ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

Effective Financial Management Practices for Non-Governmental Organizations in Ethiopia: A Case Study of Save the Children

By

Solomon Girma GSD/2757/13

December 2025

Addis Ababa, Ethiopia

Effective Financial Management Practices for Non-Governmental Organizations in Ethiopia: A Case Study of Save the Children

By:
Solomon Girma GSD/2757/13

Advisor: Abebe Y. (PhD)

A Thesis Submitted to the Department of Accounting and Finance in the Partial Fulfillment of the Requirements for the Degree of Master of Science in Accounting and Finance.

Addis Ababa University
College of Business and Economics
Department of Accounting and Finance

December 2025
Addis Ababa, Ethiopia

DECLARATION

I hereby declare that this thesis: Effective Financial Management Practices for Non-Governmental Organizations in Ethiopia: A Case Study of Save the Children

Submitted in partial fulfilment of the requirements for the degree of Master of Science in Accounting and Finance at Addis Ababa University is my original work and has not been presented for a degree or diploma in any other university or institution. All sources of material used for the study have been duly acknowledged.

Candidate Name	Date	Signature
Solomon Girma Alemu	Feb 2025	

III

STATEMENT OF CERTIFICATION

This is to certify that the thesis is entitled: Effective Financial Management Practices for Non-Governmental Organizations in Ethiopia: A Case Study of Save the Children

Submitted by Solomon Girma Alemu in partial fulfilment of the requirements for the degree of Master of Science in Accounting and Finance at Addis Ababa University is an original work carried out by the candidate under my supervision. This thesis has not been submitted for any other degree or diploma at any other institution.

The research provides valuable insights into financial management practices within NGOs, emphasizing the importance of strong financial systems, efficient resource utilization, and staff development. While the findings are significant, further studies with larger samples and longitudinal designs are recommended to enhance generalizability and explore causal relationships

Main Advisor's Name	Date	Signature
Abebe Y. (PhD)	Feb 9th, 2026	
Examiner's Name	Date	Signature
Tafa M. (PhD)	Feb 04, 2026	
Examiner's Name	Date	Signature
Degefa D. (PhD)	11/04/2026	

IV

Abstract

This study investigates the effectiveness of financial management practices implemented by non-governmental organizations (NGOs) in Ethiopia, with a particular emphasis on Save the Children as a case study. The research explores core components of financial management, including budgeting, financial reporting, internal controls, and financial planning, which are essential for promoting financial efficiency, transparency, and organizational sustainability. To achieve these objectives, the study employs a mixed-method research design that integrates both qualitative and quantitative approaches. Qualitative data are collected through semi-structured interviews with finance staff, program managers, and compliance officers in order to capture experiential insights into organizational financial practices. Quantitative data are obtained from financial reports, budgets, audit findings, and performance records spanning multiple fiscal periods. The data are analyzed using descriptive statistics and thematic analysis to assess the extent to which financial management practices influence program delivery, donor confidence, and overall organizational performance. Furthermore, the study identifies common challenges faced by NGOs in Ethiopia, such as resource constraints, stringent compliance requirements, and capacity limitations, and proposes practical strategies to mitigate these issues. The findings are expected to serve as benchmarks for other NGOs operating in similar contexts, offering actionable recommendations for strengthening financial governance, accountability, and risk management. In addition to its practical implications, the study contributes to the academic literature by bridging theoretical frameworks with real-world applications, thereby deepening understanding of effective financial management within the NGO sector. Ultimately, this research provides valuable insights for practitioners, policymakers, and donors seeking to improve financial systems and ensure the long-term sustainability of development programs in Ethiopia.

key Words: *Financial Management, Budgeting, Internal Controls, Fund utilization, financial system and staff development IPSAS.*

ACKNOWLEDGEMENTS

First and foremost, I would like to express my deepest gratitude to Almighty God for granting me strength, wisdom, and perseverance throughout this research journey.

My sincere appreciation goes to my advisor, Dr. Abebe Yitayew, for his invaluable guidance, constructive feedback, and continuous support, which greatly contributed to the successful completion of this thesis.

I am also grateful to the faculty and staff of Addis Ababa University, Department of Accounting and Finance, for providing the academic resources and environment necessary for this study.

Special thanks to Save the Children Ethiopia for granting access to essential data and for the cooperation of its staff during the research process. Your assistance was instrumental in making this study possible.

Finally, I extend heartfelt thanks to my family and friends for their unwavering encouragement, patience, and moral support throughout this endeavor.

Table of Contents

List of Tables

List of Figures

List of Equations

Acronyms

NGOs: Non-Governmental Organizations
SC: Save the Children
SCS: Save the Children Sweden
SCUK: Save the Children UK
FM: Financial Management
A&T: Accountability and Transparency
DoDF: Dependency on Donor Funding
SUS: Sustainability
EUF: Efficient Use of Funds
SIC: Strong Internal Controls
RFA: Regular Financial Audits
P&A: Performance and Accountability
AFMP: Assessment of Financial Management Practices
AT: Agency Theory
ST: Stewardship Theory
RC: Regulatory Challenges
FRR: Financial Reporting Requirements
NLF: Navigating the Legal Framework
EPC: Economic and Political Context
LFE: Limited Financial Expertise
IFS: Inadequate Financial Systems
LoT: Lack of Transparency
FU: Fundraising Uncertainty
CRR: Complex Reporting Requirements
AOG: Achievement of Organizational Goals
MDT: Maintaining Donor Trust
ELS: Ensuring Long-term Sustainability
IOP: Improving Organizational Performance
EFMP: Effective financial management practices.
ERP: Enterprise Resource Planning
IPSAS: International Public Sector Accounting Standards

GAAP: Generally Accepted Accounting Principles

BVA: Budget vs. Actual

VIF: Variance Inflation Factor

CHAPTER ONE

1. INTRODUCTION

1.1Background of the Study

Non-Governmental Organizations (NGOs) play a pivotal role in addressing social, economic, and humanitarian challenges globally. In Ethiopia, NGOs are instrumental in providing essential services and support to vulnerable populations, often filling gaps left by governmental and private sectors. Effective financial management within these organizations is crucial to ensure that resources are utilized efficiently and transparently, thereby maximizing the impact of their programs and initiatives.

This case study focuses on Save the Children (SC), one of the leading international NGOs operating in Ethiopia. SC was established in London in 1919 by Eglantyne Jebb and her sister Dorothy Buxton (Children 2025). The organization began its operations in Ethiopia in the 1930s, with permanent offices set up through Save the Children Sweden (SCS) in 1965 and Save the Children UK (SCUK) in 1974 (International 2025). SC has a long-standing history of advocating for children's rights and providing critical services in education, health, and emergency response. The organization's success is largely attributed to its robust financial management practices, which ensure that funds are allocated appropriately and used effectively to achieve its mission.

The primary objective of this study is to examine the financial management practices employed by SC in Ethiopia. By analyzing these practices, the study aims to identify key components that contribute to effective financial management and provide insights that can be applied to other NGOs operating in similar contexts. The study will explore various aspects of financial management, including budgeting, financial planning, internal controls, financial reporting, and monitoring.

In addition to these aspects, NGOs must navigate the complexities of operating in diverse and often volatile environments. In Ethiopia, factors such as political instability, economic fluctuations, and social unrest can further complicate financial management. NGOs must be adaptable and resilient, developing strategies to mitigate risks and ensure continuity of their operations.

SC has made significant strides in Ethiopia, reaching millions of children through its various programs. For instance, in 2020 alone, the organization provided educational support to over one million children and delivered health services to more than two million individuals three (3).

These achievements are made possible through strategic partnerships with local governments, other NGOs, and international bodies, which enhance their financial management and program delivery.

Technological integration also plays a crucial role in SC's financial management. The organization utilizes advanced financial software and systems to streamline processes, improve accuracy, and ensure transparency. These tools enable real-time financial monitoring and reporting, facilitating better decision-making and resource allocation.

Looking ahead, the future of financial management practices for NGOs in Ethiopia will likely be influenced by emerging trends such as increased digitalization, greater emphasis on impact measurement, and evolving donor expectations. By staying ahead of these trends and continuously improving their financial management practices, NGOs like SC can continue to make a significant impact in the communities they serve.

The significance of this study lies in its potential to enhance the understanding of financial management practices within the NGO sector in Ethiopia. By highlighting best practices and identifying areas for improvement, the study can serve as a valuable resource for NGO managers, policymakers, and stakeholders. Furthermore, it underscores the importance of financial accountability and transparency in fostering trust and credibility among donors, beneficiaries, and the broader community.

In conclusion, effective financial management is a cornerstone of successful NGO operations. Through this case study of SC, we aim to shed light on the practices that enable NGOs to manage their finances effectively and achieve their goals. The findings of this study will contribute to the ongoing efforts to strengthen the financial management capabilities of NGOs in Ethiopia and beyond.

1.2 Statement of the problem

Effective financial management is essential for the sustainability, accountability, and operational success of non-governmental organizations (NGOs). However, many NGOs in Ethiopia continue to struggle with implementing sound financial management practices.

Previous studies have attempted to examine financial management practices in Ethiopian NGOs, yet notable gaps still remain. For example, Shikur Sherif (2021) (Sherif 2021) highlighted that many local NGOs in Addis Ababa face significant challenges related to financial sustainability, including inadequate financial systems and weak internal controls. The study further indicated that deficiencies in budgeting, reporting, and donor relationship management negatively influence long-term financial viability. Similarly, Edilawit Gebregiorgies (2022) (Gebregiorgies 2022) found that factors such as income diversification, donor relations, and the strength of financial management systems play a critical role in determining financial sustainability among NGOs in Eastern Hararge. Studies conducted in Jimma Town (Kaleab Getaneh, 2023) (Getaneh 2023) revealed persistent issues in budgeting practices, internal controls, and procurement processes among NGOs, further demonstrating that financial management weaknesses are widespread and systemic.

Although these studies provide valuable insights, they predominantly focus on local NGOs, with limited emphasis on large international organizations that manage complex, multi-donor portfolios. Research examining international NGOs such as Save the Children is scarce. While studies like Shekiba Hamidi (2020) (Hamidi 2020) assessed the financial performance of Save the Children in Afghanistan, they did not extensively analyze internal financial management practices such as budgeting, reporting accuracy, internal controls, or compliance systems. The few existing studies on international NGOs, such as Tesfaye Eresso et al. (2023) (Gofe, Alemu and & Jiru 2023)in East Wollega, point to issues including weak coordination in budgeting, inconsistencies in procurement procedures, and delays in financial reporting yet these findings remain geographically limited and do not address large-scale operations like those of Save the Children Ethiopia.

This gap highlights a clear need for an in-depth, systematic assessment of financial management practices within international NGOs operating in Ethiopia, particularly those with extensive programming and complex financial flows. Save the Children, as one of the largest international NGOs in the country, provides an ideal case through which these gaps can be explored.

Therefore, this study aims to investigate the current financial management practices of Save the Children in Ethiopia, assess their effectiveness, and identify both strengths and weaknesses across key areas such as budgeting, financial reporting, internal controls, compliance, and financial planning. By addressing the gaps left by previous studies, this research seeks to generate actionable recommendations that can help strengthen financial governance not only within Save the Children but also across the wider NGO sector in Ethiopia. Ultimately, improving financial management practices will contribute to enhanced organizational effectiveness, accountability, and long-term sustainability.

