

# **ANALYSIS OF FINANCIAL MANAGEMENT ADEQUACY ON PROGRAM PERFORMANCE OF LOCAL NGOS IN SAHIL REGION, SOMALILAND**

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## **ABSTRACT**

Local non-governmental organizations (NGOs) in Somaliland face difficulties in managing their finances, which puts them at risk of folding. Sound to guarantee an NGO's long-term economic success and sustainability, it needs a financial management system that allows for the most effective allocation of its resources, as well as the highest possible levels of transparency and accountability in those finances. Donors give money to non-profits on the assumption that the money will be used to accomplish the goals outlined in the organization's strategic plan and annual work plan. Despite all the efforts to put in place financial management adequacy, there are continued reports of a wide range of financial fraud practices inside the local organization, funds mismanagement, error of the transactions, thefts, waste of organization's assets, generally, a precarious state of Local NGO in Somaliland. The study determined the effects of adequate financial Managements on the program performance for Local NGOs of Sahil Region in Somaliland. Specifically, the study sought to determine the effects of internal control system, fundraising, monitoring, and accountability systems on the program performance of the local NGO's. The study employed descriptive design and used questionnaires for data collection which involves the use of both quantitative and qualitative research methodology. The study was guided by Resource Dependency theory, The Power relations Theory and Agency Affiliation Theory. The target population of the research was the local NGOs in Sahil region, Somaliland. In particular, the target population was 40 individuals comprising of accountants and managers of local NGO's in Sahil region. Owing to the small sample size, the study employed census design as the researcher expected to reach all of them within the research period. The research used survey questionnaires. Data was descriptively as well as inferential statistically analysed using SPSS. The study found that financial management adequacy had positive statistically significant with program performance of NGOs in Sahil region. Further, as whole, the regressed model indicated financial management adequacy predictors can explain 74.3% variance which was statistically significant: good fit (p. value=0.0005) on the program performance. The study concluded that NGOs' program performance is positively associated with adequate financial management. Hence, financial management sufficiency has a substantial impact on program performance

**Keywords:** *financial Managements, program performance, NGOs, internal control system, fundraising, monitoring, and accountability*

### **Introduction**

Non-governmental organizations are non-profit making entities as revealed by their name which also suggest that they are not part of the government. NGOs are supporting communities to withstand shocks and disasters that they are not able to cope with, in addition, they complement the work of the government agencies to support basic services in the developing countries. Since Somaliland reclaimed its independence from the rest of Somalia, many local organizations were established to support the communities in need however, many of them have ceased operations due to lack of financial management systems that has not being established. In addition, recently the Grand bargain or the aid localization principle which commits to donors and other aid organizations to provide 25% of humanitarian funding to local and national organizations has not been achieved because of fear of a risk posed by the lack adequate financial management practise that is employed by the local organizations. Somaliland is a home to 278 local NGOs (Coordination, 2019). Most of these local NGOs have their headquarters in Hargeisa, which is the capital city of the nation however, the total number of Local NGO's in Sahil region is 20. The ministry of National planning and development oversees the registration and coordination of NGOs. The government has issued Law No. 43/2010 which is governing non-governmental organizations and was authorized into decree by the head of the state on 10 November 2010 in a Presidential Decree No. 82/112010 (Somaliland Non-Governmental Organisations (NGOs) Law, 2010) after the civil war in Somalia that broke out in 1998 and with the establishment and proclamations of Somaliland in 18<sup>th</sup> May, 1991, the LNGOs have played a critical role in supporting the war ravaged people and those who internally displaced by the war as the access of International NGOs was limited to small areas. Since then, the Local NGOs have increased in number however, Somaliland is now moving to development stages and several donors have moved to their funding in south central Somalia where there is the need of emergency and government support in Nation building. Key funders do not rely on administrations as they prefer NGOs to be perfect way for timely implementation of Humanitarian and development funding. In addition, they are also the trusted vehicle of change due to their commitment to empower communities (Gray, Bebbington, & Collison, 2006). With this funding increase globally, the need for adequate financial management procedures is becoming essential as the lessons learned recommended the improvements of establishing a well-functioning and robust financial management systems.

### **Statement of the problem**

For the last decade, donors have been pushing to partner with only organization that has a strong financial management system to support implementation of their programs. In addition, the Grand bargain or the aid localization principle that has committed 25% of donors and aid organization to provide to local organizations has not been achieved due to risk and financial management gaps observed in most of the local led organizations. Such events have demanded to improve the financial management systems by modelling a strong and a robust internal control structure that has a risk mitigation plans, Segregation of duties (and were necessarily compensating controls), job

rotation and Financial Monitoring systems that provides a budget Vs actual reports and other management reports, Accountability elements are effective in terms of system, integrity is maintained and stewardship is exercised

Many people often undermine the role of financial management in the performance of an NGO Humanitarian and Development Program. The main reason behind this is that they assume their primary role is to support towards social services and not financial management. But the bottom line that program objectives would not be obtained unless otherwise strong and robust financial management procedures are put in place (Importance of Financial Management for NGOs, n.d.). The primary importance aspects of financial planning and management in NGOs lies is to help its overall goals and objectives. To achieve their roles NGO's must be accountable to the donors, securing the future, eliminating fraud and theft, making productive decisions, achieving objectives, enhancing credibility, and strengthening fundraising efforts. There has been an upsurge in the number of NGOs registered in Somaliland in the last decades. However, they don't grow steadily. This problem is associated with the inadequate financial management to support to their program interventions. Despite this problem, no study has been done to establish the causes for the lack of adequate financial management. This poses a gap that the study sought to fill through a study on the analysis of financial management adequacy and its effects to the program performance of local NGOs in Sahil region, Somaliland and it answered, how the financial management systems are useful in Program performance of Local organizations in Sahil region in Somaliland

The study was guided by the following specific objectives.

