of their inception for the above stated weaknesses and other unknown reasons.

Statement of the Problem

According to Goold et al. (1998), Churches have played a major role in the implementation of relief and development work in Africa through the considerable financial support received from mission agencies in Europe and North America. The churches in Africa today were unable to meet their targets due to insufficient foreign aid to ameliorate poverty and improve livelihoods. In Ghana for instance, Asamoah-Prah (2011) opines that the Basel Missionaries Society (BMS) supported the PCG since 1828 by building schools, hospitals, and agricultural projects, as well as vocational and trading activities to support socio-economic activities of this country. He concludes that, the missionaries later realized the need for an independent African Church which was self-sustaining. Patterson (2010) emphasizes that, social services provided by missionaries were much successful where the church was able to sustain projects such as the Presbyterian Relief Services which aimed at providing developmental assistance to the Church. Patterson also discloses that PCG continued to build schools, hospitals and other infrastructure until they were financially handicapped due to the dramatic withdrawal of donor funds.

In addition, Teppo (2015) observes that the Church severed relationship with the Presbyterian Church of USA (PCUSA) as a result of the issue of homosexual marriages when the Presbyterian congregations in America and the Episcopal Church ordained celibate gays and lesbians. He maintains that, the PCUSA being the major donor to the PCG's Chattered University at Akuapem-Akropong (Akrofi-Christaller Institute of Theology, Mission and Culture - ACI) in the Eastern Region of Ghana, withdrew their supports from the university which impeded the financial sustainability of the University and the church as a whole.

According to the Presbyterian directorate of social services, the Inter-Church Development Organization in Holland (ICCO) was the major sponsor of the PCG agricultural stations and had unfortunately withdrawn their funds over a decade ago. This dealt a heavy blow to the church, and thus, inhibited their financial sustainability to the extent that they had to diversify their sources of income generation, i.e. Internally Generated Funds (IGF). The agricultural stations had no option than to embark on local fundraising activities basically in agribusiness; poultry, animal rearing, beekeeping and crop farming, among others for sustainability.

The incidence of funding cuts has been the bane of despondency followed by the loss of jobs in projects hitherto supported by donors. Most of the Church's schools have been ceded to the central Government among which according to the PCG Educational Directorate, nine (9) Colleges of Education for the Church had been reduced to five (5) on similar grounds. Therefore, we agree with Moyo that too much dependency on foreign donations violates the "3-self principle" of self-governing, self-

propagating and self-supporting which has been the bane of PCG as a major contributor to the socio-economic and spiritual development of Ghana since its inception in 1828.

The crux of the study therefore was to examine the financial sustainability of the Presbyterian Church of Ghana due to her vision statement as revealed by Aboagye (2013), that PCG was “to be Christ-centred, self-sustaining and growing Church” thus, suggesting that the Church was ready to take her destiny into her own hands.

There is no doubt that PCG, among other mainline churches such as the Wesley Methodist, the Anglican, the Roman Catholic, Evangelical Presbyterian Church, the Seventh Day Adventist, Lutheran Church, Baptist, etc. has provided distinguished community services, exercised political influence and gained considerable public profile. These church related organizations ranged from small district operations with volunteer staff usually from the West, to large-scale, national professionalized organizations employing large numbers of people. The PCG particularly has expended significant sums of money in their normal course of work (The Berkley Centre for Religion, Peace and world affairs, 2009).

A Pan-African Christian research and consultancy body by name Christian Organizations Research Advisory Trust, usually referred to as CORAT Africa, of which the Presbyterian Church of Ghana (PCG) subscribes to, conducted a research on the “Sustainability of the Social Ministry of Churches and Church Based Organizations in Africa.” This research revealed that of the 17 CBOs interviewed at the time, 18% claimed to be fairly sustainable, while 82% claimed to be in a survival mode or moving towards a crisis. This was a clear demonstration that sustainability for many Christian Organizations was a priority issue (CORAT, 2002).

Michael Albert Kwamena-Poh in his Professorial church history book “Vision And Achievement; 1828 – 1978, a hundred and fifty years of the Presbyterian Church of Ghana”, cites the following from the Basel Mission Archives in Switzerland; “Our Schools, the most flourishing part in our African Mission, received every attention, because we must have a staff of well educated native assistants, before we reached our aim, the future independence of our native Church”... Henry Venn was perhaps alone at the time of his belief that the African was capable of managing his own affairs... Henry Venn’s scheme of gradual self-supporting, self-governing, and self-propagating Church did not remain mere paper work.”(Kwamena-Poh, 2011).

The abrupt or sudden cuts in donor funding has caused pain and despondency to many of the PCG agricultural projects, resulting in job losses, though in the case of the health facilities, the Central Government provided subventions in the form of workers’ salaries, and other medical support. Kwamena-Poh further notes in pp. 261 of his book as follows; “the Christian community which the Basel missionaries suddenly left behind was one in which African agents although fully equipped for their work in schools and congregations, had had no share in the management of the church’s affairs, or the administration of its funds, or the shaping of its policy.’ On the other hand, the Basel missionaries had tried to make the Mission Church self-supporting. He adds that, a central fund had been created, since 1881, from which was provided the money to build houses for Pastors and Catechists and to pay the salaries of the increasing number of ministers.” The PCG and her subsidiary organizations which had depended so much on western donors had been forced to review their structures and adjust them to conform to the recipient conditions imposed by their foreign partners. This was why the

early missionaries attempted to make the Church self-sustaining to avert future shocks from donor cuts. With the afore-mentioned problems, it was clear that a deliberate attempt must be made to overcome the dependency crisis if the Church was to remain authentic and relevant in its prophetic witness and mission (Kwamena-Poh, 2011).

It is about time the Church found the key determinants of financial sustainability in order to deliver her from the yoke of dependency. Indeed, Mante and Aboagye-Danquah (2014), in their book ‘‘The Presbyterian Church of Ghana Synod Decisions and the Rationale Behind the Decisions from 1975-2000’’, disclosed that the PCG in its 59th Synod held at Akropong, took a decision to establish an investment fund in 1989 dubbed ‘‘Presbyterian Foundation’’ with the object of: a) to provide training facilities for deserving members of the Church, b) to invest in Agriculture, Industry, and in distressed members of the Church, c) to provide economic and social services or facilities, d) to improve and modernize Accounting and Management systems within the Church’s administration. (Mante & Aboagye-Danquah, 2014),

The various districts and Presbyteries were continuously making conscientious efforts to invest in several other projects such as guest houses, stores, farm projects including poultry, beekeeping, etc. Indeed, it is recalled that the first store in Ghana; the Union Trading Company (UTC) headquartered in Switzerland, was introduced for financial sustainability reasons in 1914 first as Basel Trading Company, then later to Commonwealth Trust Company in 1929, and then to its current name; UTC. (Kwamina-Poh, 2011).

Mawudor (2016), observes that literature on financial sustainability of organizations, were basically on NGOs with very little reference to CBOs which laid

emphasis on the spiritual dimension of the people. There was therefore scanty economic, financial and management literature guiding Church Based Organizations in management vis-à-vis the growing threat to their ability to continue operations of their social intervention programmes which in no small measure had improved the wellbeing of people in their catchment areas. It was therefore, based on the underlying financial sustainability issues facing CBOs today, and the missing gaps in the related literature, that this study examined the key determinants of financial sustainability of the PCG and its subsidiary organizations with the intent of identifying a sustainable financial Church roadmap, and to make more literature available.

Main Objective

To examine the financial sustainability of Presbyterian Church of Ghana (PCG)

Specific Objectives

1. To examine how sustainable PCG would be without foreign support.
2. To ascertain how income generation improved the Church's financial sustainability.
3. To ascertain how income diversification measures supported the church's financial sustainability.

Research questions

This study had the following questions:

1. How sustainable was PCG without foreign support?
2. How did income generation improve the Church's financial sustainability?

3. How did income diversification measures significantly support the level of the Church's financial sustainability?

Significance of the Study

The significance of this research was anchored in the strategic role that the PCG and its subsidiary organizations played in Ghana, Africa, and the world over since the Church has its congregations all over the globe. For instance, the Eye Clinical services of the PCG were part of the West African College of Surgeons. Medical personnel in West Africa and beyond received training and practical attachments by the Bawku and the Agogo Presbyterian Hospital Eye Clinics and the Bolgatanga Regional Eye Centre. Eye services were carried out in Cameroon, Togo, La Cote d'Ivoire, Burkina Faso, etc. according to the office of the National Health Coordinator in Accra.

The Church was clearly the first custodian and champion of values and beliefs that radically challenged, and were diametrically opposed to the dominant forces prevalent in this world. Secondly, the church by holding these values and beliefs was equipped "to change situations where people suffered from injustice, and where complacency blinded the wealthy with regard to their obligations and responsibilities towards the excluded, vulnerable and disadvantaged" (Evans, & English, 2002). The PCG was non-partisan and served the whole of society; the family, the community, the government, the rich and the poor. Since its inception in 1828, the PCG has been a major and legitimate player in development work, and in the fulfillment of God's own mission in the world. This is the more reason why the financial sustainability of such a huge Church such as the PCG is in the interest of general society. Additionally,

substantial resources passed through the Church and its related projects for the enhancement of economic development.

The findings of this research were intended to add to knowledge and understanding of the strategic financial management and sustainability of PCG in Ghana, Africa, and the world over. This study was also intended to enrich theory, to model the financial sustainability of the PCG in its religious and social service delivery, to generate greater awareness among faith-based organisations on the importance of having a proper and practical financial sustainability framework. This would serve as a vehicle to organizational effectiveness and sustainability, and to provide useful empirical knowledge regarding factors that impacted and contributed to the successful adoption of the financial sustainability of the church and its related organizations and other donor dependent organizations.

The findings were also expected to challenge western donor agencies to go beyond the traditional provision of funds and to build the capacity of churches after donor funds and personnel have been withdrawn, thus, enhancing the prospects of CBO sustainability for the benefit of individuals, families, communities and systems that depend on their efforts (Mawudor, 2016).

Delimitations

Scope and Limitation of the Study

Creswell, Castetter and Heisler (1994) argue that delimitation and limitation helped to establish boundaries and expectations inherent in any research study. This study was limited to an examination of the determinants of financial sustainability of

the PCG, including, income generation, income diversification and donor support/relationship management. The study geographically covered the PCG and its projects dotted round Ghana, Togo, La Cote d'Ivoire, and its limited influence on other African countries. It also looked at the PCG congregations in Europe, Australia, America and Canada. The latter formed the Europe and North America Presbyteries respectively, thus, increasing the Church's Presbyteries or dioceses to twenty (21), and still counting.

Church Officers consulted in this research included the Health and Agricultural Coordinators, Director of Education and General Manager of Schools, the Ecumenical and Social Relations, Finance, Development & Social Services directors. These participants were targeted because of the critical information they were deemed to possess regarding the determinants of financial sustainability of the PCG. The study was undertaken within a seven-year period from 2010 to 2016. It is notable that the researcher of this work has been a worker at various levels of the Church for over three decades with extensive knowledge of the PCG.

Definition of Key Terms:

Church Based Organisations

Church Based Organisation is defined as a religious organization that is affiliated or identified with one or more religious organizations (Fritz, 2012). In this study, the term was used to refer to the religious related organisations whose services were non-profit oriented. They could also be referred to as Faith Based Organizations or Church Related Organizations.

Foreign Donors /Support (Stakeholders abroad)

Rabelet (2006), argues that the standard definition of this concept, also known as foreign aid was given by the Development Assistant Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) as financial flows , technical assistance, and commodities that were (1) designed to promote economic development and welfare as their main objective (thus excluding aid for military or other non-development purposes); and (2) provided as either grants or subsidized loans (Rabelet, 2006). In this study, the term was used to refer to grants and donations from the partners of PCG abroad who had supported the Church in various ways to achieve its aim of not only propagating the gospel, but providing social services such as schools, hospitals, clinics, agricultural stations, etc.