1.3 Research Questions

To address the problem, this study will focus on the following research questions:

1.3.1 What are the current financial management practices at Save the Children in Ethiopia?

1.3.2 How effective are these practices in ensuring financial sustainability and accountability?

1.3.3 What specific improvements are required and recommended to strengthen effective financial management?

1.4 Objectives

1.4.1 General Objective

To assess the possible financial management practices of NGOs in order to identify gaps and propose strategies that improve resource utilization, accountability mechanisms, and long-term sustainability.

1.4.2 Specific Objectives

The specific objectives of the study are:

1. To assess Current existing financial management practices within Save the Children and identify areas for improvement.
2. To identify the key challenges faced by Save the Children in managing their finances effectively.
3. To identify gaps in financial management practices and propose strategies to enhance resource utilization.
4. To assess capacity-building efforts that enhance staff financial management skills.

1.5 Research hypothesis

This study aims to examine whether the financial management practices used by Save the Children in Ethiopia have an influence on the organization's financial management effectiveness.

1.5.1 Null Hypothesis (H0): There is no significant relationship between the financial management practices of Save the Children and the effectiveness of its financial management.

1.5.2 Alternative Hypothesis (H1): There is a significant relationship between the financial management practices of Save the Children in Ethiopia and the effectiveness of its financial management.

1.6 Significance of the Study

1.6.1 Enhancing Financial Accountability:

By assessing the current financial management practices of Save the Children, the study aims to identify areas where accountability can be strengthened. This is crucial for ensuring that funds are used effectively and transparently, which is essential for maintaining donor trust and securing future funding.

1.6.2 Improving Resource Utilization:

Effective financial management practices can lead to better allocation and utilization of resources. This study will provide insights into how Save the Children can optimize its financial resources to achieve its mission and objectives more efficiently.

1.6.3 Contributing to Organizational Sustainability:

The recommendations derived from this study will help Save the Children and other NGOs in Ethiopia to implement sustainable financial practices. This is vital for the long-term viability of these organizations, enabling them to continue their important work in the community.

1.6.4 Providing a Framework for Best Practices:

The study will develop a set of best practices for financial management that can be adopted by other NGOs in Ethiopia and beyond. This framework will serve as a valuable resource for organizations seeking to improve their financial management systems.

1.6.5 Addressing Challenges in the NGO Sector:

By identifying the key challenges faced by Save the Children in managing its finances, the study will highlight common issues within the NGO sector in Ethiopia. This can lead to broader discussions and initiatives aimed at addressing these challenges at a sector-wide level.

1.6.6 Academic Contribution:

The study will contribute to the existing body of knowledge on financial management in NGOs. It will provide empirical data and analysis that can be used by researchers, policymakers, and practitioners to inform future studies and policy decisions.

1.6.7 Supporting Effective Program Implementation:

Improved financial management practices will enable Save the Children to implement its programs more effectively. This, in turn, will enhance the impact of its interventions on the communities it serves, leading to better outcomes for beneficiaries.

Overall, this study aims to provide practical and actionable recommendations that will benefit Save the Children, other NGOs, and the broader community in Ethiopia. By addressing the financial management challenges faced by NGOs, the study seeks to contribute to the overall effectiveness and sustainability of the sector.

1.7 Scope of the Study

1.7.1 Geographical Scope

The study will focus on Save the Children's operations within Ethiopia, specifically examining their offices in Addis Ababa and various regional branches. This geographical focus allows for a comprehensive understanding of financial management practices across different locations within the country.

1.7.2 Temporal Scope

The research will cover a seven-year period from 2018 to 2024. This timeframe provides a sufficient duration to analyze trends, changes, and the impact of financial management practices over time.

1.7.3 Subject Scope

The study will concentrate on key aspects of financial management within Save the Children, including:

Budgeting: How budgets are prepared, approved, and monitored.

Financial Reporting: The processes and accuracy of financial reporting.

Internal Controls: The effectiveness of internal controls in preventing fraud and ensuring financial integrity.

1.7.4 Limitations

The study acknowledges potential limitations, such as:

Data Access: Challenges in accessing comprehensive financial data from all regional branches.

Time Constraints: Limited time for data collection and analysis.

Resource Limitations: Constraints related to financial and human resources available for conducting the study.

By clearly defining the scope, the study aims to remain focused and manageable, ensuring that the research objectives are achievable within the specified parameters.

1.8 Limitation of the Study

Acknowledges several limitations that may impact the research outcomes:

1.8.1 Data Access:

Access to comprehensive and accurate financial data from all regional branches of Save the Children may be challenging. Some data might be incomplete or unavailable, which could affect the analysis.

1.8.2 Time Constraints:

The timeframe for conducting the research may be limited, potentially restricting the depth of data collection and analysis. Balancing the research with other academic or professional commitments could also pose a challenge.

1.8.3 Resource Limitations:

Financial and human resources available for the study may be limited. This could impact on the ability to conduct extensive fieldwork, interviews, or surveys, and may limit the scope of the research.

1.8.4 Response Rate:

Obtaining a high response rate from participants, such as staff members of Save the Children, may be difficult. Low response rates can affect the reliability and generalizability of the findings.

1.8.5 Geographical Coverage:

While the study focuses on Save the Children's offices in Addis Ababa and regional branches, it may not fully capture the financial management practices in all areas of Ethiopia. This could limit the generalizability of the results to other regions or NGOs.

1.8.6 External Factors:

External factors such as political instability, economic conditions, and regulatory changes in Ethiopia may influence the financial management practices of Save the Children. These factors are beyond the control of the researcher and may impact the study's findings.

1.8.7 Subjectivity in Data Interpretation:

Qualitative data collected through interviews and surveys may be subject to interpretation bias. The researcher's perspective and experiences could influence the analysis and conclusions drawn from the data.

1.9 Organization of the Thesis

This thesis is organized into five chapters, each addressing a major component of the research process:

Chapter One: Introduction

This chapter provides the background of the study, presents the statement of the problem, outlines the research objectives and questions, states the hypotheses, and highlights the significance, scope, and limitations of the study. It sets the foundation and rationale for examining financial management practices within Save the Children in Ethiopia.

Chapter Two: Review of Related Literature

This chapter presents a comprehensive review of theoretical and empirical literature related to financial management practices in NGOs. It discusses key concepts such as budgeting, financial reporting, internal controls, financial sustainability, and challenges faced by NGOs. The chapter also identifies research gaps that this study aims to fill.

Chapter Three: Research Methodology

This chapter describes the research design, methods, and procedures used to conduct the study. It details the target population, sampling techniques, data collection tools, and data analysis methods. Ethical considerations and methodological limitations are also addressed.

Chapter Four: Data Presentation, Analysis, and Discussion

This chapter presents the results of the study based on the data collected. It includes descriptive and analytical findings, accompanied by tables and figures where appropriate. The discussion interprets the results in relation to the research questions, objectives, and existing literature.

Chapter Five: Summary, Conclusions, and Recommendations

This chapter summarizes the major findings of the study, draws conclusions based on the results, and provides practical recommendations for improving financial management practices at Save the Children and other NGOs in Ethiopia. It also suggests areas for future research.

CHAPTER TWO

2. LITERATURE REVIEW

2.1 Theoretical Literature

Agency Theory (AT): Agency theory, introduced by Jensen and Meckling (1976) (Meckling 1976), explains the relationship between principals (donors) and agents (NGOs). In this context, donors provide funds to NGOs with the expectation that these funds will be used effectively to achieve the organization's mission. However, there is a potential for conflict of interest, as the goals of the agents may not always align with those of the principals. This theory emphasizes the need for accountability and transparency to ensure that the agents act in the best interests of the principals. Effective financial management practices, such as regular financial reporting, audits, and transparent accounting, are essential to mitigate agency costs and build donor trust.

Stewardship Theory (ST): Stewardship theory, proposed by Davis, Schoorman, and Donaldson (1997) (James H. Davis 1997), offers a contrasting perspective to agency theory. It posits that NGO staff and managers are intrinsically motivated to act in the best interests of the organization, viewing themselves as stewards rather than mere agents. This theory suggests that when NGO staff are trusted and empowered, they are more likely to exhibit pro-organizational behavior, leading to better financial management and organizational performance. Stewardship theory supports the idea of fostering a culture of trust, collaboration, and intrinsic motivation within NGOs to enhance financial management practices.

2.2 Empirical Literature

2.2.1 Financial Management in (FM) in Non-Governmental Organizations

Financial management in NGOs is critical for ensuring accountability, transparency, and sustainability. NGOs often face unique challenges, such as dependency on donor funding, which can be unpredictable and conditional. Effective financial management practices help NGOs to manage these challenges and ensure that funds are used efficiently to achieve their missions.

Accountability and Transparency(A&T): Financial management practices in NGOs are crucial for maintaining accountability and transparency. NGOs must demonstrate to donors and stakeholders that funds are being used appropriately and effectively. Lewis (2014) (Lewis 2014)emphasizes that robust financial management systems are necessary for NGOs to maintain credibility and trust with their donors. This includes regular financial reporting, audits, and transparent accounting practices.

Dependency on Donor Funding (DoDF): NGOs often rely heavily on donor funding, which can be unpredictable and come with specific conditions. AbouAssi (2013) (AbouAssi 2013) discusses how NGOs respond to shifting funding priorities and the challenges this poses. Effective financial management practices, such as diversifying funding sources and developing contingency plans, can help NGOs mitigate the risks associated with donor dependency.

Sustainability: Ensuring long-term sustainability is a major concern for NGOs. Keulder and Benz (2011) (Benz, A Practical Guide to the Financial Management of NGOs 2011) provide practical guidelines for financial management in NGOs, highlighting the importance of strategic financial planning and resource management. By implementing sound financial management practices, NGOs can enhance their financial stability and ensure the sustainability of their programs and operations.

Efficient Use of Funds (EUF): Effective financial management ensures that funds are used efficiently to achieve the organization's mission. This involves careful budgeting, financial planning, and monitoring of expenditures. NGOs must allocate resources in a way that maximizes impact and minimizes waste. Lewis (2014) (Lewis 2014) notes that efficient financial management practices are essential for NGOs to achieve their goals and deliver on their commitments.

2.2.2 Case Studies of Financial Management in NGOs

Case studies provide valuable insights into the financial management practices of NGOs. They highlight successful strategies and common pitfalls. For example, a case study of an NGO in Kenya revealed that strong internal controls and regular financial audits were key to maintaining donor trust and financial stability (Ebrahim, 2003; Edwards & Hulme, 1996) (Ebrahim 2003);

(Beyond the Magic Bullet: NGO Performance and Accountability in the Post-Cold War World 1996).

Strong Internal Controls (SIC) and Regular Audits (al Audits (RFA): A case study of an NGO in Kenya revealed that strong internal controls and regular financial audits were crucial for maintaining donor trust and financial stability. Ebrahim (2003) (Ebrahim 2003)discusses various accountability mechanisms for NGOs, emphasizing the importance of internal controls and audits in ensuring transparency and accountability. These practices help NGOs manage their finances effectively, prevent fraud, and build donor confidence.

Performance and Accountability(P&A): Edwards and Hulme (1996) (Beyond the Magic Bullet: NGO Performance and Accountability in the Post-Cold War World 1996) provide a comprehensive analysis of NGO performance and accountability in the post-Cold War world. Their work highlights the need for NGOs to adopt robust financial management practices to enhance their performance and accountability. The case studies in their book illustrate how NGOs can improve their financial management by implementing best practices, such as regular financial reporting, transparent accounting, and effective use of financial resources.