To assess the effect of internal control system on the program performance of local NGO's in Sahil region, Somaliland, to examine the effect of a fundraising on the program performance of local NGO's in Sahil region, Somaliland, to investigate the effect of financial Monitoring on the program performance of local NGO's in Sahil region, Somaliland, to explore the effect of accountability systems on the performance of local NGO's in Sahil region, Somaliland.

## **LITERATURE REVIEW**

This research was informed by the Resource Dependency theory that has being developed by Pfeffer and Salancik (1978) who argue that resources are managed by outside parties who utilize demand on the organization. The resource dependency theory defines that organizations are resource insufficient who try as much as possible to get and secure funding from their external environment. In this case the local organizations are insufficient in resources to implement programs and they tend to depend on donors and aid organizations. In addition, the research has employed the Power relations theory which was developed by DiMaggio and Powell (1983); neo-institutional theorists, which offers and accounts for the modifications that are happening in the Non-profit entities with respect to their disproportionate power relationship with their funders. The neo-institutional theorist suggests that the extent an organization is independent from the other partners, the more this contributes to its greater disparity from the organization's objectives and their modalities way of implementation. Lastly the research was informed by Agency Affiliation theory

which describes the agency affiliation as an agreement under which one more individual do engage another individual to execute a work on their name which requires giving more responsibilities and power to the agent to enable make an informed decision. What worth mentioned is the situation that the principle and the agent are both utility maximizers which forces us to belief that the agent will not usually perform in the best manner of the principal.

A study conducted by Siayor (2010), has established that Internal Control System advances to all the guidelines and procedures engaged by the top Senior Executive team of NGO's to help them in achieving their objectives of safeguarding, the resources of the organization to keep implementing programs to an effective approach to respect the internal procedures created to prevent and detect fraud before it occurs, the correctness and completeness of the accounting documents and the preparation of a dependable financial reports that support timely decision making. Internal control systems are so beneficial due to the growing number of business malfunctions and the misappropriation of donor funding. COSO (2013) structure finds five main parts of an ICS, such as: control environment, risk assessment, control activities, information and communication, and monitoring. Organizations improve their internal control system by having a segregation of duties, compensating controls (programs with smaller spend), management checks, enhanced physical checks and organization control.

Another study conducted by (Srinivas, 2019) has revealed that Fundraising for programs of an NGOs can have difficulties including limitations set by donors that do exacerbate the chance of getting funds for a potential community led programs or the Humanitarian interventions. for example, some requirements include having an office in the country of the donor. If you have applied funding from USAID, they will require you to have an office in their country. Obstacles from the funders is the tough restrictions that they exert in the programs to be funded in the developing countries and funding for programs that are of a better interest to respond the needs of the communities. With respect to this, there is a need of building strong relationship between donors and NGOs which can lead a long-term financial viability of the NGOs (Srinivas, 2019).

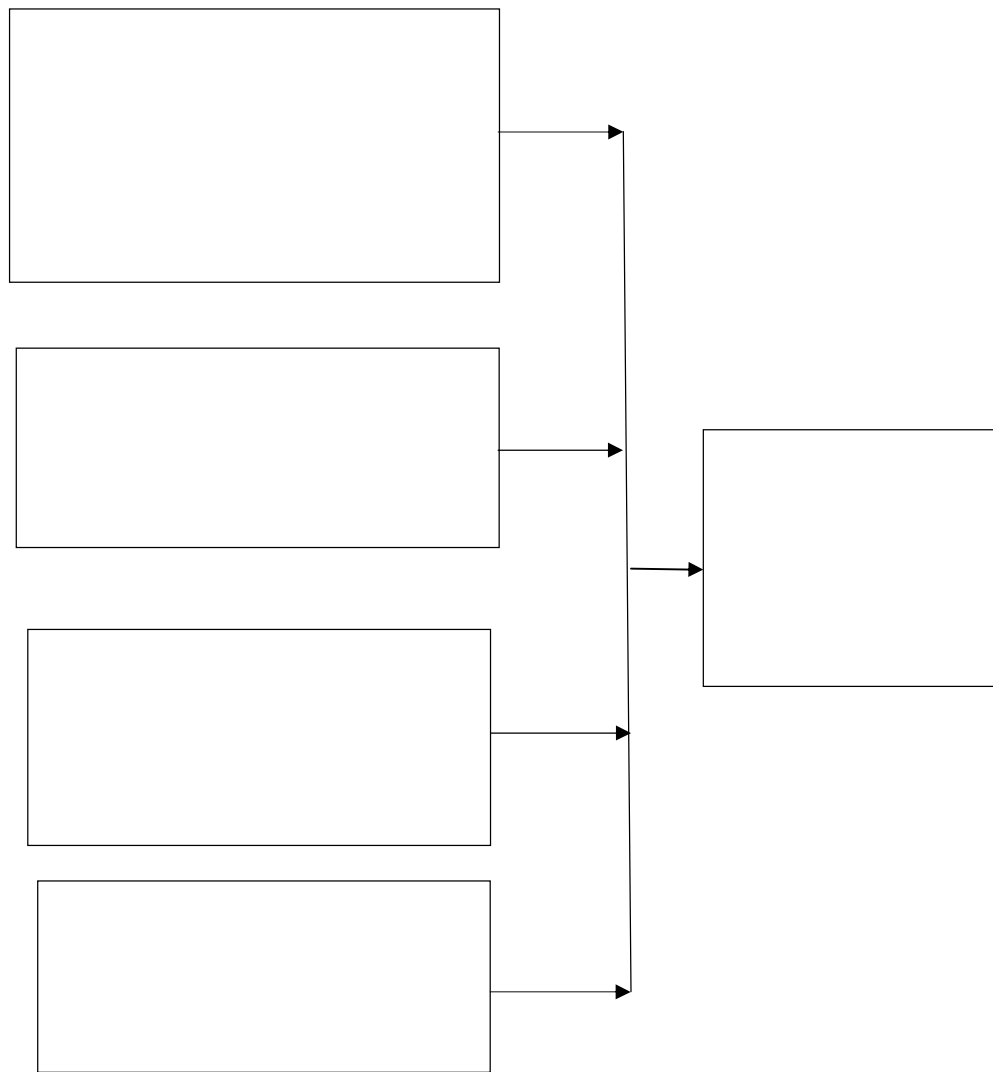
There are numerous measures that have being identified by some scholars to implement a financial monitoring system as proposed by Shizhen (2005) which are the availability of accounting documentations, existence of internal control, budget management, allowability and allocability of expense, cash management, financial reporting and compliance structures. To ensure financial monitoring systems are in place, an increased number of donors have established a due diligence and a capacity assessment tool which is a pre award requirement for any funding to succeed. Part of the assessment covers the capacity of budget management, experience of implementation, financial monitoring procedures and internal control mechanism (AfDB Group, 2006) and thereby concluding the level of acceptable standards as practiced by an institution based on the presence of such predefined systems. Lastly scholars have written about accountability systems and program performance which is