Financial Sustainability

Bowman (2008) defines financial sustainability as the ability of an organization to maintain its capacity. Also in broad terms, sustainability referred to the ability of leadership to maintain an organization over the long term (Bowman, 2008). United Nations gave the earliest definition of sustainability in 1987 as “meeting the needs of the present without compromising the ability of future generations to meet their own needs” (World Commission on Environment & Development, 1987). But in the context of this study, the term implied the capacity of PCG to maintain her capacity to render required social services without overly relying on either internal or external support.

Income Diversification

Food and Agricultural Organisation (2000), defines income diversification to be a strategy employed by organisations with the object of reducing risk of external shocks since different sources of income were likely to be affected differently by external shocks. In the context of this study therefore, the term connoted the ability of CBOs to reduce dependency on one dominant source of income and to rather access alternative additional sources of funding to achieve its mission.

Income Generation

The Cambridge Online Dictionary (2013) defines Income generation as ‘an investment or business activity that made money’. Aboukhsaiwan (2014) posits that income generating projects were used as a tool of engendered development in developing countries. His conclusion was based on the use of primary data in Morocco to investigate whether income generation projects had an impact on the five dimensions of women’s empowerment identified as economic decision making, child decision making, mobility, access to resources, and control over resources. In this study, the term was used in reference to the way a CBO or Presbyterian Church of Ghana raised unrestricted income from its internal sources (internally generated funds) from Church members and its social intervention programmes, including the sale of goods and services.

Organization of the study

This constituted five chapters of which chapter one served as the introduction to this study. It contained the background of the study in relation to the determinants of financial sustainability of the PCG. Other segments of the chapter included the following: a statement of the problem, research objectives, research questions, significance of the study, definition of terms, scope and limitations of the study, and organization of the study. Chapter two contained a review of related literature on financial sustainability of CBOs. This ascertained published thesis and books, journals, articles, etc. The second segment highlighted empirical literature related to the financial sustainability of CBOs. The third segment of the chapter covered the conceptual framework of the study. Chapter three comprised the methodology used to execute the research work. This comprised the research approach, the philosophical view or theory relevant to the study, the research design, the methods, sampling and many others. Chapter four consisted of the presentation and data analysis, thus, presenting and analyzing data to ensure its reliability and validity. Chapter five discussed the major findings, summary, conclusion, and recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter provides available literature on concepts and theories on the study area, and the factors that affect financial sustainability. It also presents some indicators or measurement for financial sustainability, a theoretical framework and the knowledge gap.

Review of Related Theories

A theory could be described as a way of making sense of a disturbing situation; it could also be a generalization about a phenomenon or an explanation of how or why certain things occur. It could therefore be concluded that any statement that explains what is measured or described or any general statements about the cause or effect are impliedly related to theory. Theories therefore represent tentative solutions to problems (Gompers & Metrick, 2001). This work was based on some given theories that had links with management of financial resources in organizations in general and NGOs/CBOs, and the Presbyterian Church of Ghana (PCG) in particular for the sake of this work. The theories under consideration here were: a) Resource Based View, b) Stakeholder Theory, and c) the Portfolio Theory.

The Resource-Based Theory

The Resource-based theory of competitive advantage according to the California Management Review (1991), recent contributions to strategic management and the theory of the firm collectively known as the “the Resource-based view of the firm” provides illuminating insights into the sources of profitability (Income

Generation) and the nature of competitive strategy. This theory (RBV) postulates that internal resources rather than the market environment should provide the foundation for a firm's strategy. On the basis of an analysis of the relationships among resources, capabilities, competitive advantage, and profitability, this article advances a framework for a resource-based approach to strategy formulation (California Management Review, 1991).

The resource-based theory or resource-based view, of the firm was founded on the concept of economic rent and the view of the company as a collection of capabilities. Kay (2005) argues that this view of strategy has a coherence and integrative role that places it well ahead of other mechanisms of strategic decision making (Kay, 2005). The RBV offers a critical and fundamental insight into why firms that have valuable, rare, inimitable and well organized resources might enjoy superior performance (Barney, 1995).

The concept of competitive advantage is the main contribution of the resource-based view. The RBV of the firm envisions firms as a bundle of resources, and probably the most dominant theory for explaining differences in performance among firms today (Barney & Arikan, 2001). Theorists have variously defined Resources as indicated in the RBV to include financial capital, assets, human skills/knowledge, organizational processes, and technologies (Carmeli, 2001). Notwithstanding the differing positions of the early resource-based contributions, each one focused on the distinctive resource profiles of varied firms and the question of why some firms consistently performed more than others. So a portion of the most important research works intended to shape the resource based thought was rooted in the early research on

distinctive competencies, referred to as the Ricardian economics, and the theory of firm growth as proposed by Penrose in 1959, where the concepts from that historical research influenced the fundamental assumptions of the model (Barney, 2002).

The RBV also suggests that a firm could create sustainable competitive advantage by developing its unique resources and capability (Barney, 2001). The difference between providing short-term competitive advantage and that which was sustainable resides in the notion that these resources are varied in nature and are not perfectly mobile (Barney, 2002). It is notable that managers were not static in the RBV, and were therefore called upon to structure, bundle, and leverage their valuable resources in unique ways so as to maximize their contribution to provide sustained advantage (Sirmon et al., 2007).

It is obvious that the RBV shares some common terms with research on sustainability, such as “resources” and “sustainable,” making its application more or less intuitive. This project work was concerned with sustainability as “meeting the organization’s present needs including the PCG without compromising the ability of future generations to meet their own needs,” rather than the sustainability of competitive advantage. The two concepts were related. The RBV proposed that competitive advantage might be sustainable when the firm’s resources were inimitable and non-substitutable (Barney, 1991). This argument pointed to the importance of making sure that a firm’s inimitable and non-substitutable resources were nurtured, maintained, and renewed over a period of time. Researchers could as well use the RBV to highlight the notion that sustainability initiatives might be useful to firms insofar as they could provide competitive advantage (Rechenthin, 2004).

From the perspective of the resource-based view, sustainability initiatives that resided at the intersection of socio-environmental concerns and market opportunities might stand the greatest chance of success. The RBV which was used as a theoretical base for human resource management was premised on the assumptions that the firm's resources were distributed heterogeneously and remained stable over a period of time (Morris, Snell & Wright, 2005). Barney (2001) views the resources of a firm to include both tangible and intangible assets such as machines, management skills, organizational processes and routines, information and knowledge (Barney, 2001).

The resource-based view provides adequate literature on resources which contribute to the formulation of sustainability-related strategies, such as continuous improvement (Christmann, 2000). It is also a shared vision within the CBOs and a high order learning, relationships with external stakeholders (Katsoulakos & Katsoulacos, 2007), stakeholder involvement (Sharma & Vredenburg, 2003). Rao and Holt (2005), note green supply chain management practices, while Bansal (2005) notes international experience, working capital management skills, organizational slack (Bansal, 2005), and political management capabilities (Oliver & Holzinger, 2008). Mawudor (2016) argues that, this literature emphasizes that these resources affect a firm's environmental or social performance and ultimately its financial performance.

The resource-based view presents the notion that firms should look into their internal resources, both physical and intellectual, for sources of competitive advantage (Allen & Wright, 2008). The theory under review is linked with the question of how the management of resources contributed to financial sustainability of CBOs (Mawudor, 2016). Hoopes, Madsen and Walker (2003) building on the RBV suggested a more

expansive discussion of sustained differences among firms and they developed a broad theory of competitive heterogeneity.

According to Hoopes et al., (2003), the RBV seemed to assume what it sought to explain, thus, diluting its explanatory power. For instance, it could be argued that the RBV defined, rather than hypothesized, that sustained performance differences were the result of variation in resources and capabilities across firms. The difference was however subtle, but it frustrated an understanding of the resource based view's possible contributions (Hoopes et al., 2003). The RBV's lack of clarity regarding its core premise and the absence of any clear boundary impedes fruitful debate. Given the theory's lack of specificity, one could invoke the definition-related or hypothesis-based logic any time. It could be argued again that resources were but one potential source of competitive heterogeneity. Competitive heterogeneity therefore could obtain for reasons other than sticky resources or capabilities (Hoopes et al., 2003). It could be said that competitive heterogeneity might refer to enduring and systematic performance differences among close competitors. It was notable also that the RBV used the internal characteristics of firms to explain their heterogeneity in strategy and performance. A firm could be said to be an organized, unique set of factors known as resources and capabilities, and the Resource-based theory cited two related sources of advantages: a) Resources, and b) Capabilities.

Resources could be described as the firm's accumulated assets, including anything the firm could use to create, produce, or offer as products to the market. Resources had the eligibility for legal protection, thus, firms could exercise property rights over them (Amit & Schoemaker, 1993). Resources could operate independently

of firm members (Camisón, 2005); and they could also intervene as factors in the production process for the conversion of input into output that satisfied needs (Grant, 1991).

The RBV in recent times has emerged as one of the most substantial strategic management theories and a tool of organizational sustainability for which Barney (2001) argues that a firm could create sustainable competitive advantage by developing its own unique resources and capabilities. In other words, firms that possess rare and distinguished resources were better placed than those that did not have such resources. Despite the fact that this theory presents so much positive contribution, it has inadvertently over-looked the role of entrepreneurial strategies and entrepreneurial capabilities as the crucial sources of a firm's competitive advantage. It is noteworthy that the application of this theory should not be limited to physical resources only, but include human resource capabilities that form the basis of organizational sustainability. The human resource factor was key within the larger focus on financial sustainability to attain sustainability for a Church based organization (Mawudor, 2016).

The Stakeholders Theory

The Stakeholder theory seeks to examine the relationship between an organization (PCG) and its internal and external environment. It also looks at how these connections influence how the business conducts its activities. The Stakeholder theory states that the purpose of a business is to create value for stakeholders not just shareholders. Business needs to consider customers, suppliers, employees, communities and shareholders (Freeman, 1984). Edward Freeman was credited with the

popularization of the stakeholder theory in the mid 1980's when the concept made its debut. His publication was one focal point in this movement. Clarkson (1994) in defining the stakeholder theory states that: "The firm" was a system of stakeholders that operated within the larger system of the host society which provided the necessary legal and market infrastructure for the firm's activities. Friedman and Miles (2006), also state that the organization itself should be viewed as a grouping of stakeholders and the organization's purpose should be to manage their interests, needs as well as their viewpoints (Friedman & Miles, 2006).

Phillips (2003) supports the view that stakeholder management was thought of as a fulfilment of the management of a firm. He further proposes that the goal of directors and management should be to maximize wealth creation by the firm. This theory originated from management literature and suggested that the purpose of a business was to create as much value as possible for its stakeholders. Executives of management, in order to succeed and be sustainable over time, must keep the interests of their customers, suppliers, employees, communities and shareholders that were aligned and moving in the same direction with them. The stakeholder theory which was firm-centric in focus faced challenges because as a theory, it did not apply to the whole of humanity, but rather from its inception it has been a theory that was designed to help firm managers consider external environments, opportunities and threats, in order to ensure the prosperity of the firm (Orts & Strudler, 2002).

The mainstream approach in project stakeholder management was said to be the effective management of stakeholders in alignment with project interests, and making profit through project objectives, while achieving a net increase in societal welfare

(Smyth, 2008). Mathur et al. (2008) also highlight the evolving discussion on stakeholder engagement, sustainability and its assessment; and they note that existing practice viewed stakeholder engagement mainly from a management perspective and less often from an ethical perspective. Roman and Colle (2002) called for “conscientious attention to participation” because it “conveyed a sense of ownership; it provided indigenous wisdom; it helped reflect societal values and societal needs; it helped provide important resources, such as volunteers or technical expertise.” While Kanungo (2004) argues that collective ownership did imply access to everyone regardless of their status in society. Management of external stakeholders has not received much attention. On the other hand, as a result of the rising ethics and sustainability issues, the strategic importance of external project stakeholder management would see an increase in the near future.

The stakeholder theory holds the view that the purpose of a business is to create as much value as possible for its stakeholders. Holding this view simply means that the sustainability of an organization is based on its ability to meet the interests of its stakeholders, viz. customers, suppliers, employees, communities and shareholders (or donors), etc. The connection of the theory with this study was that it found its relevance as a focus on the interest of all stakeholders in the said organizations. In the PCG for instance, donors were major stakeholders and their proper management was so relevant to its financial sustainability.