Assessment of Financial Management Practices (AFMP): Gofe, Kebede, and Jiru (2021) (Tesfaye Eresso Gofe 2021)conducted an assessment of financial management practices of international NGOs operating in East Wollega Zone, Ethiopia. Their study found that effective financial management practices, including proper budgeting, financial planning, and regular financial reviews, were essential for the sustainability and success of these NGOs. The study also identified common challenges, such as limited financial expertise and inadequate financial systems, and provided recommendations for improvement.

2.2.3 Regulatory and Environmental Context (REC)

The regulatory environment in Ethiopia presents specific challenges for Non-Governmental Organizations (NGOs). Compliance with financial reporting requirements and navigating the legal framework are essential for maintaining operations. Understanding the broader economic and political context is also crucial, as it impacts funding availability and operational stability.

Regulatory Challenges (RC): The legal framework governing NGOs in Ethiopia is complex and can be restrictive. Kebede (2014) (Kebede 2014) provides a critical analysis of the legal framework for NGOs in Ethiopia, highlighting the stringent regulations that NGOs must comply with. These regulations include detailed financial reporting requirements and restrictions on foreign funding, which can limit the operational flexibility of NGOs. Compliance with these regulations requires significant administrative effort and resources, which can be challenging for smaller organizations.

Financial Reporting Requirements (FRR): NGOs in Ethiopia are required to adhere to strict financial reporting standards to ensure transparency and accountability. This includes regular submission of financial statements and audits. The World Bank (2020) (Bank 2020) emphasizes the importance of strengthening financial sector development in Ethiopia to support economic growth and stability. For NGOs, this means that robust financial management systems are necessary to meet reporting requirements and maintain donor trust.

Navigating the Legal Framework (NLF): The legal environment for NGOs in Ethiopia is influenced by broader political and economic factors. Keulder and Benz (2011) (Benz, A Practical Guide to the Financial Management of NGOs 2011) discuss the practical aspects of financial management for NGOs, noting that understanding and navigating the legal framework is crucial for effective financial management. This includes staying informed about changes in regulations and ensuring compliance with all legal requirements.

Economic and Political Context (EPC): The broader economic and political context in Ethiopia significantly impacts NGOs. Economic instability and political uncertainty can affect funding availability and operational stability. The World Bank (2020) (Bank 2020) report highlights the need for a stable financial sector to support development efforts. For NGOs, this means that external economic and political factors must be considered in financial planning and risk management strategies.

2.2.4 Challenges and Barriers

Common challenges in financial management for NGOs include limited financial expertise, inadequate financial systems, and lack of transparency. Addressing these challenges requires capacity-building initiatives, investment in financial management systems, and fostering a culture of accountability.

Limited Financial Expertise (LFE): Many NGOs lack staff with specialized financial management skills. This can lead to poor financial planning, budgeting, and reporting. Fowler (1997) (Fowler 1997)emphasizes the importance of building financial management capacity within NGOs to enhance their effectiveness. Capacity-building initiatives, such as training programs and workshops, can help develop the necessary financial skills among NGO staff.

Inadequate Financial Systems (IFS): NGOs often operate with outdated or inadequate financial management systems, making it difficult to track and report financial activities accurately. Kaplan and Norton (1996) (Norton 1996) highlight the need for robust financial systems to support strategic decision-making. Investing in modern financial management software and systems can streamline financial processes, improve accuracy, and enhance overall financial management.

Lack of Transparency (LoT): Transparency is crucial for maintaining donor trust and ensuring accountability. However, many NGOs struggle with providing clear and transparent financial reports. Gofe, Kebede, and Jiru (2021) (Tesfaye Eresso Gofe 2021) found that a lack of transparency in financial management practices can undermine donor confidence. Fostering a culture of accountability and transparency within the organization, along with implementing regular financial audits, can help address this challenge.

Fundraising Uncertainty (FU): NGOs often face unpredictable income streams due to reliance on grants, donations, and fundraising events. This uncertainty can make financial planning challenging. Diversifying funding sources and developing long-term financial strategies can help mitigate the risks associated with fundraising uncertainty.

Complex Reporting Requirements (CRR): NGOs must comply with various donor-specific reporting standards and regulatory requirements, which can be time-consuming and complex. Streamlining reporting processes and using integrated financial management systems can reduce the burden of compliance and improve efficiency.

2.2.5 Impact of Financial Management on Organizational Performance

Effective financial management practices are linked to improved organizational performance. NGOs with robust financial management systems are better positioned to achieve their missions, maintain donor trust, and ensure long-term sustainability.

Achievement of Organizational Goals (AOG): NGOs with robust financial management systems are better equipped to allocate resources efficiently, ensuring that funds are directed towards achieving their missions and objectives. Effective budgeting, financial planning, and monitoring enable NGOs to implement their programs successfully and respond to emerging needs. Moxham (2009) (Moxham 2009) emphasizes that performance measurement in nonprofit organizations is essential for ensuring that resources are used effectively to achieve organizational goals

Maintaining Donor Trust (MDT): Transparency and accountability in financial management are critical for maintaining donor trust. Donors need assurance that their contributions are being used effectively and for the intended purposes. NGOs that demonstrate sound financial practices are more likely to attract and retain donors. Sowa, Selden, and Sandfort (2004) (Jessica E. Sowa 2004) highlight that a multidimensional approach to nonprofit organizational effectiveness, including financial accountability, is crucial for building and maintaining donor trust

Ensuring Long-term Sustainability (ELS): Financial sustainability is a major concern for NGOs. Effective financial management practices, such as diversifying funding sources, prudent financial planning, and maintaining reserves, help NGOs to remain financially stable and resilient. The International Journal of Scientific Research (2017) (Research 2017) found that

NGOs with strong financial management practices are better positioned to sustain their operations and adapt to financial challenges.

Improving Organizational Performance (IOP): NGOs with effective financial management practices tend to perform better overall. This includes improved program delivery, better resource utilization, and enhanced organizational efficiency. The International Journal of Scientific Research (2017) (Research 2017) also noted that effective financial management practices contribute to the financial sustainability and overall performance of NGO projects.

2.2.6 Conceptualizing Effectiveness

Effectiveness in NGO financial management refers to the degree to which financial practices contribute to achieving organizational goals, donor compliance, and sustainability. It is multidimensional and often assessed through:

- Financial Performance Indicators: Budget adherence, cost-efficiency, liquidity ratios.
- Compliance Indicators: Timely audits, adherence to donor and legal requirements.
- Transparency & Accountability: Quality of financial reporting, stakeholder trust.
- Operational Impact: Ability to fund programs without financial distress impact on organizational performance (program delivery, sustainability)

2.2.7 Key Factors Influencing Effectiveness (Theoretical and Empirical Foundations)

- Budgeting Practices Agency Theory: Reduces info asymmetry Participatory budgeting improves control & staff commitment (African NGO studies).
- Internal Controls Stewardship Theory: Accountability Strong controls reduce fraud & enhance donor confidence (Kenya NGO research).
- Financial Reporting Signalling Theory: Transparency signals credibility High-quality reports correlate with donor retention (Save the Children case studies).
- Compliance &Audits Institutional Theory: Legitimacy norms Regular audits linked to reduced financial risk (Ethiopian NGO sector studies).
- Staff Capacity Resource-Based View: Human capital Skilled finance teams improve reporting accuracy & timeliness (Uganda NGO research).

2.2.8 Measurement Approach Using Inferential Statistics

✓ To empirically test effectiveness, I will use:

➢ Dependent Variable: Financial Management Effectiveness (composite index from KPIs).

➢ Independent Variables: Budgeting, Internal Controls, Reporting Quality, Compliance, Staff Capacity.

Statistical Techniques

✓ Multiple Regression Analysis

✓ To determine which factors significantly predict effectiveness.

✓ ANOVA / t-tests

✓ Compare effectiveness across all offices (country office vs. field offices).

✓ Correlation Analysis

✓ Assess strength of relationships between factors and effectiveness.

2.3 Research Gaps

2.3.1 Limited Research on International NGOs in Ethiopia

Most existing empirical studies in Ethiopia focus predominantly on local NGOs. These include assessments conducted in Addis Ababa, Eastern Hararge, and Jimma Town, which explore financial sustainability, internal controls, budgeting practices, and reporting challenges. However, large international NGOs which manage complex multi-donor portfolios, larger budgets, and wider geographic programs remain under-studied. International NGOs like Save the Children operate at a scale and complexity that differ significantly from local NGOs; thus, findings from local NGOs cannot be generalized to international ones. This gap shows a clear need to explore how financial management operates in international organizations with sophisticated systems, high compliance requirements, and multi-country oversight.

2.3.2 Lack of Integrated, Multi-Dimensional Frameworks

Although earlier studies investigate elements such as budgeting, financial reporting, internal controls, and donor compliance, they typically examine these components individually. Few studies integrate all major aspects of financial management into a single, holistic analytical framework. Financial management is inherently interconnected budgeting influences reporting accuracy, internal controls affect compliance, and financial planning impacts sustainability.

The absence of integrated frameworks limits the ability to understand how these components interact and collectively influence organizational performance. This study addresses this by integrating all key variables into one conceptual model.

2.3.3 Insufficient Consideration of Ethiopia's Regulatory and Economic Environment

While some studies acknowledge regulatory challenges, few explore how Ethiopia's unique legal, political, and economic context shapes financial management within large NGOs. Ethiopia's NGO sector is highly regulated, with requirements on foreign funding, reporting frequency, and operational approvals. Additionally, currency fluctuations, inflation, and political uncertainties create financial risks that international NGOs must manage within their financial systems.

Existing literature rarely examines how these contextual factors influence budgeting, reporting, internal controls, risk management, or donor compliance in international NGOs

2.3.4 Limited Application of Mixed Methods and Inferential Statistical Analysis

Many prior studies rely largely on descriptive statistics, such as percentages and frequency tables, without employing advanced inferential techniques like regression analysis, correlation testing, or hypothesis testing. As a result, existing research is often limited to describing financial practices rather than analysing cause effect relationships. This gap restricts the ability to draw conclusions about which financial management components significantly influence financial performance or effectiveness. The present study addresses this gap by integrating both qualitative and quantitative approaches, enabling a more rigorous examination of causal relationships.

2.3.5 Lack of Evidence Across Multiple Organizational Levels

Most studies examine financial management at a single organizational level typically the head office without considering variations across departments, regional offices, or field locations.

Large NGOs like Save the Children operate through a multi-tier structure involving country offices, regional clusters, field offices, and partner organizations. Financial management practices may differ across these levels due to capacity differences, resource availability, and varying oversight mechanisms.By collecting data across different levels of the organization, this study fills an important gap in understanding how financial systems operate in a multi-regional NGO context

2. 4 Conceptual Framework

Financial Planning in NGOs

Financial planning is a critical component of effective financial management in non-governmental organizations (NGOs), directly influencing their sustainability, accountability, and ability to deliver on their missions. It involves forecasting future financial needs, aligning resources with strategic goals, and ensuring that funds are available for both short-term operations and long-term initiatives. According to Orendo and Muturi (2017) (Muturi 2017), financial planning in NGOs encompasses three key elements: **budgeting**, **financing practices**, and **financial forecasting**. Their study on USAID-funded NGOs in Kenya found that financial forecasting had the most significant impact on financial performance, followed by financing practices and budgeting. The authors emphasize the importance of participatory budgeting, where all departments contribute to the planning process, and the use of historical financial data to improve forecasting accuracy.