defined as the commitment to acknowledge responsibility for both intentional and unintentional errors. It is potential to split the two positions with respect to accountability. on the one hand, there

is a short run functionality of the accountability system of NGO's which are part of the system for example, the system is embedded with the existing controls and thresholds for example how much can be approved by a certain staff. on the other hand, there is a long-term accountability which includes the effect that an NGO has on other stakeholders to support the communities who need their support to respond the urgent needs and the development goals and objectives. The later requires a much attention and a longer evaluation on how they NGO's change the communities to better prepare, cope with and respond crisis whenever they happen.

**Conceptual framework**

The conceptual framework enabled the researcher to comprehend the interconnections between concepts that explain the phenomenon (Evans, 2017). Consequently, it established the relationship between the variables and guides the research by grouping the main concepts and variables. Therefore, a conceptual framework is a graphical representation of the interrelationships between independent and dependent variables. The association between financial management adequacy and program performance of local NGO in Sahil region was conceptualized as presented in in Figure 1. The researcher has found that all the variables under investigation do have a positive and a strong relationship with the independent variable of which the internal control system has the strongest relationship as evidenced in chapter 4.



Independent variable

Source: Researcher (2022)

Dependent variable

### Figure 1: Conceptual Framework

#### Research Methodology

The research adopted descriptive survey research technique as the primary reason for adopting a descriptive research design is that the research problem was well-designed, and the objective was for the researcher to conduct a field survey by visiting the population of interest for the participants to explain certain characteristics based on their own understanding of the problem being studied (Creswell, 2013; Da Silva, 2017). The research has targeted 40 accountants and top managers from 20 local NGO s in Sahil region, Somaliland and has applied a census method owing to the small number, the researcher has expected to reach all of them within the research period. The research used survey questionnaires divided into two main sections which has facilitated to collect data on

the respondent profile and to give respondents room to express their views in a more pragmatic manner, provide insightful understanding on phenomena under question as well as take less time to code, and transcribe, minimize response variation, and lead to a high. The tool was pretested using instrument validity and reliability using Cronbach's alpha technique with a result of 0.959. a Cronbach Alpha of 0.7 and higher is considered reliable and good (Ingle & Mahesh, 2020). As a result, the questionnaire constructs were deemed credible for statistical analysis. After all the data was collected, there was interpretation to create data that was meaningful, comprehensible, authentic, and correct, resulting in trustworthy findings. The research used a quantitative technique to analyze the data and provide descriptive statistics which included percentages, means (M), and standard deviations (SD).

Quantitative analysis was also utilized to produce inferential statistics (correlation and multiple regression) where correlation analysis was done to see whether there was a relationship between the independent variables (IVs) and the dependent variable (DV), and the regression analysis was used to find a model.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Y = Program performance

$\beta_0$  = Constant

$\beta_1$ - $\beta_2$  = Regression coefficients

$X_1$  = Internal control system

$X_2$  = Fund raising

$X_3$  = Financial Monitoring

$X_4$  = Accountability

$\varepsilon$  = Error Term

## RESULTS AND DISCUSSIONS

### Response Rate and Demographic

The response rate was 95% and draws a conclusion that it represent the population from which samples are collected. It is also highlighted that the response rate exceeded 30 individuals (n=38). The gender of the responds were 74% male and 26% for female which indicates that majority of local NGO staff are male however, its in accordance with the one-third rule that is in strong corporate governance principles. The level of education has shown that 55 % of subjects hold a bachelor's degree, 32 % have a post graduate degree, and only 13% have a diploma. The majority of employees hold a bachelor's degree (55%, N=). This indicated that management personnel in NGOs in Sahil region are highly educated and capable of making critical managerial decisions concerning the financial management adequacy and program performance of their respective organizations. The study has looked on the duration of the NGO being in operation and the result has indicated that 34% of NGOs have operated for less than 3 years, 26% have operated for over 10 years, 24% have indicated to be in operation for 3-5 years while 16% have indicated between 6-10 years. This suggest that local NGOs operating in Sahil region are very new and hence they need support to grow and participate the community's development.