The Portfolio Theory

This financial diversification theory referred to as the Portfolio theory was first identified and developed by Harry Markowitz in the 1950's. His work indeed formed

the foundation of modern day finance. The theory resulting from his work and thus modified and extended by many researchers was often called modern portfolio theory. The Modern portfolio theory (MPT) attempts to maximize anticipated portfolio returns that were commensurate with a given quantity of portfolio risk. It also minimizes risk for a given level of expected returns. This was accomplished by carefully choosing the proportions of various assets (Bhalla, 2010). The theory is a mathematical formulation which is related to the concept of investment diversification, with the aim of selecting assets that collectively involve a lower risk than any individual asset. While investigating the influence of income diversification on financial sustainability for non-profit organization, the MPT suggests that more diversification reduced volatility at the expense of reduced expected income. Income diversification was thus embedded in the portfolio theory (Kingma, 2003).

Greenlee and Tuckman (2007) posit that portfolio theory was often assumed for the sake of simplicity that returns were normally distributed over the time period under analysis. With this assumption therefore, Norstad (2005) argues that portfolio efficiency was determined simply by compounded expected returns and the standard deviations of the simply compounded returns. In finance, income diversification had become a prevalent practice. According to the portfolio theory, income diversification had far-reaching implications for public financial management as it could influence financial sustainability, which has been an important policy objective for leadership of organizations (Trussel, 2002).

The Portfolio theory is one whose foundation is on the tenets of financial diversification for organizational sustainability. The theory portrays the fact that

diversification reduced volatility at the expense of reduced expected income (Kingma, 2003). It is true that sustainability of an organization could not be limited to only income diversification, yet the provisions of the theory were crucial in ensuring financial sustainability of all organizations including the PCG which was under study. To that extent, the theory was found very relevant in this current study which held the view that income diversification is one of the factors that could influence the financial sustainability of PCG and other CBOs.

Empirical Review of Related Literature

The empirical literature reviewed in this study was based on previous studies that had been conducted by other researchers on similar variables. This section sought to review some empirical literature closely related to the major variables of the study. The variables under consideration included: a) Income generation b) Income diversification c) Stakeholder (Donor) relationship management factors in relation to the financial sustainability of the Presbyterian Church of Ghana.

Income Generation and Financial Sustainability

CBOs do experience difficulty in finding sufficient, appropriate and continuous funding for their work (Jacobsen, 2005). They as a result confronted the challenges of accessing donors and dealing with their funding conditions. Their perception was that certain cartels of individuals and CBOs controlled access to donor funds. They generally had limited resource mobilization skills and often failed to look for funds that were available in their local context, and preferred to wait for international donors to

approach them. Local resource mobilization had the potential to enable CBOs to raise funds from local businesses, individuals, governments and locally generated income (Edwards & David, 1995). In order to succeed in doing this, CBOs must have strong governance and accountability mechanisms, clear strategies and local credibility. Their tendency to depend on donors was very high resulting in a tendency to design programme interventions to match donor priorities. In general there was a lack of financial, project and organizational sustainability. They must be concerned with three aspects of sustainability: viz. enduring impact, the continuity of resources, and the viability of the organization. Sustainability within each category therefore required insightful agility; overall sustainability depended on creating a ‘virtual spiral’ which linked the three categories in a positively reinforcing way (Viswanath, 2000). Viswanath further proposed that there was a wide gap between what CBOs had said, what they did, and how people perceived them. In spite of all the rhetoric about participatory development and building stronger civil society, CBOs tended to ignore active communication with donors, and listening to their local constituencies.

The World Bank (2000) indicated that income generation was a key programmatic strategy to address alternative means of making a living in a dignified way. It aimed at creating opportunities for the deployment of resources among CBOs in meaningful ways with the objective of becoming less dependent, more self-reliant and more effective in the service of their respective communities. In addition, providing support to income generation activities among people of concern, including host communities, could ginger up local economic development in a broader sense. Income generation programmes therefore frequently generated new skills, services and

opportunities for host communities and could more than stimulate the local economy, thereby appropriately linking relief activity with development activity (World Bank, 2000).

According to the Poverty Reduction Unit at the University of Sussex (2001), business activities offered the possibility of generating rent income for CBOs. But the very idea of dabbling in business speculation and risk-taking with an eye on profit-making appeared to be anathema to CBOs (PRUS, 2001). Business firms that wished to support social work or activities would typically establish a society or a trust as the accepted legal structure for supporting social or non-profit work. It was understood that the sustainability of CBO projects depended on funding continuity. However, in many cases, CBOs were dependent solely on foreign donor funding with virtually no strategic plans to prepare for a future when donor funding might cease. The author underscored that every CBO programme was apparently an organizational response to an issue. He further maintained that the community was often organized in campaign mode around an issue. It was in such a context that the CBOs derived their *raison d'être*; i.e. the reason for existence. The sustainability of the CBO depended, for that matter, on its relevance, and not on the size of its funding or other resources. While the general advantages of CBOs, such as their relatively low cost operations, their ability to reach the poor in society, and their general innovativeness was affirmed, the challenge facing Church Based Organizations was to reach out from this positive base (PRUS, 2001).

Community Revitalization through Democratic Action (2001), suggests that CBOs needed to develop more business-like operations, and focusing on the most practicable forms of enterprise structure, without compromising their primary goal of

providing services to the poor and other disadvantaged groups. Technology-orientated projects needed to ensure that they rather concentrate on the deployment of technology in a market context instead of focusing on technology development per se. CBOs together with their sponsors needed also to strive for a realistic definition of sustainability. They should work towards more credible project planning processes with an awareness of the dangers of excessive investment in project transport. It was evident that many CBOs were working in areas where both markets and government policies had apparently failed. In such cases CBO work needed to be supported with public funds, whether from international donors, government sources, or from other “publics”. It was about time CBO community approached the public for purposes of raising funds for their work. If CBOs were to concentrate on what they could do best, i.e. social work, then marketing and fundraising activities became management prerogative that should not demand too much time from CBO leaders, who might not possess the requisite skills and attitudes for such work (CRDA, 2001).

Some excess assets could be used to generate income which might be deployed as the CBO determined. They might have to consider renting out buildings, providing some consultancies, offering training, trading on their name with locally made products (Mawudor, 2016). In the view of Killick (2001), the participatory element usually embodied in the development strategies of CBOs might not always enhance the economic benefits of women within an economic development program. Accountability of a CBO towards its members could be measured in terms of economic benefit; the higher the organization’s accountability to its members, the greater the socio-economic benefits it would provide. Their target communities had assets, wisdom, labour, time,

and skills to be applied to their own developmental programmes. Income generating activities were intended to enable CBOs to attain 'self-sufficiency' by engaging in lofty activities like agriculture, service provision such as food vending, charcoal making or trade (Norton & Foster, 2001).

The idea behind self-sufficiency or self-reliance or even self-sustainability is that most CBOs were in fact able to support themselves and should not be overly dependent on donor assistance. Governments did allow CBOs to pursue income generating activities. In some instances, Internally Generated Programmes (IGPs) were locally integrated, thus assisting CBOs in their livelihood pursuits within their host communities. Self-generated income was an important means by which an organization diversified its revenue sources. An organization could prudently generate unrestricted income that the organization, not some external donor, decided how to spend (Mawudor, 2016).

According to Tschang et al., (2002) in their study on scaling-up information services for development, they found that financial sustainability occurred when a project achieved revenue that was equal to or greater than the expenditure and economic return of a project (Tschang et al., 2002). This was not easy to achieve when the initial funding agency ended its financial support. There was another study by Abt Associates (2010) which revealed that developing a financial plan ensured the overall financial sustainability of the organization. A financial plan normally estimated expenses and revenues for each financial year covered by the strategic plan, with input from both programme and financial staff. Revenues were made up of external funding and funds from user fees or other income-generating activities (Abt Associates, 2010).

Kamminga (2007) studied a number of CBOs and development work by assessing capacity and comparative advantage and found out that the Presbyterian Church of Ghana (PCG) was focused on strengthening the leadership capacity of its Church members. The Church did this by training so called “catechists” or “care-takers” at the Ramseyer Training Centre (RTC) at Abetifi, Kwahu, and the other Presbyterian Lay Training Centres (PLTCs). The study revealed that the PCG had trained 3,000 catechists at the training centres within the past 40 years and also offered micro-credit schemes for several widows and computer courses for all participants. Income generating programmes including the renting of buildings for events such as conferences were also undertaken. These contributed immensely towards financial sustainability of the said PCG centres (Kamminga, 2007)).

It was estimated that about 300,000 people in the Yucatán Peninsula of Mexico did not have access to clean water in their homes. A study by Hartman (2011) therefore evaluated the operational and financial sustainability of water purification plants in the Yucatán Peninsula and found that a faith-based organization named Living Waters for the World (LWW), partnered with Churches in the Yucatán to install water purification systems to increase distribution of clean water in the interest of promoting sustainability. LWW encouraged their partners to sell the clean water to the catchment communities at a modest rate. The two studies reviewed, cited the initiatives of the respective organizations; i.e. the PCG and LWW in their quest for financial sustainability. They however did not evaluate the factors that hindered or destabilized financial sustainability in these organizations, which formed the main focus of the current study.

Income Diversification and Financial Sustainability

Diversification of sources of funding was very essential to increase the stability of CBOs' income streams. As a response to the economic crises, tapping international funding streams might be more crucial than ever (Kurosaki, 2003). Particularly, funding emanating from donor governments and their respective bilateral aid agencies had provided excellent opportunities for CBOs. In the face of challenges in funding, some CBOs had responded with the same entrepreneurial spirit, good planning and hard work that had brought them success in their core activities (Barrett, Bezuneh, Clay & Reardon, 2000). CBOs had directed fund-raising activities at the general public, they had also tapped new corporate donors for monetary and support in kind, and had sponsored one-time fund-raising events. They had redesigned strategies for program implementation to include cost-recovery components whereby the beneficiaries of their programs paid a portion of, or sometimes, bore all program costs (Henin, 2002).

Today some of these CBOs owned and managed restaurants, tour companies, banks and clinics, among other businesses. One definition of income diversification, somewhat closest to the original meaning of the word, referred to an increase in the number of sources of revenue or the balance among the different sources of income (Jenkins & Yakovleva, 2006). Thus, an organization with say two sources of income would be more diversified than an organization with just one source, and an organization with two sources of income, each contributing half of the total, would be seen to be more diversified than an organization with two sources, one of which accounts for 90 percent of the total (Joshi et al., 2002; Ersado, 2003).

For many Church Based Organizations, social enterprise served as a strategy to diversify the base of their funding so as to decrease their reliance on donors, and to recover or subsidize program costs. In these cases, the social enterprise helped to reduce program deficits and as well deployed resources more efficiently (Rao & Holt, 2005). CBOs that sought to diversify income sources might set modest financial objectives. There were no magic answers, nor simple solutions; every CBO was unique (Clark, 2007). But there were ideas, some information and sources of practical support for CBOs that wanted to broaden their income base and to explore sources of sustainable funding not as a single source of income, but as a process comprising several related parts (Migros, 2008). Diversification had to begin with a strategic analysis of the status quo, the institutional strengths, specificities and opportunities, and a survey of the competitive environment. Pre-existing additional income sources should be included in the overall evaluation (Lavie, 2006). Apart from having to undertake appropriate analysis of cost effectiveness and the risk of various activities, institutions must assess the appropriateness of these activities in relation to the mission and culture of the CBOs. The commitment of CBO leadership to this process was of great importance. The leadership was best placed to project a vision and build the case for diversification of activities, and also engage the broader Church community in the process (Reisch et al., 2008).

A gradual approach to structured staff capacity development might be most suitable considering the fact that the potential to invest in human capital was reduced in times of financial constraints (Ciliberti et al., 2008). Given the high degree of relevance to build up these skills for successful income diversification, targeted support from

governments towards this end would be most useful. The success of income diversification strategies might depend largely on the ability of the institutional leadership to communicate effectively with the Church community as well as with external stakeholders. CBOs had to reinforce awareness around the range of activities they undertook and the added value they created for society and helping potential partners to evaluate funding options (Hargrave & Van de Ven, 2006).