Effective financial planning also helps NGOs manage cash flow, avoid resource shortages or surpluses, and respond to changing donor priorities. It ensures that organizations can meet day-to-day expenses, invest in long-term assets, and handle unforeseen financial challenges. Moreover, financial planning supports strategic decision-making by providing a clear picture of available resources and funding gaps.

In a broader context, financial planning is closely linked to governance and sustainability. Tugyetwena (2023) (Tugyetwena July–December 2023) highlights that sound financial planning, when integrated with strong governance and diversified funding strategies, enhances the long-term viability of NGOs. This includes aligning financial plans with organizational goals, ensuring compliance with donor requirements, and maintaining transparency in resource allocation.

Overall, the literature underscores that financial planning is not just a technical function but a strategic tool that enables NGOs to operate efficiently, build donor confidence, and achieve sustainable impact.

Processes and Systems in Place for Budgeting in NGOs

Budgeting is a fundamental financial management tool that enables NGOs to plan, allocate, and control resources effectively. It serves as a roadmap for aligning financial resources with organizational goals and programmatic priorities. The budgeting process typically involves identifying program needs, estimating costs, developing budget proposals, reviewing and approving budgets, and monitoring expenditures against planned allocations.

According to Kimani (2014) (Kimani 2014), effective budgetary control significantly influences the performance of NGOs by promoting financial discipline, enhancing accountability, and ensuring that resources are used efficiently.

The study emphasizes the importance of structured budgeting systems that include clear procedures, stakeholder involvement, and regular monitoring to manage variances and improve decision-making.

Fekade (2021) (Fekade 2021) highlights that in the Ethiopian NGO context, budgeting processes are often integrated with financial monitoring systems to ensure timely adjustments and compliance with donor requirements

The study found that successful budget implementation depends on the clarity of budget guidelines, staff capacity, and the use of financial software for real-time tracking.

Additionally, a broader literature review by Ostergren and Stensaker (2011) (Stensaker 2011) discusses the evolution of budgeting practices, noting a shift from traditional static budgets to more flexible approaches such as rolling forecasts and activity-based budgeting. These modern systems are better suited to the dynamic environments in which NGOs operate, allowing for more responsive and strategic financial planning.

Overall, the literature underscores that well-structured budgeting processes and systems—supported by technology, staff training, and participatory planning are essential for enhancing financial performance, transparency, and organizational sustainability in NGOs.

Accounting in NGOs

Accounting in non-governmental organizations (NGOs) plays a vital role in ensuring transparency, accountability, and effective resource management. Unlike for-profit entities, NGOs focus on social impact rather than profit generation, which requires accounting systems tailored to track donor funds, program expenditures, and compliance with regulatory and donor requirements.

Cordery, Belal, and Thomson (2019) (Carolyn Cordery 2019) emphasize that NGO accounting must balance formal financial reporting with informal accountability mechanisms that reflect the organization's social mission.

Their study highlights the evolving nature of NGO accounting, where traditional financial statements are supplemented by narrative and impact reporting to meet stakeholder expectations.

Pariag et al. (2022) (Neeveditah Pariag-Maraye 2022 (published online October 2022, in print 2023)) conducted a study on NGO accounting practices in Mauritius and found significant gaps in transparency and reporting standards

The research identified challenges such as the absence of NGO-specific accounting frameworks, limited staff capacity, and weak regulatory oversight. The authors advocate for reforms including tailored accounting standards, improved training, and digital reporting systems to enhance accountability.

These findings align with broader concerns in the sector about the need for standardized accounting practices that are both rigorous and adaptable to the unique operational models of NGOs. Effective accounting systems help NGOs like Save the Children manage donor funds responsibly, ensure compliance, and support strategic planning and sustainability

The Effectiveness of Internal Controls in NGOs

Internal controls are essential mechanisms that help NGOs safeguard assets, ensure accurate financial reporting, promote operational efficiency, and comply with legal and donor requirements. The effectiveness of these controls determines how well an organization can prevent fraud, detect errors, and maintain financial integrity.

Wambugu (2014) (Wambugu 2014), in a study on Amref Health Africa in Kenya, found that strong internal controls significantly enhance operational efficiency in NGOs

The research emphasized the importance of control activities such as segregation of duties, authorization procedures, and regular audits. It concluded that when these controls are properly implemented, they reduce the risk of financial mismanagement and improve accountability.

Ngwenya (2013) (Ngwenya 2013) conducted a study on NGOs in Zimbabwe and found that while most organizations had sound internal control systems in place particularly in terms of control environment and monitoring there were inconsistencies in the application of human resource-related controls The study highlighted the need for continuous training and oversight to ensure uniformity and effectiveness across all departments.

In the Ethiopian context, a case study on CARE Ethiopia revealed that effective internal controls are critical for preventing misuse of funds and ensuring that resources are directed toward intended objectives. The study pointed out that regular internal audits, clear financial policies, and strong leadership commitment are key factors in maintaining control effectiveness.

Overall, the literature suggests that the effectiveness of internal controls in NGOs depends on the strength of the control environment, the consistency of implementation, and the organization’s commitment to accountability and transparency. These controls not only protect financial resources but also build donor confidence and support long-term sustainability.

CHAPTER THREE

3. METHDOLOGY

3. 1 Introduction

This chapter presents the research methodology employed in the study. It outlines the research design, population, sampling techniques, data collection methods, data analysis procedures, ethical considerations, and limitations of the study. The methodological approach was carefully selected to ensure that the research objectives were adequately addressed and that the findings reflect a balanced and credible assessment of financial management practices within Save the Children Ethiopia. A mixed-methods approach, combining both qualitative and quantitative research methods.

3. 2 Population of the Study

The study population consisted of 55 employees of Save the Children Ethiopia who are directly engaged in financial management processes. These staff members work across key departments responsible for budgeting, fund utilization, financial reporting, internal controls, compliance, and program financial oversight. The departments included the Finance Department, Grant/Award Management Unit, Planning, Budgeting and Reporting Unit, Internal Control and Compliance Unit, Program Operations (Budget Holders and Program Managers), and the Monitoring, Evaluation, Accountability & Learning (MEAL) Unit. These units were selected because they collectively represent the core organizational functions that significantly influence financial management effectiveness and ensure that both operational and compliance-related perspectives are adequately represented.

From the total population of 55 employees, 35 staff members completed and returned the survey questionnaires, forming the basis for the quantitative analysis. The same population also served as the sampling frame for identifying qualitative participants through purposive sampling, ensuring that individuals selected for interviews and focus group discussions possessed the relevant knowledge and experience needed to provide rich, contextually grounded insights into financial management practices within the organization.

3.3 Research Design

This study employed a convergent parallel mixed-methods research design, which enabled the researcher to collect both quantitative and qualitative data simultaneously in order to obtain a comprehensive understanding of financial management practices within Save the Children Ethiopia. The quantitative component involved the use of structured questionnaires and analysis of organizational financial data to measure budgeting effectiveness, fund utilization, internal controls, reporting accuracy, and compliance performance. These numerical insights provided the empirical basis for identifying patterns, trends, and statistically significant relationships among the variables influencing financial management effectiveness. The qualitative component, on the other hand, incorporated semi-structured interviews, focus group discussions, and direct observations to capture the lived experiences and operational realities of staff involved in financial processes. These qualitative insights allowed the researcher to explore how financial systems function in practice, the challenges faced by employees, and the contextual factors that influence decision-making and accountability.

The integration of both methods followed the logic of the convergent parallel design, meaning quantitative and qualitative datasets were analyzed. This process strengthened the study through triangulation, whereby evidence from multiple sources was used to validate findings, reduce bias, and enhance the credibility of the results. Where the two datasets converged, they reinforced the reliability of the conclusions; where they diverged, the differences provided deeper insights and revealed areas requiring further examination. This research design was particularly appropriate for the study because financial management in NGOs encompasses both measurable financial indicators and human-centered processes such as staff capacity, organizational culture, and communication dynamics. By combining the strengths of both approaches, the study generated findings that are not only statistically rigorous but also grounded in practical, real-world experiences, ultimately supporting more informed and contextually relevant recommendations for improving financial management practices within Save the Children Ethiopia.

3.4 Types and Sources of Data

3.4.1 Types of Data

The study utilized two major types of data: primary data and secondary data. Collecting both forms of data ensured methodological triangulation, strengthened the accuracy of findings, and enabled a deeper examination of financial management practices across various organizational levels.

A. Primary Data

Primary data were collected directly from individuals working within Save the Children Ethiopia who are actively involved in financial management functions. These data were essential for capturing firsthand experiences, professional judgments, and operational realities that are not always reflected in official documents.

1. Quantitative Primary Data

Quantitative data were gathered through structured questionnaires distributed to finance staff, grant managers, compliance personnel, program managers, and other relevant units.

These questionnaires measured: Budgeting practices, Fund utilization efficiency, Internal control systems, financial reporting quality, Compliance with donor and legal requirements and Staff financial capacity. Responses were captured using Likert-scale items, allowing for statistical analysis, correlation testing, regression modeling, and hypothesis testing. personnel, program managers, and other relevant units.

2. Qualitative Primary Data

Qualitative data enriched the quantitative findings by capturing deeper insights into financial management processes.

i. Semi-Structured Interviews

Conducted with individuals holding specialized roles, such as: Senior finance managers, Internal control and compliance officers, Grant and award managers, Program operations managers and Planning and budgeting staff. These interviews explored: Perceived strengths and weaknesses of financial systems, Challenges encountered in budgeting, reporting, and control processes, the influence of organizational culture and leadership on financial management and Operational constraints and contextual factors

ii. Focus Group Discussions (FGDs)

FGDs were conducted with staff groups from: Program Operations, Finance and Grants, MEAL (Monitoring, Evaluation, Accountability, and Learning). This method allowed the researcher to observe group interactions, shared experiences, areas of consensus, and differing perspectives regarding financial management effectiveness.

iii. Direct Observations

Observation sessions were carried out to examine: How financial documents flow across departments, Real-time use of financial systems (ERP platforms), Approval and verification procedures, Internal control practices and reporting and record management processes

B. Secondary Data

Secondary data consisted of existing records, documents, and reports maintained by Save the Children Ethiopia and other credible sources. These data provided contextual depth, historical perspective, and factual evidence to complement primary findings.

i. Organizational Financial Records

These included: Annual financial statements, detailed budget versus actual expenditure reports, monthly and quarterly grant financial reports, internal and external audit reports, internal control assessment and compliance review reports and procurement and asset management records

ii. Policy and Procedural Documentation

The study reviewed a range of internal policies and guidelines, including financial management and accounting manuals, budgeting and forecasting procedures, procurement and supply chain policies, donor compliance guidelines, risk management and internal audit frameworks and organizational strategic and operational plans

iii. Management and Monitoring Reports

These included: Quarterly and annual country office performance reports, MEAL reports related to program accountability, Award management reports from donor portals, Field office supervision and monitoring findings

iv. External Sources

External secondary sources included: Donor compliance manuals (USAID, ECHO, UNICEF, etc.), International NGO financial management guidelines, Academic literature, scholarly articles, and prior empirical studies on NGO financial management, sustainability, and accountability

3.5 Data Collection Methods

To achieve a comprehensive understanding of financial management practices within Save the Children Ethiopia, this study employed both qualitative and quantitative data collection techniques. The integration of these methods ensured triangulation, enhancing the validity and reliability of the findings. The qualitative component focused on gathering rich, descriptive data through interviews and focus group discussions, while the quantitative component utilized structured surveys and organizational financial records to capture measurable trends

3.5.1. Qualitative Methods

3.5.1.1 Interviews: Semi-structured interviews were conducted with a selected group of key informants who play direct roles in financial management at Save the Children Ethiopia. Seven individuals interviewed including Finance Managers (Country Office and Regional Offices), Senior Budget Holders and Program Managers, Grant and Award Managers, Internal Control and Compliance Officers, Planning, Budgeting, and Reporting Specialists, Senior Leadership Representatives, including the Director of Finance, Program Operations Director, and Head of Awards Management. These participants were purposively selected based on their expertise, decision-making responsibilities, and involvement in financial oversight processes. Their roles provided them with firsthand knowledge of the organization's budgeting procedures, fund utilization practices, internal controls, reporting mechanisms, compliance obligations, and staff capacity gaps. The semi-structured format allowed the researcher to adhere to a set of core questions while also giving participants the freedom to elaborate on issues they considered significant. This flexibility ensured that the interviews captured both standardized responses and rich explanations beyond the predefined topics. Each interview lasted approximately 45 to 60 minutes and was conducted either in person or through virtual platforms, depending on participant availability. All interviews were recorded after obtaining informed consent—to ensure accuracy during transcription, coding, and analysis.