### Descriptive statistical analysis: Financial management adequacy

The independent variable (financial management adequacy) was divided into four predictor variables: internal control system, fundraising, financial monitoring, and financial accountability. All of the items were based on a five-point Likert scale, and respondents were asked to indicate how much they agreed or disagreed with each measurement item. The SPSS program was used to analyse their replies; percentages (%), means (M), and standard deviations (SD). Table 6 shows the interpretation based on mean values and standard deviation.

### Internal Control System and program performance

Objectively, the study described internal control system using mean, standard deviation and percentages to answer the research question. The researcher sought the interval data from respondents by allowing them to indicating the degree to which they agree with various measurement items regarding the internal control system. This was based on Likert scale of 5-1 (5: Strongly agree, 4: Agree, 3: Moderate, 2: Disagree, 1: Strongly disagree). The results are presented in table 7

**Table 1: Internal Control System and program performance**

Statement	Strongly disagree	Disagree	Moderate	Agree	Strongly agree	Total	Mean	SD
The NGO has a risk mitigation plans in place	2	0	15	12	9	38	4.08	0.969
Management is committed to strictly adhere to policies and procedures	8	11	5	8	6	38	4.24	0.913
Line of authority and responsibility has been established to ensure compliance with policies and procedures	0	0	5	11	22	38	3.95	0.804
Procedures for conducting and assessing risk is clearly outlined in the policies and procedures.	2	3	0	20	13	38	4.11	1.077
Policies and procedures for approvals and authorization of transactions are clearly defined	3	0	8	8	19	38	4.18	0.865
<b>Aggregate values</b>							<b>4.11</b>	<b>0.723</b>

**Source: Researcher (2022)**

The findings show that, respondents strongly agreed to the indicators of the internal control systems. Indicating, the local NGO's have an internal control system as supported by the aggregate mean value of 4.11 and SD=0.723. The low standard deviation (less than 1.0) indicate consistency in mean values, hence, homogenous sample. When asked to rate how they agree to, if the NGO has a risk mitigation plans in place, the findings reveal that majority of the respondents strongly agreed (M=4.08, SD=0.969). The study findings further revealed that the management is committed to strictly adhere to the policies and procedures (M=4.24, SD=.913). Furthermore, the study sought to



determine if the line of authority and responsibility has been established to ensure compliance with policies and procedures and the result indicate a mean of 3.95 and a standard deviation of 0.804 which denotes that respondent agreed to the statement with low diversion. In addition, the study asked if in the policies and procedures, as shown above the findings were a mean of 4.11 and a standard deviation of 1.0777 indicating the respondents strongly agreed with the statement. However, high value of SD indicates that, even though the respondents strongly agreed that the procedures for conducting and assessing risk are clearly outlined in their organization, there are variables that can affect financial management. Hence, it poses a high risk in the financial management adequacy that in turn affects program performance of NGOs. Finally, the study inquired if the policies and procedures of transactions are clearly defined, and the findings revealed a mean of 4.18 and a standard deviation of 0.865, denoting that the participants strongly agreed with the statement.

### Fundraising and program performance

The second objective was to establish the effect of fundraising on program performance. The researcher sought the information from respondents to indicate the degree to which they agree with various statements regarding the internal control systems. This was based on Likert scale of 5-1 (5: Strongly agree, 4: Agree, 3: Moderate, 2: Disagree, 1: Strongly disagree). The mean responses are as shown on table

**Table 2: Fundraising**

Statement	Strongly disagree	Disagree	Moderate	Agree	Strongly agree	Total	Mean	SD
Diversification of funding is maintained to avoid discontinuation of program activities as Funding comes from different sources	10	7	13	5	3	38	3.84	1.128
Advocacy and communication campaigns are used to fundraise for programs	0	5	5	20	8	38	4.11	0.924
Community contribution is used as part of program sustainability	12	7	14	3	2	38	4.08	0.882
<b>Aggregate values</b>							<b>4.01</b>	<b>0.67</b>

**Source: Field data (2022)**

The results in **table 8** show that, the respondents strongly agreed fundraising affect program performance of local NGOs (M=4.01, SD=0.67). The findings agreed to Ssesanga (2021) conclusion, fundraising positively influence the program performance of CBO. The low SD denote the values are clustered to the mean value hence no data discrepancies. Specifically, they were inquired if an advocacy and communication gaps are used to fundraise for programs and the findings show a mean of 4.11 and a standard deviation of 0.924 which shows that they have strongly agreed with the statement. In addition, they were asked if community contribution is used as part of program sustainability and the feedback is a mean of 4.08 and a standard deviation of 0.882 which equally denotes that they have strongly agreed with the statement. Finally, the study found majority of the respondent agreed that diversification of funding is maintained to avoid discontinuation of program activities as funding comes from different sources (M=3.84, SD=1.128). However, the high SD create a warning that, even though there is diversification of funding from different sources, there is a risk of discontinuation of the program. Hence, the need of establishing good mechanism to encourage program performance is needed to boost financial management adequacy and performance.