Weiwei (2010) in a study on Non-profit Revenue Diversification and Organizational performance, administered questionnaires to executive directors of 1,115 New Jersey human services and community improvement organizations. Using data from 501 respondent organizations, the study revealed that certain organizational and environmental characteristics had a significant influence on non-profit revenue diversification. As was expected, some capacity, management, investment and environment measures had a positive effect on funding variety, but fewer measures had a positive impact on revenue balance. Multiple regression analyses depicted that most of the hypotheses regarding predictors of financial sustainability were not confirmed which therefore suggested that the research model did not include other factors that significantly impacted non-profit financial sustainability. The said study concluded that revenue diversification helped organizations to maintain their financial sustainability.

Mayer et al. (2012) conducted their study on the Impact of Revenue Diversification on Expected Revenue and the Volatility for Non-profit Organizations and came out with the finding that the effects of diversification on volatility and expected revenue depended on the compositional changes in the portfolio. They found that a more diversified revenue portfolio achieved by replacing earned income with

donations did reduce both volatility and expected revenue, while replacing investment income with donations to achieve an increase in diversification of the same magnitude had the tendency to reduce volatility and increase expected revenue. This obviously suggested other motives for non-profit organizations to hold investments.

In a study by Yan (2008) on the impact of revenue diversification and the economic basis of revenue stability which was an empirical analysis of county and state governments, it was found that income diversification affected income sustainability conditional on the instability of a jurisdiction's economic base. The county level analysis suggested that income diversification significantly increased the income instability of a county that had a stable economic base and the income stabilizing effect of diversification was enhanced as an economic base got more unstable. The state level analysis however showed that income diversification significantly reduced income volatility for a state that had a stable economic base and the income sustainability effect of diversification did decrease when an economic base became more unstable (Yan, 2008). The reviewed studies did investigate the aspect of diversification. For example, a finding by Mayer et al. (2012) established that the motive of many not-for-profit organizations was not for financial sustainability but rather for profit making. This study was not investigating the various approaches to financial sustainability such as diversification, but the factors that rather influenced financial sustainability in CBOs.

Stakeholders (Donor) Relationship Management and Financial Sustainability

Donor relationship management was not a tool to collect data from Donors, but a holistic strategy, a methodology of collecting, organizing and analysing all aspects of

donors. The field of donor relationship management did become the responsibility of the professional staff and the principles of donor relations were integrated into the many aspects of development and institutional advancement programmes of organizations that were into charity and CBOs. To depend on grants and donations could also inhibit the autonomy of CBOs when choosing which program activities to undertake and to select the most effective intervention strategies to achieve programme goals (Bekkers, 2005).

To a large extent, all donors had their own views regarding which problems were important and which were the best possible intervention strategies to address such problems. Managers of CBOs might be compelled so to speak, to “follow the money” and allow donors to dictate the scope and direction of their activities, or alternatively, receive no funding at all. The various processes and the procedures involved in the delivery of aid had made both donors and developing countries realize that the benefit of development was affected by these countless transactions. Thus, armed with the intention of effectively providing aid through efficient use of scarce resources, multilateral and bilateral donors, together with their partner countries took a decision to harmonize their operational policies, procedures, and practices with the conscious effort of aligning development support with country-owned development frameworks. Financial sustainability for that matter involved all the elements and functions of an organization and every major decision made within the organization. As the work of CBOs was broadening and becoming more complex, concerns about their capacity and sustainability would loom much larger and therefore have more significant implications for development processes.

Non-profit organizations, like all other institutions, wrestled continually with the gnashing question of how to keep going and to improve their lot, especially during today's tough economic times. In short, non-profits organizations must constantly strive for sustainability. The need to strengthen the financial sustainability of CBOs and civil society organizations in order to fulfil multiple and increasingly complex roles, had been identified time and again by CBOs themselves, also by donor agencies and governments (Fowler, 2000; Kaplan, 1999).

Organizations must as a matter of fact recognize that their stakeholders and the need of their stakeholders might change over time, and they must consciously change and adapt as the situation demands. Evidence in regard to the cost of intervention was critical for program decision making, because it provided some evidence about the potential for sustainability. According to a UNDP representative, CBO financial sustainability was probably the most talked about issue at stakeholder meetings of non-profit organizations (PIANGO, 2000).

Notably, it was one thing to be able to access funds and another to have the capacity to deliver what had been agreed to. Alongside finance, CBOs no doubt recognized the need to develop their own capacity in a number of areas. Fowler (2000) portended that it would be a long time before CBOs could find avenues of sustainable self-financing to replace official development assistance. There were basically two main routes through which funds were transferred to CBOs: the indirect route in which needed resources were provided to CBOs which then worked with CBO partners in the country concerned; and the direct route in which funds were given directly to the CBOs

concerned via the donor's country office. Donor funding was still overwhelmingly made available through project funding (Gunnarson, 2001).

Every project had a finite funding lifetime and within this framework the issue of core administrative costs remained a very difficult area for any further negotiation. Essentially therefore, the view from the CBO sector was that while it was possible to access project funding from donors, it was also difficult if not impossible to obtain funding for core administration costs such as personnel emoluments, the cost of renting a building, vehicles for project use and so on. The end of project funding all too often meant that beneficial impacts that should have been sustained soon diminished. The role of CBOs as important determinants of giving and pro-social behaviour had never been disputed. The antecedent sterling qualities of religiosity to foster and harness pro-social and giving behaviour were well documented, and a full exposition of this work was beyond the scope of this study. Indeed, the very concept of charity and the development of pro-social behaviour was a common denominator in global faith based institutions, and therefore religion and charity were often perceived to "go hand in hand" (Bateson et al., 1993; Bateson et al., 2006).

Every global religion had its own unique tradition of giving, but they all placed a strong emphasis on nurturing altruistic ties with charity, and the heart of faith-related giving was more often than not a sense of selflessness, sacrifice and an afterlife in which deeds were accounted for (Emmons & Paloutzian, 2003). Indeed, receiving a reward on charity in the afterlife was a powerful motivator of religious giving. Christiano (2000) and Brooks (2003) posit that religious establishments have been quite instrumental in shaping the nature, character and quality of social capital. It was so

because religious institutions encouraged a sense of duty and obligation to maintain and sustain relationships with the needy and the poor and society (Brooks, 2003). On the other hand, Brooks (2004) also highlighted the heterogeneity of religious sentiment in giving behaviour and for that matter offered several explanations for understanding religiosity's effects on charitable giving. Seeking demonstrable utility or in simple terms, wanting to help those in need and to see a positive change as a result in the beneficiary's condition was considered to be a key motive in religious giving which indeed explained general giving behaviour (Brooks, 2003).

A self-serving principle guiding religious giving, where religious givers sought to enhance the faith condition of the beneficiary, alternatively had also been proposed. Also, a religiously motivated altruistic personality may develop into habitual giving behaviour. Brooks (2004) proposes that no real consensus in understanding religiosity's effects has been reached and merely searching for a feeling of self-fulfilment through what Andreoni (1989) refers to as warm glow could rather be described as simplistic. It is noteworthy that faith-related giving attracts a substantial ratio of overall individual giving in many a country. In a study carried out by Burnett (2002), he recognized the need for what he termed relationship fundraising, which dealt with donors individually, and recognized each donor as unique in terms of giving history, motivations for giving, and the overall standard of care expected from the charities being supported. He found that the entire relationship with a donor should rather be viewed holistically and fundraising decisions taken in light of the perceived value of the overall relationship. His findings also indicated that recognizing the benefit of a future income stream, CBOs did not fear to invest in their donors and to allow them greater flexibility over the

content, nature, and frequency of the communications they often received which might make people feel important (Burnett, 2002).

Plummer (2009) in a study found that though the initial costs of implementing such a strategy were no doubt higher, the benefits in terms of an enhanced pattern of donor loyalty, and for that matter the future revenue stream, far outweighed this investment. He also found that donors should be able to make choice of when communication was initiated and the form that it might take. The study as well revealed that one way in which CBOs might achieve this goal was to ensure that they gave ongoing and specific feedback to donors as to how their funds had been put to use, particularly, the benefit that the beneficiary group had derived. Plummer concluded the matter that if this feeling of impact on the cause was not strengthened, it would appear less likely that donors would view other causes as being more deserving than those they already supported.

According to Matten and Moon (2008) in their study on implicit and explicit corporate social responsibility revealed that donors viewing the communications they received as informative, courteous, timely, appealing, and convenient appeared to remain loyal for a greater period of time. The issue then was how best to achieve this perception. They found that donors, ideally, should be able to select the pattern of communication they wished to receive. Wilson (2003) asserts that some CBOs usually offer donors the opportunity to specify how often they would like to hear from the organization, whether they would like news about how their donations had been employed, and whether they would like such news rather than additional letters asking for money, and so forth. Such practices were quite likely to improve perceptions of the

quality of communication received and thereby enhance loyalty (Wilson, 2003). Furthermore, Hobson (2006) found that CBOs could also offer donors the choice of whether or not they wished to be asked for a specific sum. Some of the donors might welcome some guidance about the appropriateness of certain gift levels. Other donors might prefer to take such decisions themselves rather than being prompted by the CBO (Hobson, 2006). Evidently, where specific sums were requested by CBOs, they should be sure that they were appropriate given the financial ability of the donor (Sargeant & Woodliffe, 2007).

Another study by Clarke (2006) found that as CBOs began to recognize the true value of maintaining and upgrading a donor's relationship and support, the roles of acknowledgment, recognition, and stewardship got shifted from being rote activities to being strategic actions. Bateson, Nettle and Roberts (2006) also revealed that many grants and donations carried some restrictions on the types of expenses that they might cover. These researchers also found that most common restrictions related to direct programme costs, but not the costs of support services or other overheads incurred by the CBO concerned. The CBOs were required to "contribute" these costs on their own, or on the least cover an increasing share of these costs over time. The study as well confirmed that uncertain continuity of donor funding, whether in the short-term or long-term, made it extremely difficult for CBO managers to plan and implement their organization's core activities. It might also compel some CBOs to lead a project-to-project existence, thus being unable to make long-term plans to expand their core activities or even to improve the quality of programme services.

A study commissioned by a Non-governmental organization; Action Aid International (2009), on “Understanding and Practice of Development and Financial Sustainability of CBOs/NGOs in Uganda” drew a conclusion and recommendation of the donor-CBO relationship. The study recommended that CBOs and donors should endeavour to carry out further research and share concerns with regard to the financial sustainability of CBOs. The study revealed that only 25% of donors and 45% of CBOs had some level of understanding on the emerging trends regarding ‘financial sustainability’. Furthermore, the study found that out of the 300 CBOs/NGOs that were sampled: 72% considered financial sustainability as a priority, whilst 13%, 7%, 8%, considered organizational, community and benefit, respectively, as priorities. Kisinga and Angila (2006) in their report on sustainability and NGO Investment in Kenya, asserted that NGOs should actively encourage entrepreneurship, so long as those enterprises met the legal and tax obligations of their nations and the profits were reinvested into the organizations. The difference in orientation, understanding and management amongst CBOs was evident in the studies just reviewed. It was therefore absolutely, necessary to understand CBO dynamics, the internal and external factors that influenced their operations and, to some extent, the way of CBO life.

Donor Support and Sustainability

Some studies by Bossert (1990) presented a synthesis of five country studies of the sustainability of U.S. government-funded health projects in Central America and also in Africa. The studies reviewed health projects with a comparative framework to determine which project activities were able to continue after the donor funding ceased. The review revealed that health projects in Africa were less firmly sustained than their

counterparts in Central America. The studies thus evaluated context factors as well as project characteristics that were related to the sustainability of the projects.

The weak economic and political context of the African cases were found as inhibiting factors on sustainability in those countries, suggesting that broader development issues should be addressed before donors expected significant sustainability of health projects in Africa. Even in Central America they found out that the strength of the institution implementing the project was an important variable for sustainability. This suggested that donor attention also should be shifted toward strengthening institutional development in order to assure sustainability.