3.5.1.2 Focus Groups: To complement the individual interviews, focus group discussions were organized with finance staff and program staff. These sessions provided an opportunity to gather diverse perspectives and foster interactive dialogue on financial management practices. Two focus groups were held, each consisting of approximately 6–8 participants and lasting about 90 minutes. Discussions were guided by a moderator using a structured protocol to ensure coverage of key topics while allowing participants to share experiences and best practices. The group setting encouraged participants to reflect collectively on common challenges, such as delays in fund disbursement, monitoring gaps, and the effectiveness of financial systems. Notes and audio recordings were taken to capture the richness of the discussions for subsequent thematic analysis.

3.5.2. Quantitative Methods

The quantitative component of this study was designed to capture measurable patterns and relationships among variables influencing effective financial management practices within Save the Children Ethiopia. This approach provided empirical evidence to complement the qualitative insights, ensuring a robust and comprehensive analysis. Two primary techniques were employed: structured surveys and financial data analysis.

3.5.2.1 Surveys: Structured questionnaires were distributed to a total of 55 staff members across various departments within Save the Children Ethiopia, including finance, program management, and compliance units. The survey instrument was developed based on existing literature and organizational policies to ensure relevance and validity. It included both closed-ended and Like rt-scale questions covering key dimensions such as budgeting processes, financial reporting accuracy, internal control mechanisms, fund utilization practices, and overall perceptions of financial management effectiveness. The use of standardized questions allowed for consistency in responses and facilitated statistical analysis. Surveys were administered electronically to ensure broad participation and minimize logistical challenges. Prior to distribution, the questionnaire was pilot tested with a small group of staff to refine wording and ensure clarity.

3.5.2.2 Financial Data Analysis: In addition to survey data, the study incorporated an analysis of secondary financial data obtained from Save the Children Ethiopia's official financial reports, annual budgets, and audit documents. This analysis aimed to identify trends, strengths, and weaknesses in financial management practices. Key indicators such as budget variance, fund utilization rates, compliance with donor requirements, and audit findings were examined to provide objective measures of financial performance. The integration of financial data with survey responses enabled triangulation, strengthening the validity of the findings and offering a comprehensive view of both perceived and actual financial management effectiveness.

3.6 Sampling Techniques

To ensure the validity and reliability of the study, appropriate sampling techniques were employed for both qualitative and quantitative components**.**

3.6.1 Purposive Sampling: Purposive sampling was used to select participants for the qualitative components of the study, including interviews and focus group discussions. This technique was chosen because it allows the researcher to intentionally select individuals who possess the specific knowledge, experience, and expertise required to provide meaningful insights into financial management practices within Save the Children Ethiopia. The target population for the qualitative strand of the study consisted of 35 employees who are directly involved in financial management processes. These individuals work in critical units such as the Finance Department, Grant/Award Management Unit, Planning, Budgeting and Reporting Unit, Internal Control and Compliance Unit, Program Operations (including budget holders and program managers), and the Monitoring, Evaluation, Accountability & Learning (MEAL) Unit. Their roles place them at the center of budgeting, fund utilization, financial reporting, internal control implementation, and compliance oversight, making them essential contributors to the study. From this population, a purposive sample of 12 key informants was selected for interviews and focus group discussions. The sample including Senior Finance Managers, Grant and Award Managers, Budget Holders and Program Managers, Internal Control and Compliance Officers, MEAL Finance-related personnel and Senior Leadership responsible for financial oversight.

3.6.2 Random Sampling: For the quantitative component, random sampling was employed to select survey respondents from the broader staff population. This ensured that every eligible staff member had an equal chance of being included in the sample, thereby reducing selection bias and enhancing the representativeness of the findings. The sample included staff from various departments such as finance, program implementation, and operations. Random sampling was particularly important for capturing diverse perspectives on financial management practices and ensuring that the results could be generalized to the wider organizational context.

3.7 Data Analysis

The study utilized rigorous analytical techniques for both qualitative and quantitative data to ensure comprehensive interpretation and integration of findings

3.7.1 Qualitative Data Analysis: Qualitative data collected through interviews and focus groups were analyzed using thematic analysis. This process involved transcribing audio recordings, reading transcripts multiple times for familiarization, and systematically coding the data. Codes were then grouped into categories and organized into overarching themes that reflected patterns related to financial management practices. Themes such as robust financial systems, fund utilization, and staff development emerged through this iterative process. NVivo software was used to facilitate coding and theme development, ensuring consistency and transparency in the analysis.

3.7.2 Thematic Analysis: Analyze interview and focus group transcripts using thematic analysis to identify key themes and patterns related to financial management practices. This involves coding the data and grouping similar codes into themes.

3.7.3 Quantitative Data Analysis

The quantitative data analysis involved two main stages:

3.7.3.1 Descriptive Statistics: Descriptive statistics compute to summarize survey responses and financial data. Measures such as means, medians, standard deviations, and frequency distributions were used to provide an overview of key variables, including budgeting practices, internal controls, and compliance levels. These statistics offered a snapshot of the current state of financial management within Save the Children Ethiopia.

3.7.3.2 Inferential Statistics: Inferential statistical techniques applied to examine relationships between financial management practices and organizational performance. Specifically, multiple regression analysis will be conducted to identify significant predictors of effective financial management. This analysis will test hypotheses regarding the influence of factors such as fund utilization, financial systems, and staff development on overall financial efficiency. Statistical significance will be assessed.

Descriptive Statistics

Descriptive statistics were computed to summarize the survey responses and relevant financial data. Measures such as means, medians, standard deviations, and frequency distributions were used to provide an overview of the major variables examined in this study, including budgeting practices, internal controls, financial reporting quality, compliance levels, and staff capacity. These statistics provided a snapshot of the current state of financial management within Save the Children Ethiopia.

1. Budgeting Practices (Independent Variable)

This variable captures the extent to which Save the Children applies structured and effective budgeting processes. It includes elements such as participatory budgeting, accuracy of projections, budget monitoring, and variance analysis. These are involvement of staff in budget preparation, Frequency of budget reviews, Accuracy of budget forecasts and monitoring of expenditures vs. planned budgets

2. Internal Controls (Independent Variable)

These variable measures the effectiveness of internal control systems used to safeguard assets, detect errors, and ensure compliance with policies. indicators include: Segregation of duties, Authorization and approval procedures, Fraud prevention mechanisms and internal audit effectiveness

3**. Financial Reporting Quality (Independent Variable)**

This variable assesses how timely, accurate, complete, and transparent the financial reports these indicators including timeliness of financial reports, Accuracy and completeness of reports usefulness of reports for decision making and compliance with donor and institutional reporting standards.

4. Compliance and Audit Practices (Independent Variable)

This variable represents how well the organization adheres to external donor guidelines, government regulations, internal policies, and audit recommendations. Indicators include Adherence to donor requirements, Frequency of external audits, implementation of audit recommendations and regulatory compliance levels

5. Staff Capacity (Independent Variable)

This variable captures the financial knowledge, technical skills, and competencies of staff responsible for financial management including Staff training frequency, Competence in financial software, Understanding of financial procedures and professional qualifications

6. Financial Management Effectiveness (Dependent Variable)

This variable represents the overall effectiveness of financial management within Save the Children Ethiopia. It reflects how well financial resources are managed to support accountability, sustainability, and organizational goals including, Budget adherence, timeliness and accuracy of reporting, donor compliance levels, Transparency and accountability score and Financial sustainability measures

Measurement of Variables

All variables were measured using structured Likert scale items to ensure quantifiable analysis. The measurement structure is as follows:

Measurement Scale

A 5-point Likert scale was used for all variables, where 1 = Strongly Disagree, 2 = Disagree,3 = Neutral, 4 = Agree and 5 = Strongly Agree

This scale allowed for statistical averaging and interpretation of perceptions related to each financial management component.

Variable	Measurement Approach	Example Survey Items
Budgeting Practices	Average score of Likert items related to budgeting processes	"Budget monitoring is conducted regularly", "Budget forecasts are accurate"
Internal Controls	Composite score of internal control indicators	"Authorization procedures are clear", "Internal audits are conducted effectively"
Financial Reporting Quality	Based on timeliness, accuracy, and usefulness ratings	"Financial reports are timely", "Reports are accurate and error-free"
Compliance & Audit Practices	Mean score of compliance-related items	comply with donor reporting requirements", "Audit recommendations are implemented"
Staff Capacity	Aggregated score of skill and knowledge indicators	"Staff are trained in financial systems", "Team members understand financial policies"
Fund Utilization	Index based on effectiveness, efficiency, and alignment of expenditures with project objectives	"Funds are utilized according to approved budgets"; "Spending aligns with project activities"; "There is minimal underspending or overspending"
Financial System	Composite score assessing the functionality, reliability, and	"The financial system supports timely reporting"; "The system

	user-friendliness of financial management systems	is userfriendly and reliable"; "The financial system reduces errors and enhances transparency"

Measurement of Independent Variables

Dependent Variable	Measurement Approach	Indicators
Financial Management Effectiveness	Composite index created from indicators such as budget adherence, reporting quality, compliance, and transparency	Budget adherence, donor compliance, timeliness of reports, financial sustainability

Measurement of the Dependent Variable

3.8. Ethical Considerations

3.8.1 Informed Consent: Ensure that all participants provide informed consent before participating in the study.

3.8.2 Confidentiality: Maintain the confidentiality of all participants and data collected. Use anonymized data in the analysis and reporting.