### Financial Monitoring

This was the third study objective. The researcher analysed financial monitoring to gauge its relation on financial management adequacy and contribution to program performance of the NGOs. The analysis of the responses indicated how NGOs manage their financial monitoring and its effect on financial management adequacy. The researcher sought the information from respondents to indicate the rate to which they agree with various statements regarding the financial monitoring. This was based on a five-point Likert scale (5: Strongly agree, 4: Agree, 3: Moderate, 2: Disagree, 1: Strongly disagree). The mean responses are as shown on table 9

**Table 3: Financial Monitoring**

Statement	Strongly disagree	Disagree	Moderate	Agree	Strongly agree	Total	Mean	SD
Financial reports and statement are prepared on a set deadline to support decision making	0	2	0	8	28	38	3.97	1.052
Monthly Budget Vs Actual Comparison are prepared monthly, monitored and analyzed for decision making	3	0	0	10	25	38	3.87	1.07
Site visits are conducted every	0	3	4	19	12	38	3.71	1.313
<b>Aggregate values</b>							<b>4</b>	<b>0.89</b>

*Source: Field data (2022)*

The majority of respondents strongly agreed that NGOs in the Sahil region are affected by financial monitoring as an instrument for adequate financial management (M=4.00, SD=0.89). The researcher established that quarter reviews are organized to see the challenges and the progress (M=4.42, SD=0.889). Further, the respondents agreed that financial reports and statements are prepared on a set deadline to support decision making (M=3.97, SD=1.052). But dispersion rate was very high as shown by standard deviation (greater than 1.0). this thus show that, sometimes financial reports and statements are not prepared on a set deadline to support decision making. The study queried if the Monthly Budget Vs Actual comparisons are prepared monthly, monitored, and analysed for decision making and the result has shown a Mean of 3.87 and a Standard Deviation of 1.070 which represents that they have agreed with the statement with dispersion of agreement. The results concur with those of Aboramadan (2018), who found a positive correlation between financial monitoring and good project performance among non-governmental organizations. Similarly, the findings concur with the recommendation that CBOs should employ qualified financial monitoring and evaluation professionals capable of designing adequate financial management systems (Kadurira, 2018).

### Financial Accountability

The 4th objective was to establish the effect of Financial Accountability on program performance. The researcher sought the information from respondents to indicate the degree to which they agree with various statements regarding the internal control systems. This was based on Likert scale of 5-1 (5: Strongly agree, 4: Agree, 3: Neutral, 2: Disagree, 1: Strongly disagree). The mean responses are as shown on table 10

Table 4: **Financial Accountability**

Statement	Strongly disagree	Disagree	Moderate	Agree	Strongly agree	Total	M	SD
Project specific audits and Yearly organization audit reports are issued as per the set deadline	0	3	1	17	17	38	3.47	1.156
Reports are provided to Senior Management and Donors on a regular basis, at least once a quarter/year.	2	1	1	14	20	38	<b>3.68</b>	<b>1.016</b>
Staff do have a conflict-of-interest documents signed as part of accountability and integrity	0	7	21	8	2	38	<b>4</b>	<b>1</b>
The Board of Directors/Management committee oversee the financial issues and report on time to donors and other stakeholders	10	10	9	4	5	38	<b>3.89</b>	<b>1.008</b>
<b>Aggregate values</b>							<b>3.8</b>	<b>0.88</b>

*Source: Researcher (2022)*

The majority of respondents felt that financial accountability has an impact on program performance ( $M=3.8$ ,  $SD=0.88$ ). The study's findings concurred with that of Mohamed (2018) who asserted that local NGOs must ensure financial accountability by being open and transparent in providing account statements and financial performance reports to donors and other stakeholders. In particular, respondents were asked if project-specific audits and annual organization audit reports are issued according to the set deadline. The findings revealed a mean of 3.47, indicating that participants moderately agreed that project-specific audits and annual organization audit reports are issued according to the set deadline. Notwithstanding, the high SD of 1.156 indicated that there is a danger that insufficient financial management will negatively affect the program performance of NGOs. The study further asked whether senior management and donors receive reports on a regular basis, at least once every quarter/year. The mean score was 3.68 and the standard deviation was 1.016, indicating that respondents agreed with the statement with a wide range of scores. In addition, they were asked if personnel have signed conflict-of-interest forms as part of accountability and integrity, and the results indicate a mean of 4.00 and a standard deviation of 1.00, indicating that the respondents highly agreed with the claims. Finally, they were asked if the BOD/Management committee oversees financial issues and reports on time to donors and other stakeholders. The mean score was 3.89, and the standard deviation was 1.008, indicating that the agreement to the statement was very good.

The study findings disagreed to that of Mirage (2003) who found that the activities of NGOs are highly influenced by donor preferences, interests and dictate which is seen to compromise beneficiary problem prioritization and engagements.

### **Descriptive statistical analysis: Program performance**

The researcher determined the impact of adequate financial management on the program performance of non-governmental organizations in the Sahil region. Effectiveness, efficiency, and financial viability were the three metrics chosen to evaluate the NGOs' program performance. The three variables were statistically analysed using interval data obtained from seven statements pertaining to the adequacy of financial management. The study used a five -point Likert scale (5: Strongly agree, 4: Agree, 3: Moderate, 2: Disagree, 1: Strongly disagree).

**Table 5: Program Performance**

Statement	SD	D	M	A	SA	Total	Mean	SD
<b>Effectiveness</b>								
Meet objectives and program goals	2	1	5	12	18	38	<b>4.13</b>	<b>1.0947</b>
Achievements are monitored and evaluated against a set of pre-determined indicators	2	0	6	5	25	38	<b>4.34</b>	<b>1.0973</b>
<b>Efficiency</b>								
Human, Financial and Physical resources are efficiently utilized	2	1	1	13	21	38	<b>4.45</b>	<b>1.0424</b>
Value for money is monitored for program and financially	2	1	1	16	18	38	<b>4.03</b>	<b>1.0249</b>
<b>Financial Viability</b>								
The NGO has a sustainability plan in place	13	12	7	4	2	38	<b>2.21</b>	<b>1.189</b>
The NGO has a surplus in assets over debts	5	6	13	11	3	38	<b>3.03</b>	<b>1.1504</b>
The NGO has a continued and sustained support from its current funders	11	7	11	4	5	38	<b>2.61</b>	<b>1.3663</b>
<b>Aggregate values</b>							<b>3.54</b>	<b>0.10713</b>