In addition to context factors, many project characteristics were related to sustainability in most cases and suggested sustainability guidelines be made available for project design and implementation. The article then concluded that projects should be designed and managed so as to: a) demonstrate effectiveness in reaching clearly defined goals and objectives; b) integrate their activities fully into established administrative structures; c) gain significant levels of funding from national sources such as budgetary and cost-recovery during the life of the project; d) negotiate project design with a mutually respectful process of give and take; and e) include a strong training component (Bossert, T. J., 1990).

According to Mawudor (2016), there was a growing body of evidence that showed that one of the key pillars of sustainability of Church Based Organizations was based on their potential to mobilize the support of stakeholder as they tried to meet various societal needs. Wanjohi (2010) asserts that financial sustainability of organizations was very much intertwined with stakeholders' support network upon

which sustainability model should be based. However, stakeholders' participation and support were not enough to bring about the needed financial sustainability of CBOs. For CBOs to effectively serve society, they needed without doubt to be financially stable. As the study suggested, sustainability should, and must be attained by embracing effective financial management strategies, maintaining effective management of scarce resources, engaging in income generation activities within their ambit, ensuring that there was prudent diversification of resources, and effective stakeholders and donor management processes (Wanjohi, 2010).

Financial Sustainability indicators:

According to a study by Mango (2009), the following constitute indicators of financial sustainability: a) Developing and maintaining strong stakeholder relationships, including beneficiaries, staff and donors. b) Obtaining a range of type of funding, including unrestricted funds. c) Building financial resources, d) Assessing and managing risk and e) Strategically managing and financing overhead costs (Mango, 2009)

Measuring Financial Sustainability

According to the Association of Certified Chartered Accountants (2009), financial sustainability was measurable in accounting terms by means of the following tools: operating ratio, current ratio, quick ratio, debt ratio, asset lifecycle renewal period, debt services coverage ratio (ACCA, 2009). The operating ratio measured the amount of operating revenue vis-a-vis the total amount of operating expenses for a utility system. The minimum standard for an operating ratio for a utility system was

1.0, which meant there was sufficient operating revenue to cover operating expenses. A financially strong utility system needed to maintain an ongoing operating ratio greater than 1; a ratio of less than 1 indicated insufficiency of revenue to meet current expenses. E.g., if there was an operating ratio of 0.75, it simply meant that revenue was 75% of expenses. That is to say, only three-quarters of the expenses could be covered (Andersen & Pedersen, 2006).

Current ratio was the measure of short-term solvency ability of an entity's debts. The current ratio was equal to the current assets divided by the current liabilities, the higher the CR, the better. Some financial experts recommended that cash reserves be at least one and one-half times greater than the monthly operational expenses (Chordia et al., 2005). In addition to the operating reserves, emergency reserves could provide an important tool for financial sustainability. Emergency reserves were intended to help entities deal with short-term emergencies that might arise such as main bursts, or pump failures which arose from time to time. The appropriate amount of emergency reserves varied markedly with the size of the CBO and should be commensurate with major infrastructure assets (Chordia et al., 2005).

Quick ratio also measured the liquidity of an organization related to its most liquid assets, including cash, accounts receivable, short-term notes receivable, and short-term investments in marketable securities (Horngren, Harrison & Bamber, 1999). Debt ratio on the other hand tended to measure the amount of debt being used by the organization. A ratio of 0.6 meant that 60% of operations had been financed with debt while the remaining 40% financed by equity (Woo & Baker, 2005). An entity might look good "on the books" and while there might be sufficient cash to pay for day-to-day

operations and debt servicing, if a CBO was not reinvesting in its infrastructure, it meant it was not operating sustainably. A good check on asset reinvestment was the asset lifecycle renewal or replacement period (ALRP). The ALRP is computed as the total replacement value of all major assets currently “on the ground” divided by the amount spent during the previous year on asset rehabilitation or replacement. The resulting value, which featured units of years for total replacement, was also an easily understandable and effective tool that communicated to the public and decision makers the need for capital reinvestment in the community (Bell & Morse, 2007).

As debt became an increasingly important tool for capitalizing an entity’s operations, the ability to pay debt service was all the more crucial. Not only did debt service affect cash flows, but lenders paid close attention to debt service capacity and this capacity affected the cost of borrowing. An important measure for utilities and lenders alike was the debt service coverage (DSC) ratio. The DSC was calculated as total revenues minus total expenses, divided by debt service within a given period. Some experts recommended that the DSC should be 1.0 at a minimum, with a recommended ratio of 1.25 (Bell & Morse, 2007).

Alternative Measures of Financial Sustainability in CBOs

According to Tuckman & Chang (1991), there are four alternative measures of financial sustainability of Non Profit Organizations. These are: a) equity balance, b) low administrative costs, c) operating margin, and d) concentration of income streams. A combination of these four measurement criteria formed the basis of the measure for the financial health of a non-profit organization.

Towards a Theoretical Framework

After reviewing the above theories of the study, it was evident that the resource based theory (RBV) was suitable for the income generation variable which looked at the sources of profitability as means of sustenance of an organization. The portfolio theory also best suited the chosen variable of income diversification, since a single source of income could not support sustainability. The third theory which was the stakeholder theory was the best to support this study in that it looked at the organizational stakeholders as influencing sustainability. This was true to the extent that the PCG which was the subject of this study depended so much on foreign donors for the achievement of most of its social interventions including Schools, Universities, Hospitals, Agricultural Stations, etc. external stakeholders or donors had deeply influenced the sustainability activities of the Presbyterian Church of Ghana.

Knowledge Gap

This was a review of various theories in relation to this study, and the general review of the theoretical literature on financial sustainability, with the empirical review of the related studies together constituting an intense effort to understand the various aspects that related to financial sustainability in not-for-profit organizations with specific reference to CBOs. This study investigated the determinants of financial sustainability of CBOs, and in special reference to the Presbyterian Church of Ghana (PCG). The reviews drew on studies from the global, regional and the local scenes.

It was obvious from the three theories above that no single approach was sufficient as a strategy for organizational success especially when addressing the important question of financial sustainability. Viewing from the various studies above,

it was evident that factors other than financial sustainability also depended on the viability or continuity of the organization concerned. Financial sustainability however remained a challenge for many profit oriented and not-for-profit organizations.

It was upon this basis that Hendrickse (2008) traced governance and the financial sustainability of some South African Non-Governmental Organizations (NGOs) for the period 1990 - 2002 and drew the conclusion that good management, especially with regard to financial resources, would help any organization deliver its mission effectively and to ensure the best and most beneficial deployment of resources. This finding corresponded to the resource-based theory (RBT) which proposed that a firm could create sustainable competitive advantage by developing its unique resources and capabilities (Barney, 2001).

Conclusion

This chapter provided a review of the intellectual work done by other scholars in the form of theories and empirical literature that were related to the theme of the research. The said theories have been helpful to bring to the fore the world around which CBOs operated. Literatures that related to the independent variables that form the key pillars of investigation were dully highlighted. The chapter finally appropriately dealt with the importance of the development of strategic planning model as an overarching response to the changing political, economic, and socio -cultural environment of CBOs, design of financial strategy highlighting the process that underlay factors including visionary leadership as essential for the attainment of financial sustainability.

CHAPTER THREE

RESEARCH METHODOLOGY

Introduction

This section looks at the method or approach applied to the entire study. It provides the blueprint for the collection, measurement and analysis of the data provided and describes the research design and the methodology applied to guide the study under the following sub-themes: Research Design, Population, Sample and Sampling Design, Data collection instruments and Techniques, operationalization of variables, procedures and analysis. The chapter also portrays the social group or the target population for which the research was based.

Research Design

Research methods provide the needed foundation and knowledge context within which the underlying preconditions of the study were carried out. There were basically two social studies paradigms both of which were applied in this study. According to Saunders et al. (2007), we have the Positivists approach that is based on real facts, objectivity, neutrality, measurement and validity of results. The second predisposition according to Robson (2002) was the Phenomenological approach which rather looked at an inner meaning, or the essence of things. Both paradigms could apply qualitative or quantitative statistics.

The design was basically descriptive, with the aim of describing a situation or events to establish some of the factors influencing financial sustainability in Church Based Organizations (CBOs) with particular reference to the Presbyterian Church Ghana (PCG) because of her Vision Statement which included the clause “self-

sustaining;” as an indication of a hard working organization that sought to stand on its feet even if donor support waned.

Research Population

Ngechu (2004) argues that target population is the specific population about which desired information is obtained. The target population should have some observable characteristics, which enables the researcher to generalize his findings (Muganda & Muganda, 2003). The target population of this study comprised 48 members of the governing body of the PCG known as the General Assembly Council (GAC), 44 members of the Committee of Accounts and Budgets (CAB), and 23 other executive programme staff and Coordinators as shown in Table 1 below.

Table 1 Target Population and Respondents

No	Particulars	Target Population	No. Sampled	No. Responded
1	General Assembly Council	48	30	27
2	Directors	7	6	5
3	Program Coordinators	5	5	4
4	Secretaries	2	2	2
5	Committee on Finance & Budgets (CAB)	44	28	15
6	Unit Heads	9	9	7
7	TOTAL	115	80	60

Sampling Procedure and Sample Size

According to Babbie (2002), a sampling frame is a list consisting of the units of the population. For the purpose of this research, a sampling frame consisted of the required number of respondents selected in order to create an appropriate sample. A stratified proportionate random sampling technique was used to select the sample. Oso (2009) argues that a stratified proportionate random sampling technique produced

estimates of overall population parameters with greater precision and ensured that a more representative sample was derived from a relatively homogeneous population. Stratification enabled us reduce standard error by providing some control over variance.

This study grouped the population into six strata, namely: members of the governing body of PCG referred to as the General Assembly Council (GAC), members of the National Finance Committee referred to as Committee on Accounts and Budgets (CAB), the seven departmental Directors of the Church stationed at the Head Office in Accra, Programme Heads, other unit heads, present executive/ programme staff. From the various strata, the study used simple random sampling procedure to select sixty ($n=60$) respondents. Stratified random sampling technique was preferred because the population of interest was heterogeneous and could be subdivided into groups or strata to obtain a representative sample.

Data Collection Methods and Procedures

This study made use of three forms of data collection methods. These included personal interviews and questionnaire for primary data, and secondary data from annual financial reports of the Church.

Questionnaire for target population

A questionnaire was used to collect data from the members of the General Assembly Council (GAC), Committee on Accounts and Budgets, departmental directors, Project / Programme Leaders, etc. Questionnaire was used for the study to benefit from the following reasons: a) its potential for reaching out to a large number of respondents within a short time, b) its ability to give the respondents adequate time to respond to the items, c) its offer of a sense of security and confidentiality for the

respondent and d) its objectivity with no biases resulting from personal interviews (Owens, 2002).

The questionnaire was divided into various sections. Section A covered some background information of the respondents such as sex, nationality, job title and education. Section B of the questionnaire queried the extent to which donor support contributed towards greater improvements in PCG's finances. Section C queried how income generation contributed to the financial sustainability of PCG. Section D queried how income diversification of PCG influenced their financial sustainability. Section E called for respondents' opinion on whether there were other measures that might contribute to the Church's financial sustainability. The questions were both closed and open-ended. The closed-ended questions had alternative answers from which respondents selected what reflected their views on the matter. The open-ended questions had respondents sharing their opinions on the subject matter.

Operationalization of Variables

Variable operationalization presents a summary of the indicators, measures and scale of the dependent (Financial Sustainability) and the independent variables, namely donor support/ relationship, income generation and income diversification.

Data Analysis Procedure

The data collected was analysed using qualitative data analysis methods. Descriptive analysis such as frequencies and percentages were also used to present quantitative data in the form of tables. The data from the questionnaires was dully coded and entered into the computer with the aid of a statistical application known as the Statistical Package for Social Science (SPSS). Closed ended items were coded in

order to run simple descriptive analyses to ascertain reports on data status. The descriptive statistical method involved the use of absolute and also relative percentages and frequencies.