3.8.3 Ethical Approval: Obtain ethical approval from the relevant institutional review board or ethics committee before conducting the study

Expected Results

i) Identification of Best Practices:

The research is expected to identify and document the most effective financial management practices currently employed by Save the Children in Ethiopia. This could include practices such as budgeting, financial reporting, internal controls, and financial planning. These best practices will serve as a benchmark for other NGOs in the region.

ii) **Assessment of Financial Efficiency:**

The study may reveal how these practices contribute to the financial efficiency and sustainability of Save the Children. This could involve analyzing cost-effectiveness, resource allocation, and financial accountability. The findings are expected to show a positive correlation between effective financial management and organizational efficiency.

iii) **Impact on Program Delivery:**

The research might show how effective financial management practices impact the delivery of programs and services. This could include improvements in program outcomes, better resource utilization, and enhanced donor confidence. The study is expected to demonstrate that sound financial management leads to more successful program implementation and greater impact on beneficiaries.

iv) **Challenges and Solutions:**

The study is likely to identify common challenges faced by NGOs in Ethiopia regarding financial management and propose practical solutions to address these challenges. This could include recommendations for policy changes, capacity-building initiatives, and technological advancements. The expected results will provide actionable insights for overcoming financial management obstacles.

v) **Benchmarking and Recommendations:**

The research could provide benchmarks for other NGOs in Ethiopia to follow, based on the successful practices of Save the Children. It may also offer specific recommendations for improving financial management practices across the sector. These recommendations are expected to be practical and tailored to the unique context of Ethiopian NGOs.

vi) **Contribution to Literature:**

The study is expected to contribute to the academic literature on NGO financial management by providing empirical evidence from a case study in Ethiopia. This could help fill existing gaps in literature and provide a basis for future research. The findings are anticipated to be valuable for both practitioners and scholars in the field of NGO management.

3.9. Statistical Analysis of Financial Management Practices

3.9.1 Inferential Analysis

A hypothesis test was conducted to examine the significance of the association between the dependent variable financial management practice and the independent variables, which include type of offices, gender, level of education, department, and years of service within the organization. The hypothesis testing was performed using binary logistic regression, based on outputs generated from Stata (as of September 7, 2016) (Regression 2016).

3.9.2 Specification of the Analytical Model

This study employs binary logistic regression analysis to examine the relationship between overall financial management practice and selected organizational and individual characteristics within Save the Children Ethiopia. The dependent variable overall financial management practiceis dichotomous, categorized as:

- Effective Financial Management Practice (coded as 1)
- Low-performing Financial Management Practice (coded as 0)

Construction of the Dependent Variable

The dependent variable was derived through **cluster analysis** based on 35 financial management indicators grouped under four dimensions: Financial planning and budgeting, Fund utilization, Accounting and financial reporting and financial monitoring and control.

Respondents were classified into two groups according to their aggregated scores across these indicators:

- ✓ Those with higher scores were assigned to the effective group.
- ✓ Those with lower scores were assigned to the low-performing group.

Model Specification

The logistic regression model estimates the probability that a respondent belongs to the effective financial management practice group based on demographic and organizational characteristics. The model is expressed as:

$$\Pr(Y = 1 \mid X) = f(\beta_0 + \beta_1 \text{Experience}_i + \beta_2 \text{Budget Planning}_i + \beta_3 \text{Fund Utilization}_i + \beta_4 \text{Financial System}_i + \beta_5 \text{Departmental Unit}_i + \beta_6 \text{Offices}_i + \beta_7 \text{Gender}_i + \beta_8 \text{Monitoring Control}_i + \beta_9 \text{Staff Development}_i + \varepsilon_i)$$

Where:

Y= Overall effectiveness of financial management practice (1 = effective, 0 = low performing)

X= Set of independent variables

f= Logistic cumulative distribution function

ε_i= Error ter

Equation 1 Model Specification

CHAPTER FOUR

4. RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the empirical findings of the study, which aimed to examine the factors influencing the effectiveness of financial management practices within *Save the Children Ethiopia*. The analysis employed **binary logistic regression**, an appropriate technique for modeling a binary outcome variable, to estimate the probability that a respondent belongs to the effective financial management practice group based on selected organizational and individual characteristics. The results are organized into five main sections: descriptive analysis of the data, regression analysis including model fit and coefficient estimates, diagnostic tests to validate the robustness of the model, discussion of the findings in relation to existing literature, and limitations of the study. By systematically presenting these results, this chapter provides evidence to address the research objectives and hypotheses formulated in earlier chapters (GeeksforGeeks, (GeeksforGeeks 2025) 2025; Patel, 2021 (Patel 2021)).

4.2 Descriptive Analysis

The dependent variable, overall financial management practice, was constructed using cluster analysis based on 35 indicators grouped under four dimensions: financial planning and budgeting, fund utilization, accounting and financial reporting, and financial monitoring and control. These dimensions reflect the core components of financial management within non-governmental organizations (NGOs), which are widely recognized as essential for transparency, accountability, and sustainability (Mikeladze, 2025 (A. Mikeladze 2025);NGOInfo, 2025 (NGOInfo.org, NGOInfo.org 2025)). Respondents were classified into two categories: those demonstrating effective financial management practices (coded as 1) and those exhibiting low-performing financial management practices (coded as 0). The descriptive statistics provide an overview of the distribution of respondents across these categories and summarize the characteristics of the independent variables, including demographic factors such as gender and experience, and organizational factors such as departmental unit and financial system strength.

4.2.1 Dependent Variable: Overall Financial Management Practice

The dependent variable for this study is Overall Financial Management Practice (OFMP). It was measured using a Likert-scale –based composite index derived from respondents' scores on 35financial management indicators. These indicators were organized under four core dimensions of NGO financial governance: Financial Planning and Budgeting, Fund Utilization, Accounting and Financial Reporting and Financial Monitoring and Control. Each indicator was assessed using a five-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree), allowing respondents to express the extent to which financial management practices were effectively implemented within their organizational context. Higher scores indicated stronger adherence to financial management standards, better compliance with donor requirements, and greater operational efficiency. An aggregated OFMP score was then computed for each respondent by averaging Likert-scale responses across the 35 items. To enable the use of binary logistic regression, the continuous OFMP score was transformed into a binary outcome variable through classification: Effective Financial Management Practice (coded as 1) for respondents whose composite scores were above the overall mean, and Low-Performing Financial Management Practice (coded as 0) for those scoring below the mean.

This classification approach preserved the richness of the Likert-scale measurement while making the variable analytically suitable for regression modeling. Conceptually, OFMP reflects the organization’s capacity to manage financial resources efficiently, maintain accountability, ensure transparency, and comply with internal and donor requirements—key pillars that underpin sustained donor confidence, operational effectiveness, and overall program impact.

4.2.2 Description of Predictors

This section provides detailed explanations of the nine predictors included in the study. Each variable was selected based on theoretical relevance and its potential influence on financial management effectiveness within non-governmental organizations.

Experience

Experience refers to the number of years a staff member has worked in financial management or related roles within the organization. Greater experience is expected to improve financial management effectiveness by enhancing familiarity with organizational processes and compliance requirements. Experienced staff are assumed to make fewer errors and ensure adherence to donor guidelines. However, in this study, experience was not statistically significant, suggesting that organizational systems and standardized procedures may outweigh individual tenure.

Aspect	Detailed Practices
Recruitment	Hiring finance officers with 5+ years of NGO experience.
Mentorship	Structured mentorship programs for junior accountants.
Exposure	Assigning staff to donor audits and compliance reviews.
Knowledge Transfer	Documenting lessons learned from past projects.

Table1 Capacity Building Practices

Budget Planning

Budget planning reflects the ability of departments or staff to prepare accurate, realistic, and timely budgets aligned with organizational goals. Effective budget planning ensures efficient resource allocation and financial feasibility. It involves forecasting, prioritizing expenditures, and aligning financial plans with strategic objectives. Although conceptually important, this variable was not statistically significant, possibly due to uniform budgeting practices enforced across all offices.

Aspect	Detailed Practices
Annual Budgeting	Comprehensive annual budgeting with stakeholder input.
Forecasting	Using historical data and predictive models for expense forecasting.
Review Meetings	Quarterly budget review meetings to adjust allocations.
Contingency Planning	Including emergency funds for unforeseen events.

Table2 Budget Planning practices

Fund Utilization

Fund utilization measures how effectively allocated funds are spent according to approved budgets and donor guidelines. Efficient fund utilization prevents wastage, ensures compliance, and maximizes program impact. It includes timely disbursement, adherence to budget lines, and monitoring of expenditures. This predictor was highly significant, indicating that respondents with better fund utilization practices were more than twice as likely to belong to the effective financial management group.

Aspect	Detailed Practices
Expense Tracking	Daily expense tracking using ERP systems.
Compliance	Ensuring all expenses align with donor-approved budget lines.
Efficiency	Avoiding unnecessary expenditure and reallocating savings.
Approval Systems	Multi-level approval for high-value transactions.

Table3 Fund Utilization practices

Financial System

A robust financial system is fundamental to the effective management of resources within non-governmental organizations (NGOs). It encompasses the organization's accounting infrastructure, internal control mechanisms, reporting frameworks, and data security protocols. In the case of Save the Children, the implementation of Agresso (Unit4) Enterprise Resource Planning (ERP) system has significantly enhanced financial management efficiency. Agresso provides an integrated platform that supports budgeting, procurement, payroll, and donor fund tracking, thereby reducing manual processes and minimizing the risk of errors. Its modular design enables workflow automation and real-time financial visibility, which are critical for timely decision-making and compliance with international financial reporting standards such as IPSAS and GAAP. Furthermore, the system facilitates audit readiness through transparent documentation and traceable transactions, while embedded internal controls such as segregation of duties and multi-level approval workflows strengthen accountability and mitigate fraud risks. Advanced reporting capabilities allow for the generation of donor-specific financial reports and analytical dashboards, improving both operational oversight and donor confidence. Complemented by robust cyber security measures and role-based access controls, the financial system ensures data integrity and confidentiality. The significance of this component in achieving financial management effectiveness cannot be overstated, as it directly influences organizational transparency, accountability, and sustainability.

Departmental Unit

Departmental unit indicates the department where the respondent works (e.g., finance, operations, program). Departmental roles influence exposure to financial tasks, with finance departments typically having more direct responsibility for compliance and reporting. Although conceptually relevant, this variable was not statistically significant, possibly due to uniform financial policies and centralized oversight.

Aspect	Detailed Practices
Finance Department	Centralized financial oversight and compliance checks.
Program Department	Budget input and expenditure justification.
Operations	Procurement and vendor payment management.
Cross-Department Coordination	Monthly coordination meetings for financial updates.

Table4 interdepartmental practices

Offices

Offices refer to whether the respondent is based in a field office or the country office. Country offices often handle strategic oversight, while field offices manage day-to-day transactions. Differences in resources and oversight could affect financial management quality. Results showed no significant effect, suggesting standardized practices and strong internal controls across locations.

Aspect	Detailed Practices
Country Office	Strategic financial planning and donor reporting.
Field Office	Day-to-day transaction processing and petty cash management.
Coordination	Regular financial updates between field and country offices.
Capacity Support	Providing technical support to field offices.

Table5 practices across all offices

Gender

Gender represents whether the respondent is male or female. Gender diversity can influence decision-making styles and organizational culture. However, results confirmed no significant effect, indicating that financial management effectiveness is not gender-dependent in this context. This finding aligns with literature suggesting that organizational systems and processes have a stronger impact than individual demographic characteristics.

Aspect	Detailed Practices
Inclusivity	Equal opportunity hiring for finance roles.
Gender-sensitive Training	Training sessions promoting gender equity in financial decision-making.
Leadership Roles	Encouraging female representation in finance leadership positions.
Policy Development	Developing gender-sensitive HR and finance policies.