**Source: Field data (2022)**

The findings revealed that the subjects of NGOs in Sahil region agreed to a large extent that financial management adequacy affect program performance (overall mean=3.54, SD=0.1); the low SD indicated that the mean values were consistent. This implies that the program performance of NGOs in Sahil region is dependent on financial adequacy management for improved program success. The findings are consistent with those of Hassan (2020), who discovered a strong positive statistically significant relationship between financial management system and NGOs' performance in Somalia. Denoting that NGOs' programs would perform well if adequate financial management mechanisms are in place (Ali, 2022). Regarding program performance effectiveness, the two items were rated excellent because, according to the analysis, the subject strongly agreed that effective program delivery in terms of meeting objectives and program goals (M=4.13, SD=1.09) and if achievements are monitored and evaluated against a set of pre-determined indicators (M=4.34, SD=1.09). The high SD denotes, however there is very poor program performance among the NGOs, there is need for effective financial management adequacy. The results show an excellent agreement with the statement related with efficiency in terms of utilizing Human, Financial (M=4.45, SD=1.05) and Physical resources and monitoring Value for money programmatically (M=4.03, SD=1.02). Finally, they were asked queries related with the financial viability; in regard to, if the NGO has a sustainability plan, h a mean of 2.21 and a standard deviation of 1.1890 which shows that they disagreed with wide diversion was analysed. Further, the researcher asked if the NGO has a surplus in assets over debts and the result is a mean of 3.0263 and a standard deviation of 1.1504 which denotes that they have slightly disagreed with the statement and the last question relates if the NGO has a continued an sustained support from its current funders and the result has

indicated a mean of 2.6052 and a standard deviation of 1.3663 which shows that the participants have disagreed with the statement. In conclusion, the findings revealed that local partners are good in effectiveness and efficiency but, they have a gap in financial viability due to lack of sustainability plan

### Inferential statistics analysis

#### Correlation analysis

This section provides results on the correlation analysis between the independent and dependent variable. The study aimed at analysing the effect of financial management adequacy on program performance. Inferred from normality test conducted, parametric technique for conducting correlation analysis was found the appropriate one. Pearson-product Moment Bivariate correlation coefficient was used to compute the correlation between the independent variables (internal control system, X1, fundraising, X2, financial monitoring, X3, financial accountability, X4) and the dependent variable (program performance, Y). The findings are shown in Table 4.11.

**Table 6: Correlation Results; financial management adequacy and program performance**

		Y	X1	X2	X3	X4
Y	Pearson Correlation	1				
	Sig. (2-tailed)					
X1	Pearson Correlation	.847**	1			
	Sig. (2-tailed)	.000				
X2	Pearson Correlation	.685**	.696**	1		
	Sig. (2-tailed)	.000	.000			
X3	Pearson Correlation	.789**	.766**	.728**	1	
	Sig. (2-tailed)	.000	.000	.000		
X4	Pearson Correlation	.785**	.772**	.698**	.901**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	38	38	38	38	38

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

Source: Field data (2022)

The findings in Table 15 revealed that financial management adequacy has strong positive significant association with program performance of NGOs in Sahil Region. In particular, the study found that, internal control system, X1 ( $r = .847^{**}$   $P = .000$ ,  $n=38$ ), had a strong positive and significant correlation with program performance (Y) of NGOs in Sahil region. This implies that improvement in internal control system statistically and significantly promote program performance. The study findings were similar to those of Aboramadan (2018) who observed that internal control system in NGOs significantly increases the level of program performance.

The results also revealed that fundraising, X2( $r = .685^{**}$ ,  $P = .000$ ,  $n=38$ ), had a moderate positive and statistically significant correlation with program performance (Y) of NGOs in Sahil region. This suggests that the more the organization is able to fundraise, the better their programs perform. The findings mirrored those of ALI (2021) who found that, NGOs' fundraising approaches strongly and positively affected their financial management adequacy which in turn affects their program performance. Further, Kumi (2022) sought to evaluate impact of resource mobilization among NGOs. The study found that lack in fundraising capability affected financial performance. Nyamu (2015) reached the same conclusions that lack of competencies in fundraising impacts program performance of NGOs.

The results further showed that financial monitoring, X3 ( $r = .789^{**}$ ,  $P = .000$ ), had a strong positive and significant association program performance (Y). This suggests that improvement in financial monitoring is statistically and significantly correlated with program performance. The findings were consistent with those of Ebenezer, Musah and Ahmed (2020) who established there is positive relationship between financial monitoring and project sustainability in non-profit making organization.

Finally, the findings indicated that financial accountability, X4 ( $r = .785^{**}$ ,  $P = .000$ ,  $n=38$ ), had a strong positive and significant correlation with program performance (Y). This suggests that improvement in financial accountability increase program performance. The findings agreed with Abdulkaddir (2021) who presupposed that community-based organizations should uphold financial accountability and transparency in the financial management and use of all monies raised for specific projects to instil confidence and trust among external supporters and donors.

### Multiple Regression Analysis Results

The main goal of this study was to analyse the impact of financial management adequacy on program performance among NGOs. Having separately established the existence of a positive and significant relationship of each of the four predictors (internal control system, fundraising, financial monitoring and financial accountability) with program performance, it was important to establish how a combination of the four variables influence the dependent variable as well as predictability of every predictor on the variance in program performance. A multiple linear regression analysis was therefore conducted to test the extent of predication of independent variables on dependent variable. Tables 16, 17 and 18 provide model summary, ANOVA and coefficient results respectively.