The questionnaires included various items on the determinants of financial sustainability of the PCG. The Likert Scale was used to measure the respondents' perceptions of the three determinants of PCG financial sustainability.

The scale run from 1 to 5 where 5 = *very high*, 4 = *high*, 3 = *fairly high*, 2 = *not high*, 1 = *no effect at all*, in that order.

Conclusion

According to Robson (1993), a reader could not be satisfied about other concerns of a study unless the researcher provided sufficient information on the research methods used and the appropriate justification of their use (Robson, 1993). With the contextual issues facing CBOs with academic work done by others indicated in chapter two above, this chapter sought to provide the reader with the method used in carrying out the research. Now, having the methodology outlined, the next point was to proceed to describe and analyze the findings of the study which was followed by interpretation, discussion, and drawing up of a roadmap of financial sustainability of the Presbyterian Church of Ghana.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

Introduction

This chapter is a presentation of the data analysis and the interpretation of the findings on the data collected from 60 respondents. The chapter is dully organized under sub-sections in line with the research questions. The study engaged purely qualitative tools to isolate the challenges and possibilities of PCG financial sustainability. It examined the possible determinants of financial sustainability of the Presbyterian Church of Ghana as a faith-based organization.

The main objective of this study was to examine the financial sustainability of the PCG in the wake of waning donor support. That was by way of identifying ways in which the Church could respond to the current unstable, turbulent and uncertain financial and economic environment that she found herself. The specific objectives of the research were to examine the impact of foreign support/ relationship, income generation and income diversification on her financial sustainability and to explain these determinants of financial sustainability as they influenced sustainability. The chapter also presents findings of the research, with various objective areas dully addressed by the application of descriptive analysis. The chapter also reflects the interpretation and discussion of the key findings made.

Demographic Distribution of the Respondents

The study basically targeted the Church's technocrats; the national finance committee, departmental and unit managers as well as members of the General

Assembly Council (governing board) and some other long serving staff who had worked at the head office for over three decades. The results regarding demographic characteristics of the 60 respondents were investigated in the first section of the questionnaire. They were presented in this section under Demographics.

Out of the 60 respondents, 34 were females and 26 males; representing 57% females and 43% males as per Figure 1 below. They were all Ghanaians, and either direct or indirect very reputable workers of the Church.

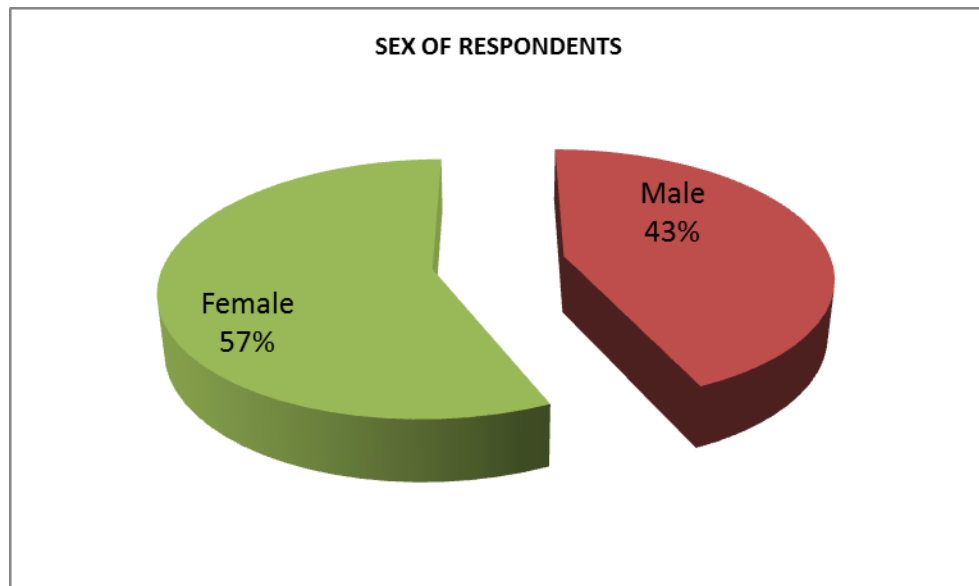


Figure 1. Sex of Respondents

Source: field data, 2017

Tertiary products among respondents were 87% and non-tertiary were 13% thus, indicating that most of them also as church members were very knowledgeable and cogent. Figure 2 below refers. Middle level officers consisting of 13.3% of respondents were long servicing staff at the head office with deep knowledge of the Church.

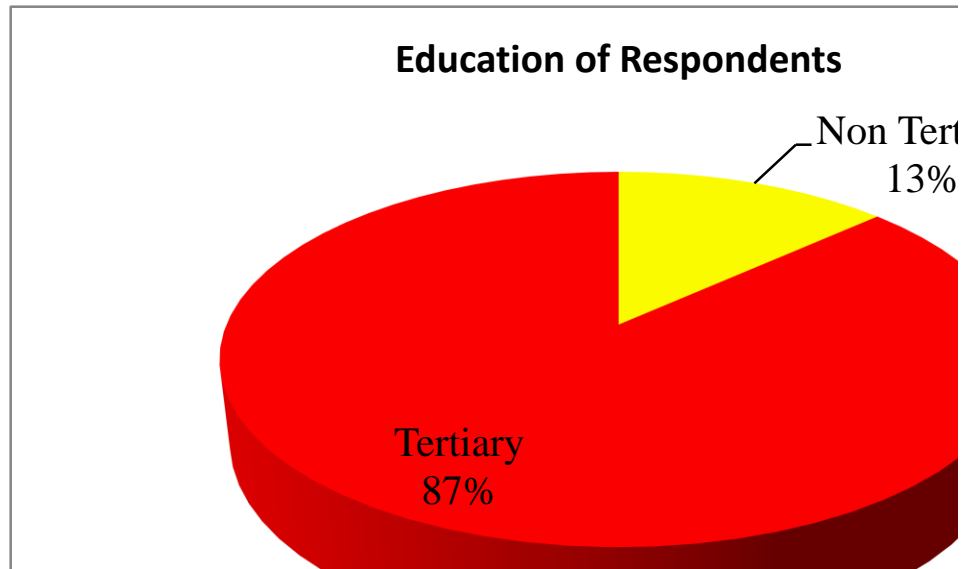


Figure 2 . Educational Status of Respondents

Source: Field data, 2017

Donor Support/ Relationship and Financial Sustainability

In order to cushion PCG against financial instability, the church must strategically improve upon the financial and ethical relationship with the donor community below, who were still faithful to the ecumenical and ecclesiastical activities of PCG. In this study, the research was to establish the extent to which good relationship and financial reporting strategies could be used to improve the management of the remaining donor community to positively affect the financial sustainability of PCG.

Vision Statement of PCG

The vision statement of the Church is “to be a Christ-centred, self-sustaining and growing Church.” Respondents who agreed with the vision of the church as self-sustaining were 95%, while 5% of them did not believe sustainability was real

(reference Table 2 below). However, 100% defined sustainability in this context as “self-sufficiency, self-dependence, self-governance and self-reliance respectively.

Table 2. Showing respondents agreement with PCG’s "Self-Sustainability Vision

	Frequency	Percent	Valid Percent	Cumulative Percent
No	3	5.0	5.0	5.0
Yes	57	95.0	95.0	100
Total	60	100	100	

Source: Field data, 2017

Partners of PCG and Strained Relationships

Most respondents (86.7%) agreed with the fact that PCG still had development partners, while 13.3% were not sure. They gave Presbyterian Church of USA and the Church of Scotland as no more with PCG because of PCG’s decision at the General Assembly in 2011 (popularly known as PCG Decision 9/11) to sever relationship with partners who agreed to ordain Gay Ministers. This agreed with Tepo (2015) who opined that PCG had severed relationship with PCUSA on the grounds of Gay marriages. This research revealed that in addition to PCUSA, the Church of Scotland also suffered a similar strain in relationship because of PCG’s “Decision 9/11”. PCG had therefore broken camp with the Church of Scotland and PCUSA since 2011 for ordaining Gay Ministers.

Respondents also agreed by 95.0% that some donors had reduced their funding, while others had stopped on the grounds of donor fatigue, poor ethical conduct or bad financial management by PCG with consequential poor reporting. Global and donor

policy changes as well as the fact that Ghana had obtained a Middle level Income status informed their actions. Majority (68.3%) with 31.7% on the contrary argued that PCG could function without donors on the grounds of the Church having enough human and material resources to forge on to sustainability so long as good financial management practices were upheld. However, when asked whether donor withdrawal was disastrous, 8.3% respondents opined that it would be very disastrous, 20.3% said it was disastrous, 51.7% argued that it was fairly disastrous, 13.3% opted for less disastrous and 6.7% argued that it would have no effect at all on PCG financial sustainability. Majority therefore feared a sudden withdrawal by development partners could be disastrous. A gradual cessation was preferable. This fear was in line with Jacobsen (2005) who on income generation argued that Church Based Organizations experienced difficulty in finding sufficient, appropriate and continuous funding for their activities. He added that the CBOs had limited resource mobilization skills and were often not looking for funds that were available in their local context but preferred to wait for international donors to approach them.

List of Existing Development Partners

The following were existing partners listed by respondents: Christoffel Blind Mission in Germany (CBM), Evangelical Missions Work in South West Germany (EMS), Netherland Reformed Church (NRC), Church of Palatinate, Presbyterian Church of Korea, Dutch NGO popularly known as the Inter-church Development Organization (ICCO), Protestant Church of Australia, Living Waters, OSIWA, the

Werthein in Germany, West Minister, World Services & Development Centre, London School of Hygiene, EZE, Ghana Aids Commission, and the Government of Ghana.

Examining PCG's Sustainability without Foreign Donors

The Church's relationship with her donor community according to majority of respondents (48.3%) was very cordial. 46.7% said it was cordial, while 5.0% said it was fairly cordial as depicted in Figure 3 below. The influence of these donors on sustainability was said to be high; i.e. 53.3% of respondents. Generally, 76.7% of respondents opined that from the Church's inception in 1828 to year 2000, the significance of donors contribution was very high, but from year 2000 to date, donor significance had rather reduced as follows: 5% said it was very significant, 41.7% said it was significant, 43.3% agreed that it was fairly significant, and 10% were of the opinion that donors contribution was of low significance.

On the matter of self-sufficiency, about 93.3% of respondents were of a strong opinion that PCG could be financially independent or self-sufficient by harnessing her numerous human and material resources, while 6.7% argued that the Church was not apt to self-sustainability. This concluded the fact that the Church must work at local sources of fund raising and reduce dependency on foreign partnership grants that were waning anyway. The argument fell in consonance with the assertion that perpetual aid had never developed any country, for in an aid environment, the recipient governments were less interested in fostering entrepreneurship and the development of a middle class (Moyo, 2009).