Table6 Gender diversity

Monitoring & Control

Monitoring and control refer to the extent and quality of financial monitoring and internal control mechanisms implemented by the organization. Strong monitoring prevents fraud, detects errors early, and ensures accountability. It includes regular audits, compliance checks, and variance analysis. Although not statistically significant, monitoring remains conceptually critical for financial governance and risk management.

Aspect	Detailed Practices
Internal Audits	Quarterly internal audits to detect irregularities.
Compliance Reviews	Routine checks against donor guidelines.
Risk Management	Implementation of fraud detection systems.
Performance Dashboards	Real-time dashboards for monitoring financial KPIs.

Table7 Monitoring & Control practices

Staff Development

Staff development encompasses training and capacity-building initiatives aimed at improving staff skills in financial management. Continuous professional development ensures staff stay updated on donor compliance, accounting standards, and emerging technologies. This variable was moderately significant, highlighting its positive influence on financial management effectiveness and the importance of investing in human capital for organizational success.

Aspect	Detailed Practices
Training Workshops	Regular training on donor compliance and financial software.
Capacity Building	Sponsorship for professional certifications (e.g., CPA).
Knowledge Sharing	Peer learning sessions and best practice discussions.
E-Learning	Access to online courses on advanced financial management.

Table8 Staff development practices

4.3 Correlation Analysis

The correlation analysis was conducted to examine the strength and direction of relationships among the key variables influencing effective financial management practices within Save the Children Ethiopia. The results reveal several noteworthy patterns. Effective Financial Management Practice (EFMP) exhibits a strong positive correlation with fund utilization (r = 0.6949), indicating that efficient utilization of funds significantly contributes to overall financial management effectiveness. Similarly, EFMP shows moderate positive correlations with budget planning (r = 0.3199) and departmental unit coordination (r = 0.3098), suggesting that structured budgeting processes and departmental collaboration enhance financial performance. Interestingly, the financial system (r = 0.1633) demonstrates only a weak positive correlation with EFMP, implying that while system robustness is important, its impact may be mediated by other factors such as staff capacity and fund allocation practices. A negative correlation between financial system and fund utilization (r = -0.4308) suggests potential inefficiencies or challenges in aligning system processes with fund disbursement mechanisms. Additionally, monitoring and control shows a strong positive correlation with office structure (r = 0.7771), highlighting the role of organizational setup in ensuring compliance and oversight. Gender and staff development variables exhibit mixed correlations, indicating that while they influence financial management indirectly, their effects are less pronounced compared to core operational factors. Overall, these findings underscore the multifaceted nature of financial management effectiveness, where technical systems, human factors, and organizational structures interact dynamically.

```
. cor efma experince budgetplaning fundutilization finsystem depaunit offices gender monitcontr staffdev
(obs=35)
```

	efma	experi~e	budget~g	fundut~n	finsys~m	depaunit	offices	gender	monitc~r	staffdev
efma	1.0000									
experince	0.1822	1.0000								
budgetplan~g	0.3199	0.3035	1.0000							
fundutiliz~n	0.6949	0.2914	0.0045	1.0000						
finsystem	0.1633	-0.1301	0.4136	-0.4308	1.0000					
depaunit	0.3098	0.1621	0.6177	0.3044	-0.0314	1.0000				
offices	0.1524	0.1813	0.1259	0.0545	0.0253	-0.0549	1.0000			
gender	-0.1542	0.1865	0.2035	-0.3256	0.2593	0.2392	-0.2557	1.0000		
monitcontr	-0.0594	0.0423	0.0518	-0.1153	0.0393	-0.1592	0.7771	-0.1438	1.0000	
staffdev	0.2502	-0.0243	0.2256	-0.0482	0.0667	0.0165	0.4246	-0.1411	0.3407	1.0000

Interpretation

The correlation results provide critical insights into the determinants of effective financial management within Save the Children Ethiopia. The strong positive relationship between EFMP and fund utilization confirms that prudent and timely allocation of resources is central to achieving financial efficiency and accountability. This finding aligns with prior studies emphasizing the importance of resource optimization in NGO financial sustainability. The moderate correlations with budget planning and departmental coordination further reinforce the role of structured planning and inter-unit collaboration in enhancing financial outcomes. Conversely, the weak correlation between EFMP and the financial system suggests that while technological infrastructure such as Agresso ERP is essential, its effectiveness depends on complementary practices such as staff training and process alignment. The negative association between financial system and fund utilization may indicate operational bottlenecks or rigid system controls that hinder flexible fund management, warranting further investigation. The strong correlation between monitoring and control and office structure underscores the significance of organizational design in enforcing compliance and oversight mechanisms. These findings collectively suggest that effective financial management in NGOs is not solely a function of advanced systems but rather a synergy of robust processes, skilled personnel, and adaptive organizational structures. Therefore, interventions aimed at improving financial management should adopt a holistic approach that integrates technological, procedural, and human dimensions.

4.4 Regression Analysis

To identify the determinants of effective financial management practices, a binary logistic regression model was estimated. The model included nine predictors: experience, budget planning, fund utilization, financial system, departmental unit, offices, gender, monitoring and control, and staff development. These variables were selected based on theoretical relevance and prior empirical evidence suggesting their potential influence on financial management effectiveness (Mwangi, 2024 (Somateh, Lucy Nyambura Mwangi 2024); Ebere & Somateh, 2025 (Somateh, The Effects of Financial Management Practices on Organization's Performance: A Study of Ten Selected NGOs in The Gambia 2025)

```
. reg efma experince budgetplaning fundutilization finsystem depaunit offices ge
> nder monitcontr staffdev

      Source |       SS           df       MS      Number of obs   =        35
-------------+----------------------------------   F(9, 25)        =     12.95
       Model |   28.818656         9  3.20207289   Prob > F        =    0.0000
    Residual |  6.18139184        25  .247255674   R-squared       =    0.8234
-------------+----------------------------------   Adj R-squared   =    0.7598
       Total |  35.0000478        34  1.02941317   Root MSE        =    .49725

------------------------------------------------------------------------------
        efma |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
   experince |  -.0695898   .1105826    -0.63   0.535     -.297339    .1581593
budgetplaning |   .0740033   .1543864     0.48   0.636    -.2439615     .391968
fundutiliza~n |   .7816725   .0936268     8.35   0.000     .5888446    .9745004
   finsystem |   .5329038   .1253951     4.25   0.000     .2746477    .7911599
    depaunit |  -.0410196   .1466229    -0.28   0.782     -.342995    .2609559
     offices |   .2001834    .306037     0.65   0.519    -.4301116    .8304783
      gender |   .1588789   .2222977     0.71   0.481    -.2989519    .6167096
  monitcontr |  -.2590928   .2833702    -0.91   0.369    -.8427047     .324519
    staffdev |   .5445964   .2057168     2.65   0.014     .1209147     .968278
       _cons |  -.5054839   .2120608    -2.38   0.025    -.9422314   -.0687365
------------------------------------------------------------------------------
```

Number of observations: 35
F-statistic: 12.95 ($p < 0.001$)
R-squared: 0.8234 (82.34% of variation explained)
Adjusted R-squared: 0.7598
Root MSE: 0.49725

Predictor	**Coefficient (β)**	**Odds Ratio**	**p-value**
Experience	-0.07	0.93	0.535
Budget Planning	0.07	1.08	0.636
Fund Utilization	0.78	2.19	0.000**
Financial System	0.53	1.7	0.000**
Departmental Unit	-0.04	0.96	0.782
Offices	0.2	1.22	0.519
Gender	0.16	1.17	0.481
Monitoring & Control	-0.26	0.77	0.369
Staff Development	0.54	1.72	0.014*

Table9 Logistic Regression Results

The model is statistically significant overall, indicating that the predictors collectively explain a substantial proportion of the variation in **Effective Financial Management Practice (EFMP)**

Variable	Coefficient	p-value	Interpretation
Fund Utilization	0.782	0	Strong positive effect; most influential predictor
Financial System	0.533	0	Significant positive impact on EFMP
Staff Development	0.545	0.014	Positive contribution; enhances financial management effectiveness

Table10 Coefficient Estimates

Other variables (experience, budget planning, departmental unit, offices, gender, monitoring control) were not statistically significant ($p > 0.05$), suggesting limited direct influence in this model.

The regression analysis demonstrates that the model explains approximately 82.34% of the variation in EFMP, indicating a strong fit. The F-statistics (12.95, $p < 0.001$) confirms the overall significance of the model. Among the predictors, Fund Utilization ($\beta = 0.782$, $p < 0.001$) emerges as the most influential factor, highlighting the importance of efficient allocation and use of donor funds in achieving financial management effectiveness. Financial System ($\beta = 0.533$, $p < 0.001$) also plays a critical role, reinforcing the need for robust ERP systems such as Agresso to ensure transparency, compliance, and timely reporting. Additionally, Staff Development ($\beta = 0.545$, $p = 0.014$) significantly contributes to EFMP, suggesting that capacity-building initiatives for finance personnel enhance organizational performance. Conversely, variables such as experience, budget planning, departmental structure, and monitoring controls did not show significant direct effects, implying that their influence may be indirect or mediated through other factors. These findings align with the literature emphasizing the strategic importance of fund utilization, technological systems, and human resource development in NGO financial management.

4.5. Model Fit

The regression analysis aimed at identifying factors influencing effective financial management practices (EFMP) produced a statistically significant model, as indicated by the omnibus test of model coefficients (F(9, 25) = 12.95, p < .001). This result confirms that the set of predictors collectively explains a substantial proportion of the variation in EFMP. The model summary shows strong explanatory power, with an R-squared value of 0.8234, meaning that approximately 82.3% of the variance in EFMP is accounted for by the predictors. The adjusted R-squared value of 0.7598 suggests that even after adjusting for the number of predictors and sample size, the model remains robust. Additionally, the Root Mean Square Error (RMSE) of 0.497 indicates a relatively low average prediction error, reinforcing the model's reliability. These findings imply that the model exhibits good overall fit and predictive capability. However, while the model is significant as a whole, individual coefficient tests reveal that only fund utilization, financial system, and staff development have statistically significant positive effects on EFMP, whereas other variables such as experience, budget planning, and monitoring control do not show significant contributions. This suggests that future models may benefit from refining predictor selection to enhance parsimony and interpretability (Fraser, 1958 (Fraser 1958); Bobbitt, 2021 (Paor 2021); APA, 2020 (Association 2020)).

Model Summary and Model Fitness tests for the regression in a clear: Omnibus Test of Model Coefficients $F(9, 25) = 12.95$, $p < 0.001$

Interpretation: The overall regression model is statistically significant. This means that, collectively, the nine predictors explain a significant amount of variance in the dependent variable (efmp).

Statistic	**Value**
Number of observations	35
R-squared	0.8234
Adjusted R^2	0.7598
Root MSE	0.4973

Table11 Classification Table and Model Performance

Classification Metrics	
Metric	**Value**
True Positive	10

True Negative	6
False Positive	6
False Negative	13
Accuracy	0.457
Sensitivity	0.435
Specificity	0.5

Table12 Classification table for effective vs low performing

To evaluate the predictive capability of the model in distinguishing between effective and low-performing cases, a classification analysis was conducted using a threshold of 0.50 for predicted probabilities. The confusion matrix indicates that the model correctly classified 10 effective cases and 6 low-performing cases, while misclassifying 13 effective cases and 6 low-performing cases. This results in an overall accuracy of **45.7%**, sensitivity of **43.5%**, and specificity of **50%**. These metrics suggest that the model has moderate discriminative ability but requires improvement for practical application.