**Table 7: model summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.878a	0.771	0.743	2.609	1.892

a Predictors: (Constant), X4, X1, X3, X2

The findings in Table 16 revealed that all the four predictor variables in this study jointly explains 74.3% (Adjusted  $R^2 = .743$ ) of the total variations in program performance. These results confirm the correlations output in Table 15 that a positive and significant relationship exists between all predictor variables and the dependent variable. The study reported adjusted R-square instead of normal R square since the research involved relatively small sample of 38 respondents. This is because, R square in small sample tends to be a rather optimistic overestimation of the true value in the population (Tabachnick & Fidell, 2007).

To assess if the model is valid and reaches the statistical significance, analysis of variance (ANOVA) analysis was conducted. Results are shown in Table 17

**Table 8:** ANOVA of financial management adequacy and program performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	754.507	4	188.627	27.721	.000 <sup>b</sup>
	Residual	224.546	33	6.804		
	Total	979.053	37			

a. Dependent Variable: Y

b. Predictors: (Constant), X4, X2, X1, X3

Source: Field data (2022)

The ANOVA model in Table 17 indicated an F statistic of 27.721 and P value of 0.0005. The P value being less than the conventional significance value ( $P < .05$ ); the proposed model is therefore statistically significant (good fit) in predicting the dependent variable. The study determined which of the variables included in the model contributed to the prediction of the dependent variable.

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**Table 9:** Regression Coefficients; financial management adequacy and program performance

Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	3.642	2.827		1.288	.000
	X1	.763	.202	.536	3.782	.001
	X2	.167	.331	.065	.505	.007
	X3	.286	.299	.197	.957	.036
	X4	.217	.292	.149	.741	.004

Source: Field data (2022)



From the analysis, all the predictor variables; internal control system, X1, fundraising, X2, financial monitoring, X3, financial accountability, X4 have identical (Likert) scales, and also the constant value in the model were statistically significant ( $p < 0.05$ ), hence the use of unstandardized B-coefficients to construct a regression equation model. The multiple regressions result in Table 4.14 indicated that internal control system, X1 ( $\beta_1 = 0.763$ ,  $P = 0.001$ ); fundraising, X2 ( $\beta_2 = 0.167$ ,  $P = 0.007$ ); financial monitoring, X3 ( $\beta_3 = 0.286$ ,  $P = 0.036$ ); and financial accountability, X4 ( $\beta_4 = 0.217$ ,  $P = 0.004$ ) significantly and positively affect program performance of NGOs in Sahil region.

Thus, the hypothesized model [ $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$ ] becomes;

$$Y = 3.642 + 0.763X_1 + 0.167X_2 + 0.286X_3 + 0.217X_4$$

Where;

Y= Program performance

X1= Internal control system

X2= Fundraising

X3= Financial monitoring

X4= Financial accountability

The model implied that program performance of NGOs in Sahil region is affected significantly by internal control system, fundraising, financial monitoring and financial accountability. This is because, from regression weights in Table 18, it is evident that all the predictor variables are significantly influencing the dependent variable in varying degrees. Thus, the study revealed that for NGOs' programs to performance, they must ensure financial management adequacy at 74.3%.

The findings supported conclusion of a study on financial management system on financial performance of NGOs that, financial management adequacy is the most critical among the principles of organizational program success of non-government organizations (Godefroid, 2014). The findings also mirrored those of Muse (2018) who emphasized on the importance of financial management adequacies and financial performance of the NGOs. Further, using standardized beta values, internal control system makes the strongest unique prediction to the total variance to explaining the dependent variable (program performance), when the variance explained by all other variables in the model is controlled for (53.6%) while, the Beta value for fundraising was slightly lower (6.5%), indicating that fundraising makes the lowest unique contribution on program performance.

## SUMMARY, CONCLUSION AND RECOMMENDATION

### Summary of the study

The study established that 74% of the respondents were male and 26% were female, denoting Non-Governmental Organizations in Sahil ensured gender diversity in employment. Further, the study findings showed that, 55 % of respondents hold a bachelor's degree, 32 % have a post graduate degree, and only 13% have a diploma. The majority of employees hold a bachelor's degree (55%, N=). This indicated that financial management personnel in NGOs in Sahil region are highly educated and capable of making critical managerial decisions concerning the financial management adequacy and program performance. Also, data showed 34% of NGOs have operated for less than 3 years, suggesting that local NGOs operating in Sahil region are very new and hence they need support to grow and participate the community's development.

### Summary of the key study findings

This section provides the summary of the study findings in a bridged format. The results summarized in this section are not hypothetical rather but based on the analysis of quantitative data gotten from subjects in NGOs in Sahil region. The study found that financial management adequacy had positive statistically significant with program performance of NGOs in Sahil region. Further, as whole, the regressed model indicated financial management adequacy predictors are able to explain 74.3% variance which was statistically significant; good fit (p. value=0.0005) on the program performance. Therefore, the empirical regressed model is

$$Y = 3.642 + 0.763X_1 + 0.167X_2 + 0.286X_3 + 0.217X_4$$

Program performance = 3.642 + 0.763 **internal control system** + 0.167 **fundraising** + 0.286 **financial monitoring** + 0.217 **financial accountability**. Based on each study variables, the summaries are present in the following subsections.