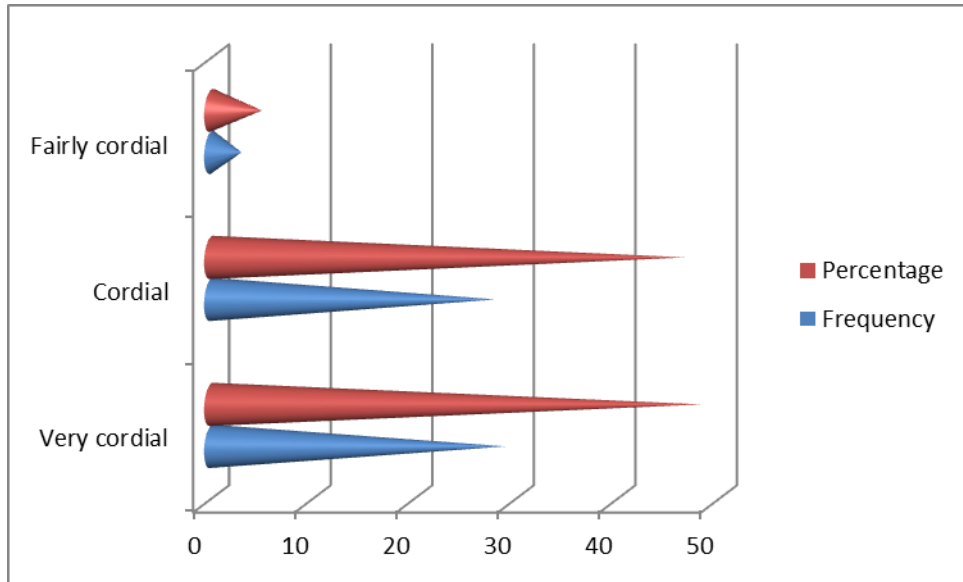


Figure 3. PCG's Relationship with the Donor Community

Source: Field data, 2017

PCG Relationship with the Government of Ghana

i. Church Public Schools:

Respondents were asked whether the Government of Ghana was a significant partner to PCG in terms of Education. Majority constituting 98.3% responded in the affirmative, while 1.7% sounded negative. About 81.7% opined that the Church could not effectively run her Schools without Government subvention since public teachers were paid higher than private Schools teachers in most cases. On the other hand, 16.7% argued that the church could run her Schools without the support of the state by charging economic fees. Respondents were in effect saying that when it comes to education for instance, Church-State partnership was of the essence in majority of cases since the original intention of the church to run Schools was for serving the vulnerable communities and not for profit. The church could not therefore charge economic fees in

order to pay the state teachers whose salaries were higher than what pertained in most private Schools.

ii. Church Public Hospitals:

On the matter of church public Hospitals such as the Presbyterian Hospitals at Agogo, Bawku, Dormaa Ahenkro, Donkorkrom and the Bolgatanga Regional Eye Centre and numerous other Clinics dotted all over the country, 75.0% of respondents were of the view that the church could not run these medical centres without state subventions since the church's health facilities just like the Schools were generally provided in the hinterland as social services and not for profit. However, 25% of respondents asserted that the church could rather charge economic fees to able to pay medical personnel and buy equipment etc. This would rather defeat the church's intent of service to the people in the catchment areas they operated. In effect, the state should still partner the church to run the hospitals at reasonable fees. The above argument supported the findings of Clarke (1991); and Fowler (1988) who asserted that CBOs provided higher quality social services and programmes to the poorest in society in a cost effective manner for sustainable development.

iii. Church Agricultural Stations:

The question as to whether the church's numerous Agricultural stations located at Tamale Mile 7, Garu, Sandema , Langbensi, Abokobi, Tease in the Afram Plains, and the Agricultural Information Services in Tamale could run without donor support, 73.3% responded in the affirmative , while 26.7% argued that it would be an illusion since their major development partner; ICCO, had withdrawn their support over a

decade ago. Those who were positive indicated that the Agricultural sector of the Church had put Agribusiness plans in place to storm the tide over ICCO's withdrawal. This fact is in contrast with the findings by Okorley and Nkrumah (2012) who observed that many Church Based Organizations or NGOs fold up within the first two years due to limited financial assistance among other factors. The Presbyterian Agricultural Stations had stood the test of time by their continuous existence despite the absence of a major sponsor like ICCO.

Influence of Income Generation on Financial Sustainability

The study sought to establish the respondents' level of agreement with the various statements on the influence of income generating activities on the sustainability of PCG. Income generation here referred to the local fund-raising measures in the congregations including tithes, offerings, annual harvests, etc. A debate on this subject resulted in 68.3% of respondents disagreeing that the Church could rely on income generation alone since there were even leakages in such local congregational fund raising processes which fact needed serious financial control measures. But 31.7% thought otherwise as seen in table 3 below. The opinions of the majority in this case again agreed with Jacobsen (2005) who on income generation argued that Church Based Organizations experienced difficulty in finding sufficient, appropriate and continuous funding for their activities. Jacobsen also added that the CBOs had limited resource mobilization skills and were often not looking for funds that were available in their local context but preferred to wait for international donors to approach them.

Table 3. Showing whether own income generation activities were adequate for financial sustainability

	Frequency	Percent	Percent	Cumulative Percent
No	41	68.3	68.3	68.3
Yes	19	31.7	31.7	100
Total	60	100	100	

Source: Field data, 2017

Upon this revelation therefore, respondents asserted that sustainability could be attained by educating church members on giving, and also finding ways to seal up leakages, since pilfering of church offerings was rife. Asked whether income generation had any meaningful influence on sustainability, majority being 56.7% agreed on the assertion and 36.7% argued that income generation really had a very high influence on sustainability, while 40% posited that the influence was a mere high one as seen on Figure 4 below.

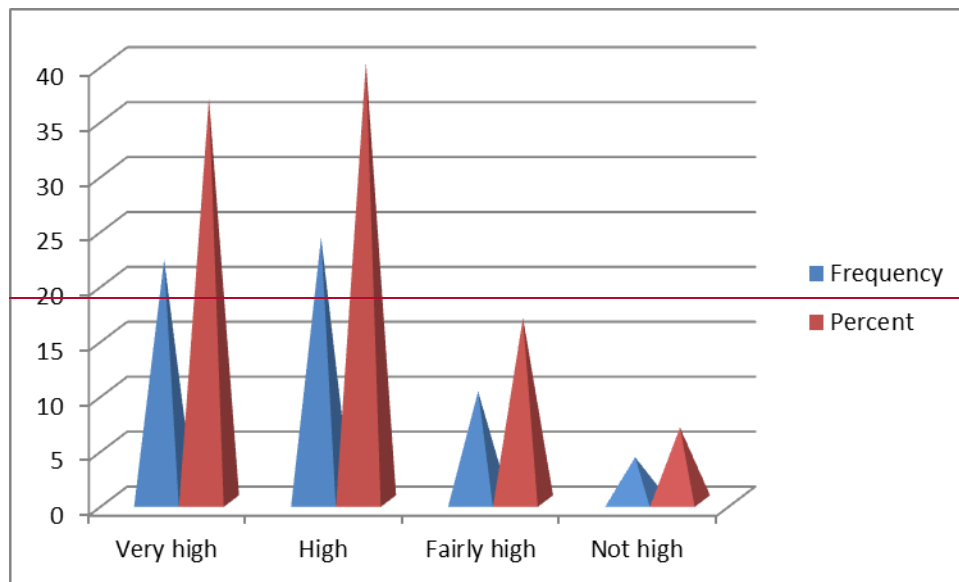


Figure 4. Graph showing how Income Generation could influence PCG financial sustainability

Source: Field data, 2017

Support of Income Diversification Activities to Financial Sustainability

The study at this point sought to establish the influence of income diversification activities on financial sustainability of PCG. Figure 5 below shows the distribution of the respondents as to whether the Church should diversify her income base beyond depending on incomes generated within the church's auditoria. About 98.3% agreed on the concept of diversification, while 1.7% appeared to be risk averse in terms of the church investing in ventures apparently outside her theological mandate or "raison d'être". It was thus evident that PCG must look for other sources of income than relying on either development partners or local fund raising alone.

Respondents' proposition for income diversification indeed was in consonance with the position of CRDA (2001) that CBOs needed to develop more business-like operations, and focusing on the most practicable forms of enterprise structure, without compromising their primary goal of providing services to the poor and other disadvantaged groups. In support of this argument, Kwamena-Poh (2011) opined that the Basel Missionaries (founders of the PCG) established the Union Trading Company (UTC) in 1914 to promote financial sustainability.

Respondents' agreement with the income diversification proposition also fell in line with Edwards and David (1995) who argued that local resource mobilization had the potential to enable CBOs to raise funds from local businesses, individuals, governments and locally generated income.

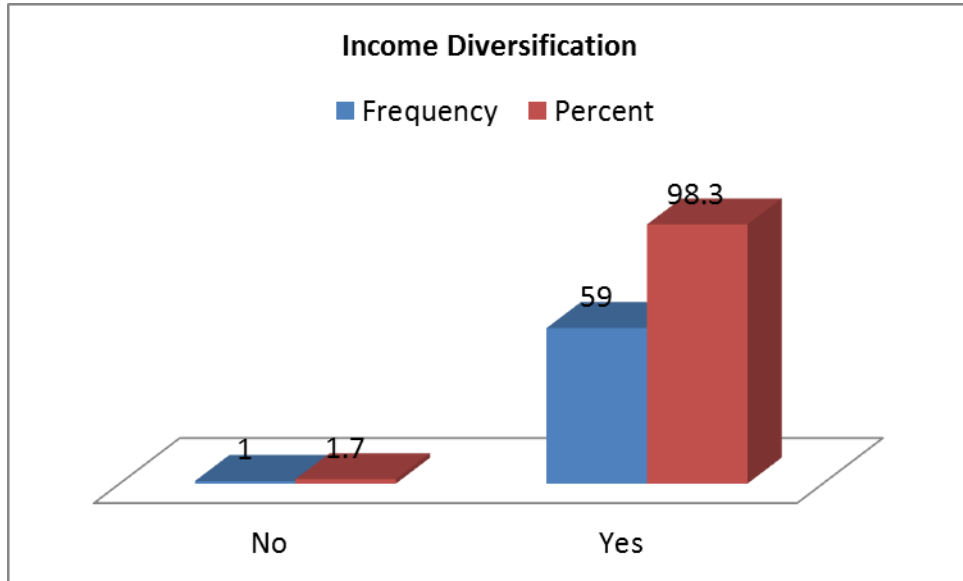


Figure 5. Showing respondents support for Income Diversification

Source: Field data, 2017

PCG's Existing Investment Portfolios

Respondents listed the following as investment portfolios already in place by PCG towards financial sustainability: Salem Water project, Salem Financial Services, Presbyterian Printing Press Limited, Private Clinics, Private Schools including two Universities, Guest Houses, Insurance Brokerage, Mortuaries, Transport services, Agribusiness and Agricultural consultancies, Renting and leasing facilities, Treasury bills, Capital and Money Market funds, etc.

Sustainability of the Investment projects

Respondents were asked if the projects they had outlined above were sustainable and beneficial, their responses were as follows: 91.7% claimed the businesses were both sustainable and beneficial in the sense of education to the public, job and wealth creation as well as the enormous dividends or Return on Investments (ROI) they

brought to the church. Interestingly also, 98.3% argued that the Church could venture into other areas of investments as well as strengthening or recapitalizing the existing ones for obvious expansion. Possible new areas they proposed were building hostels in the various University campuses, estate development, beach resorts, fuel filling stations, multi-conference and retreat centres, factories to take advantage of the current government policy of One-District-One Factory, and private specialized clinics.

Asked whether the investment projects must contribute to the welfare of the Church's head office, Presbyteries and district offices, 80% responded in the affirmative upon the argument that such investments were for financial dividends to support sustainability of the Church.

Other Measures of Sustainability Recommended

For the way forward, respondents were asked to suggest other means of financial sustainability for the Church. The following were additional opinions offered:

Managements at the various levels of PCG must change their attitude from risk aversion to proactive investment moves. There was the need to harness the church's great resources, managing them very well and investing them in viable ventures. Provide good investment policy directions. Find strategic partners for the numerous agribusiness plans mooted by the Presbyterian Agricultural Services Committee (ASC). A clear example was the Garu Presbyterian Agricultural Station's partnership with Guinness Ghana Limited to produce about 60,000 metric tonnes of sorghum per annum for the Guinness and malt breweries. Develop 6,000 acre land at Tease in the Afram Plains for an exportable cash crop.

Restore the Presbyterian Guest House at Osu in Accra. Look for strategic source of funding such as Build-Operate and Transfer (BOOT) to develop the 20 acre Kuntunse land near Accra into an ultra-modern conference/ retreat centre for commercial use. The Presbyterian Health Services Committee (HSC) should be supported to expand their Drug Production Units in the Presbyterian Hospitals to manufacture drugs for the markets, and also strengthen the specialized medical services, as well as built private ones at strategic areas to raise needed funds. The Church should empower the Internal Audit Unit to reach out to all her institutions and projects. Finally, PCG management should form a strong Monitoring and Evaluation team to visit all projects and report to the General Assembly Council periodically.