### Internal control system and program performance

The first objective of the study was to determine impact of internal control system on program performance of NGO in Sahil region. The internal control system shown high mean score of 4.11 and SD=0.723. The high mean values (M>3.0) with low diversion revealed a very good agreement that internal control system impact program performance. The study found that internal control system had strong positive statistically significant relationship with program performance of NGOs in Sahil region ( $r = .847^{**}$  P = .000). Further, the multiple regression analysis found that, internal control system significantly and positively affects program performance of NGOs in Sahil region ( $\beta_1 = 0.763$ , P = 0.001). Further, analysis underpinned that, internal control system makes the strongest unique prediction to the total variance to explaining the dependent variable (53.6%) when the variance explained by all other variables in the model is controlled for.

**Fundraising and program performance**

The study determined impact of fundraising on program performance of NGO in Sahil region. The fundraising shown high mean score and standard deviation ( $M=4.01$ ,  $SD=0.67$ ). The high mean values revealed a very good agreement in that, fundraising affect program performance. The low SD denote the values are clustered to the mean value hence no data discrepancies. The study found that fundraising had strong positive statistically significant correlation with program performance ( $r = .685^{**}$ ,  $P = .000$ ,  $n=38$ ). From the multiple regression analysis, it was found that fundraising had significant weak impact on program performance of NGOs in Sahil region when ( $\beta_1 = 0.167$ ,  $P = 0.007$ ). in terms of unique contribution when the variance explained by all other variables in the model is controlled for, fundraising was slightly lower than all other variables (6.5%), indicating that fundraising makes the lowest unique contribution on program performance.

**Financial monitoring and program performance**

The researcher analysed financial monitoring to determined its effect on program performance of the NGOs. The variable had an aggregate values ( $M=4.00$ ,  $SD=0.89$ ), indicating that, majority of respondents strongly agreed that NGOs in the Sahil region are affected by financial monitoring as an instrument for adequate financial management. The study found that financial monitoring had strong positive statistically significant relationship with program performance of NGOs in Sahil region ( $r = .789^{**}$ ,  $P = .000$ ). Additionally, Financial monitoring significantly and positively affect program performance of NGOs in Sahil region ( $\beta_3 = 0.286$ ,  $P = 0.036$ ). Further, analysis underpinned that, financial monitoring makes unique prediction, though weak, to the total variance to explaining the dependent variable (19.7%) when the variance explained by all other variables in the model is controlled for.

**Financial accountability and program performance**

The 4th objective was to establish the effect of Financial Accountability on program performance. The researcher sought the information from respondents to indicate the degree to which they agree with various statements regarding the internal control systems. The majority of respondents felt that financial accountability has an impact on program performance ( $M=3.8$ ,  $SD=0.88$ ). The study found that financial accountability had strong positive statistically significant relationship with program performance of NGOs in Sahil region ( $r = .785^{**}$ ,  $P = .000$ ,  $n=38$ ). additionally, Financial accountability significantly and positively affect program performance of NGOs in Sahil region ( $\beta_4 = 0.217$ ,  $P = .004$ ). Further, analysis underpinned that, financial accountability makes 14.9% of the total unique prediction to the total variance to explaining the dependent variable when the variance explained by all other variables in the model is controlled for.

**Conclusion**

Conclusions are drawn from the study findings in relation to each study objective. The study concluded that NGOs' program performance is positively associated with adequate financial management. Hence, financial management sufficiency has a substantial impact on program performance.

Internal control systems have been found to have the biggest impact on the program performance of NGOs in the Sahil region. Internal control was found to have a strong positive significant relationship with program performance; thus, improving the internal control system improves program performance.

The study also found that fundraising had a somewhat favorable and statistically significant relationship with program performance (Y) of NGOs in the Sahil region. This implies that the greater the organization's ability to acquire funds, the better their programs perform.

Conforming to the study, financial monitoring has a substantial significant and positive association with program performance. If non-governmental organizations enhance their financial monitoring, program performance will improve as well. The study clearly indicated that financial reports and statements should be prepared in advance to offer a basis for decision making.

Finally, it was determined that financial accountability is strongly related to NGOs' program performance in the Sahil region of Somaliland. As a result, improved accountability systems will improve the program performance of NGOs in the Sahil region. Furthermore, financial accountability was found to have a substantial impact on the program performance of NGOs in the Sahil region.

**Study Recommendations**

Based on the conclusion from the study findings, the study recommends that, NGOs to ensure internal control system to enhance their program performance. Further, NGOs should ensure they apply fundraising approaches that guarantee financial adequacy to fund their project. Specifically, advocacy and communication gaps should be addressed to bridge financial management adequacy gaps. even though there is diversification of funding from different sources, there is a risk of discontinuation of the program. Hence, the need of establishing good mechanism to encourage program performance is needed to boost financial management adequacy and performance. it is recommended that, the organizations should hire qualified financial monitors to ensure optimal performance. The study determined that, financial accountability impact program performance and is lacking in NGOs in Sahil region. Particularly in line to accountability, the study recommends that, project-specific audits and annual organization audit reports should be issued according to the set deadline, senior management and donors should be presented reports on a regular basis, at least once every quarter/year. Finally, the study recommends that, the BOD/Management committee should oversee financial issues and reports on time to donors and other stakeholders.

### **Suggestions for Further Research**

The study determined that, internal control system, fundraising, financial monitoring and financial accountability, all together, were able to explain 74.3 percent of the variance on the program performance. Therefore, the study proposes that, a study should be undertaken to discover what is the impact of financial management adequacy on other financial management adequacy factors representing 25.7 percent in among NGOs in Sahil region. Further, the researcher advises similar studies be undertaken among NGOs in various parts of the country in order to obtain a better knowledge of how financial management adequacy impact on program performance

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