Table 4. Data From Financial Reports From 2011 - 2016 For PCG Head Office

YEAR	TOTAL INCOME GHC	DONOR FUNDS GHC	PERCENTAGE
2011	6,685,252	19,493	0.3%
2012	8,265,971	156,708	1.9%
2013	10,315,066	180,425	1.7%
2014	13,726,976	290,199	2.1%
2015	16,493,657	262,374	1.6%

Source: Field Data 2017

The Table (4) above is a compilation of a five-year trend of PCG's total annual income verses donor support for the national office of the Church from 2011 to 2015. In year 2011, the support from the development partners only formed a 0.3% of total income. Subsequently from 2012 to 2015, it was 1.9%, 1.7%, 2.1% and 1.6% respectively. This picture revealed clearly that in recent times, the Church was on high alert towards

financial sustainability with donor support rather so minimal. This phenomenon was in consonance with table 1 above where 95% respondents agreed with the Church's vision of financial self-sustainability. This phenomenon also resonated with the argument of CRDA (2001) on the issue of income diversification which argued that CBOs needed to develop more business-like operations, and focusing on the most practicable forms of enterprise structure, without compromising their primary goal of providing services to the poor and other disadvantaged groups.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This final chapter provides a summary of the work including findings of the study presented in chapter four. The chapter also presents the conclusions and recommendations of the study regarding the influence of the independent variables (income diversification, income generation and donor support / relationship management) on the dependent variable; financial sustainability of the Presbyterian Church of Ghana. The study also suggested areas for further research. The research questions were focused on the extent to which the selected independent variables contributed towards greater improvements in PCG financial sustainability.

Summary of the Work

The study sought to find answers to the following questions: a) how financially sustainable was PCG in the face of waning donor support, b) how congregational income generation could improve financial sustainability, and c) how various streams of income diversification could increase the level of financial sustainability. This was necessitated by the financial despondency that a major missionary church such as PCG found itself in the current turbulent and uncertain financial and economic world. It was notable that the PCG was a major contributor to economic, social and spiritual development in this country in the form of education, health, agriculture, commerce and infrastructure among others since its inception in 1828 when there was no other church in the then Gold Coast. This study was therefore an attempt to provide ways in which

the Church could respond to the challenges. The major findings were presented in accordance with the thematic areas of the study which were based on the objectives.

The study made use of three theories namely; the resource-based view (RBV), the stakeholder theory, and the portfolio theory in an attempt to find answers to the current precarious situation of the Church. These theories were found to support the study in view of the fact that PCG had major stakeholders, business portfolios, and numerous resources to manage. The work was carried out using qualitative tools such as questionnaires, personal interviews and secondary data on annual financial reports. Various technocrats in the PCG such as members of the governing board, the national finance committee, programme coordinators, etc. were contacted for their views.

How Income Generation Improves Sustainability

The study found that in order to cushion the PCG against financial instability, there was an absolute need to opt for very effective ways of generating funds supported by congregational income generation strategies. Congregational or own income generation strategies alone did not substantially influence the financial sustainability of the PCG as shown by 31.7 % of the respondents. Majority of the respondents being 68.3% doubted the church's reliance on own income generation since current internal controls were insufficient to support their course. Only an improvement in financial controls, monitoring and evaluation, effective auditing, budgetary controls and timely reporting among other measures could make own income generation strategies work more effectively.

How Income Diversification Supports Sustainability

The study found that income diversification was very key to increasing the PCG longer-term reliability of the income streams. This was shown by 98.3% of respondents who strongly believed that the church must diversify her sources of income beyond the reliance on congregational income generation. Resourcing existing investment portfolios and founding new and more viable ones would support financial sustainability to a very great extent.

How PCG Fares Without Donor Support/ Relationship

It was clear from the study that donor support/ relationship management influenced the financial sustainability of the Church to a great extent, this was revealed by 86.7% of respondents who believed that the church still had meaningful development partners that she must relate and manage effectively. Financial sustainability of PCG could be achieved by dealing with development partners individually, thus, recognizing each donor as unique in terms of their giving history, motivation for giving, and the overall standard of care expected from the charities. According to the study, more than half of the respondents agreed that PCG was not afraid to invest in her donors and allow them greater flexibility over the content, nature, and frequency of their grants and donations.

Conclusions

The study concluded that income generation influences the financial sustainability of the PCG to the extent that the church would put in place effective financial control measures. As such, budgeting and planning systems, monitoring and

evaluation with auditing and effective reporting would support financial sustainability to a very large extent.

The study concluded that there were various income diversification attributes which affected the sustainability of PCG. These included social entrepreneurship, owning and managing businesses, acquiring strategic partners especially in the agricultural and health institutions to venture into new and viable areas of income diversification. Encouraging more local fund-raising and having a second look at programme implementation strategies that included cost recovery and cost reduction components.

With regard to donor support/ relationship management, PCG must treat donor support and relationship holistically by regarding each as unique, giving prompt feedback to them on a good stewardship of their funds according to their standards, offering choice on the use of their grants and donations, and sharing the church's vision and mission with them would influence the financial sustainability of the Church to some extent. However, donor support/ relationship management per se could not guarantee the financial sustainability of the Church as the study established that there was no significant influence between donor relationship management and the financial sustainability of PCG.

Recommendations of the Research

Financial sustainability was about the church's ability to endure, it was about meeting the needs of the present without compromising the ability to exist or meet the needs of the future. Deliberate efforts must therefore be made not only by the Presbyterian Church of Ghana alone, but also other churches, the nation, corporate and

non-corporate institutions, individuals in order to ensure sustainability across board. This section consisted of various recommendations of the study which were based on the results obtained and the general conclusions drawn from the three key determinants of financial sustainability of PCG as follows: income generation, income diversification and donor support/ relationship management. The recommendations were directed to the PCG General Assembly Council (GAC), Presbyterian Agricultural Services Committee (ASC), Health Services Committee (HSC), the Education Committee, development partners, august members of the Church, and people of good will.

Due to the numerous financial sustainability challenges facing the Church in contemporary times, this study humbly recommended to the august management of PCG (the General Assembly Council) to focus on strategic analysis of the church's status quo, the institutional strengths of the various sectors of the Church, specificities and opportunities, and for that matter scan the competitive environment of PCG. This to a very large extent would help in increasing the long-term reliability of the income streams, overcome the environmental and social challenges, raise the institutional and sectorial expectations, control potential competitive disadvantages, and take note of contemporary global and local policy changes affecting her operations.

PCG should consider strengthening her monitoring and evaluation processes of all her financial management practices through prudent leadership and effective auditing. Additionally, the Church should be able to develop and implement action plans to ensure regular supervision of financial management processes. This could, to a

larger extent, bring about the financial sustainability of the various systems and social intervention projects of the Church all over the country.

The study also recommended that PCG should recapitalize and expand her many church owned social enterprises that served as a strategy to diversify her funding base, then decrease reliance on her fatigued development partners and recover, reduce or subsidize programme costs. This research also found that leadership played an important role in shaping the necessary change processes in relation to diversity, the Church therefore needed to reinforce awareness around the range of activities she undertook and the added value she created for general society, try to evaluate funding options and as well tap international funding avenues by way of foreign and local strategic partnerships.

Recommendations for Further Study

This study was limited in scope since it looked at only three variables influencing financial sustainability of a western funded church like the PCG. The variables examined in this study were; income diversification, income generation and donor support/ relationship management. There were several other extraneous variables that the study recommended for examination by other researchers, such as good resource/ financial management, raised up by some respondents. Ethics and organizational structure could also be looked at in other studies. Similar studies could be carried out for non-traditional churches such as the Pentecostals, Charismatics and the independent churches that basically have no development partners.

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QUESTIONNAIRES

APPENDIX 1

QUESTIONNAIRE (TEST OF PCG FINANCIAL SUSTAINABILITY)

My name is Rev. Charles Kusaah; a Minister of the Presbyterian Church of Ghana (PCG), General Assembly Office, Accra. I am pursuing Masters of Business Administration (MBA) degree programme at the University of Cape Coast (UCC) and conducting a study on the topic; ‘*Determinants of Financial Sustainability of the PCG*. This study is in partial fulfilment of the award of MBA Accounting degree by UCC. Please be assured that any information given will be treated confidential and used for purely academic purposes.

NB. The Church refers to the Presbyterian Church of Ghana (PCG) and its social intervention projects such as Health, Agriculture, and Education.

Please tick or write where applicable:

SECTION A - DEMOGRAPHICS

- a) Sex: a) Male () Female: ()
- b) Nationality.....
- c) Job title.....
- d) Education: Tertiary () Non tertiary ()

SECTION B

Donor Support and PCG’s vision of self-sustainability:

- 1) Do you agree with PCG’s vision of “Self-sustainability”? Yes / No
- 2) What does the term “Self-Sustaining” imply in the Vision statement?

- 3) Does PCG still have significant development partners? – Yes / No
- 4) Who are they? (Please list those you know)
- 5) What is the relationship between the Church and the donor community?
 - i) Very Cordial, ii) Cordial iii) Fairly cordial, iv) Poorly cordial, v) not cordial
- 6) What is the influence of such donations/ grants on PCG financial sustainability?
 - i) Very High ii) High iii) Fairly high iv) Low v) Very low
- 7) What was the significance of their contribution before year 2000?
 - i) Very Significant ii) Significant iii) Fairly Significant iv) Low
Significance iv) Not significant at all
- 8) What of year 2000 to date?
 - i) Very Significant ii) Significant iii) Fairly
Significant iv) Low Significance iv) Not significant at all
- 9) Have some withdrawn their support in recent times? Yes / No
- 10) If yes, what is the reason?
- 11) Has the Church severed relationship with any donors? Yes / No
- 12) If yes, which of them and why?
- 13) Are there any partners who have reduced their level of funding? Yes/ No
- i) What is the impact of such withdrawal or reduction in support if any?
 - i) Very
disastrous ii) Disastrous iii) Fairly Disastrous iv) Less disastrous v) No
effect at all
- 14) Can the Church do without them? Yes / No
- 15) Why do you think so?

- 16) What can the Church do to forestall the effect of such withdrawals/ reduction in support?
- 17) Can PCG be financially independent? Yes / No
- 18) Why do you think so?
- 19) Is the Gov't of Ghana a significant partner in Education for instance? Y/N
- 20) Can PCG run her Schools without Government subvention for teachers' salaries among others? Yes / No
- 21) Reason for answer
- 22) Can the Church run her Hospitals/Clinics without government support? Yes/No
- 23) Why do you think so?
- 24) Can the Church run her Agricultural stations without donor support? Yes / No
- 25) Reasons for your answer

SECTION C

How **Income Generation** (Internally Generated Funds - IGF) influence on PCG financial sustainability. E.g. Tithes, Offerings, VTO, Annual Harvests

- 26) Can PCG attain self-sustainability by relying on incomes from Tithes, Offerings, VTOs, Annual Harvests alone? Yes / No?
- 27) Are these sources of income adequate? Yes / No
- 28) How can these revenue sources be expanded?
- 29) Is the Church able to receive all its revenue from these sources? Yes / No
- 30) If No, how can the Church protect them from possible leakages?
- 31) How does Income Generation influence PCG financial sustainability?
 - i) Very Highly ii) Highly iii) Fairly high iv) Less influence v) No influence

SECTION D

How **Income Diversification** can improve upon PCG Financial Sustainability:

- 32) Should PCG diversify her sources of income beyond Tithes, etc.? Y/N
- 33) What influence is Income Diversification on PCG financial sustainability?
 - i) Very highly ii) High iii) Fairly High iv) not high v) no influence
- 34) What investment portfolios are already in place?
- 35) Are they Sustainable? Yes / No
- 36) Are they beneficial? Yes / No
- 37) If yes, in which ways?
- 38) In your opinion, can the Church look beyond these investment portfolios? Y/N
- 39) If yes, what are the possible areas available to PCG or her subsidiary
Institutions such as the Hospitals, Agric. stations, schools?
- 40) Do you think it is about time those subsidiaries contributed something to the
General Assembly Office / Presbyteries or vice versa? Yes / No
- 41) Reason for you answer

SECTION E

- 42) In your opinion, what other measures do you think the Church can apply to
attain her vision of Financial Sustainability?