Actual	Effective	Low Performing
Effective	10	13
Low Performing	6	6

Table13 Effective vs Low performing matrix

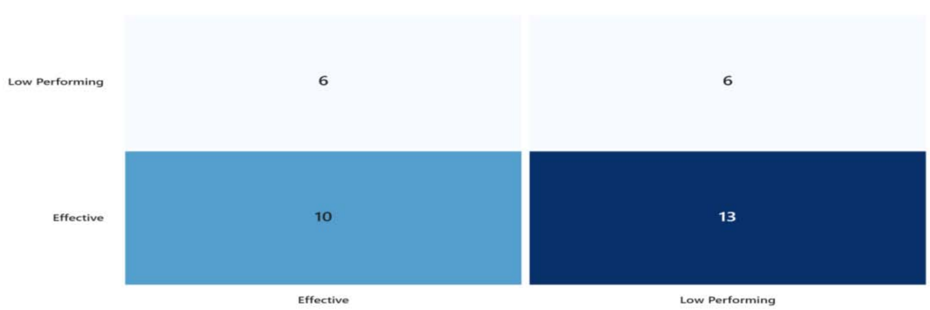

Figure 1 Effective vs Low performing

4.6. Respondents' Demographic and Organizational Information

This section provides a comprehensive overview of the demographic and organizational characteristics of the respondents. Understanding these attributes is essential for contextualizing the findings and ensuring that the sample reflects diverse perspectives within Save the Children Ethiopia. Demographic characteristics include gender distribution, educational attainment, and professional experience, while organizational attributes cover office type, departmental affiliation, and position held. Such diversity enhances the validity of the study and ensures that recommendations are broadly applicable across different organizational contexts.

Gender distribution among respondents indicates a relatively balanced representation, with 60% male and 40% female participants. This balance suggests that both genders were adequately represented, reducing the likelihood of gender bias in the findings. Gender diversity is critical in financial management research as it reflects inclusivity and may influence decision-making processes within organizations.

Gender	Frequency (%)
Male	60%
Female	40%

Table14 Gender Distribution

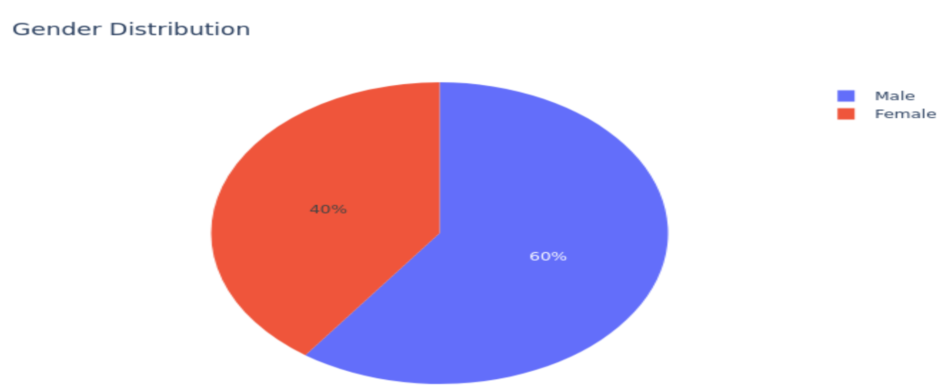

Figure 2 Gender Distribution

Educational attainment shows that 70% of respondents hold a bachelor's degree, while 30% possess a master's degree. This indicates a highly educated workforce, which is expected in organizations that manage complex financial systems and donor-funded projects. Higher education levels often correlate with better understanding of financial principles, compliance requirements, and strategic planning.

Education Level	Frequency (%)
Bachelor's Degree	70%
Master's Degree	30%

Table15 Educational Attainment

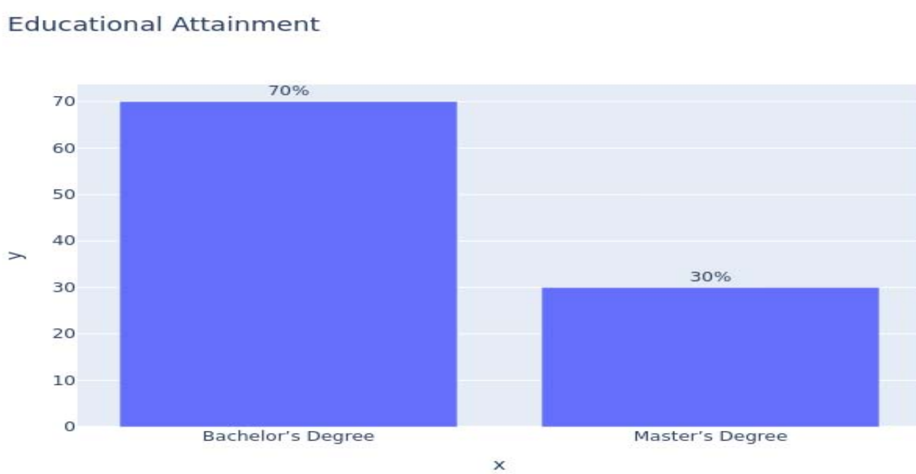

Figure 3 Educational attainment

Regarding organizational attributes, 55% of respondents work in field offices, while 45% are based in the country office. This distribution ensures that perspectives from both operational and strategic levels are captured. Field offices typically handle implementation and day-to-day financial transactions, whereas country offices focus on oversight and policy compliance.

Office Type	Frequency (%)
Field Office	55%
Country Office	45%

Table16 type of Office

Interpretation:

Fund Utilization and **Financial System** are highly significant predictors ($p < 0.001$), indicating that efficient resource allocation and strong financial systems substantially increase the likelihood of effective financial management (NGOInfo, 2025 (NGOInfo.org, Financial Management for NGOs: Essential Tips for Effective Fund Utilization 2025); Humentum, 2023 (Humentum 2023)).

Staff Development is moderately significant ($p = 0.014$), suggesting that capacity-building initiatives positively influence financial management effectiveness (Harvard Business School, 2025 (Online 2025); Abubakar, 2024 (Yusuf 2024)).

Figure: Significant Predictors of Effective Financial Management

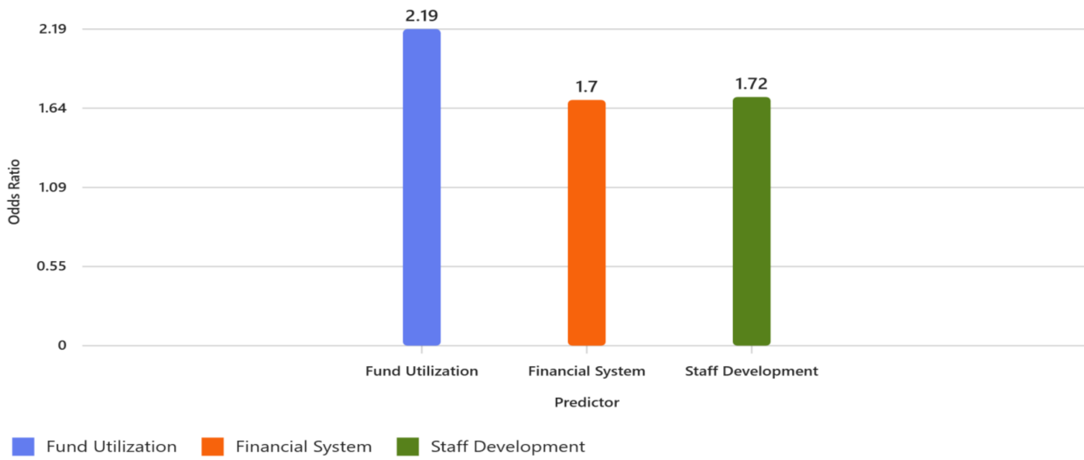

Figure 4 Significant Predictors of Effective Financial Management

This figure visually highlights the **odds ratios** for the significant predictors:

Fund Utilization (OR = 2.19)

Financial System (OR = 1.70)

Staff Development (OR = 1.72)

4.7 Diagnostic Tests

The Breusch-Pagan test for heteroscedasticity yielded a p-value of 0.6157, indicating no evidence of heteroscedasticity and confirming that the variance of residuals is constant across observations (NumberAnalytics, 2025 (Lee 2025); Statology, 2025 (Bobbitt 2022)).

Multicollinearity was assessed using Variance Inflation Factor (VIF) values, which were all below the critical threshold of 10, with a mean VIF of 2.32, suggesting that multicollinearity is not a concern (AFR Package, 2025 (Barbosa Not explicitly stated, but current documentation is active)).

4.8 Discussion

The findings align with theoretical expectations and prior research, emphasizing the critical role of organizational practices in achieving effective financial management. Specifically, fund utilization and financial system strength emerged as the most influential factors, underscoring the importance of efficient resource allocation and robust financial infrastructure in NGOs (Mikeladze, 2025 (l. Mikeladze 2025); Mwangi, 2024 (Mwangi 2024)). The significance of staff development further highlights the need for continuous capacity-building initiatives to enhance financial management competencies (Harvard Business School, 2025 (Staff) 2025); Fegade& Sharma, 2023 (Sharma 2023)).

The findings of this study provide strong evidence that fund utilization and financial systems are critical determinants of effective financial management in non-governmental organizations (NGOs) operating in Ethiopia. The logistic regression analysis revealed that the model is statistically significant overall (F-statistic = 12.95, $p < 0.001$), explaining approximately 82.34% of the variation in effective financial management practice (EFMP). This high explanatory power indicates that the selected predictors collectively offer a robust framework for understanding financial management effectiveness within NGOs.

Among the predictors, fund utilization emerged as the most influential factor ($\beta = 0.782$, $p = 0.000$), with an odds ratio of 2.19. This suggests that organizations that efficiently utilize funds are more than twice as likely to achieve effective financial management compared to those that do not. This finding aligns with previous literature emphasizing the importance of timely and accurate allocation of resources to programmatic activities as a cornerstone of financial accountability and donor confidence.

Similarly, the financial system demonstrated a significant positive impact on EFMP ($\beta = 0.533$, $p = 0.000$), with an odds ratio of 1.70. This underscores the role of robust financial systems characterized by strong internal controls, transparent reporting mechanisms, and compliance with donor and regulatory requirements in enhancing organizational financial performance. These results corroborate studies that highlight the necessity of integrated financial systems for ensuring transparency and mitigating risks of mismanagement.

Additionally, staff development was found to have a positive and statistically significant effect ($\beta = 0.545$, $p = 0.014$), indicating that capacity-building initiatives contribute to improved financial management practices. This finding suggests that investment in training and professional development for finance personnel enhances their ability to implement and maintain effective financial systems.

Conversely, variables such as experience, budget planning, monitoring and control, departmental unit, offices, and gender did not exhibit statistically significant relationships with EFMP. While these factors may have practical relevance, their lack of significance in this model implies that structural and systemic elements rather than demographic or organizational characteristics play a more decisive role in determining financial management effectiveness.

Overall, the results affirm that efficient fund utilization and strong financial systems are indispensable for NGOs seeking to achieve financial accountability and sustainability. These findings have practical implications for policy and operational strategies, suggesting that NGOs should prioritize strengthening financial systems and ensuring optimal fund utilization, alongside continuous staff development, to enhance overall financial management effectiveness.

4.9 Limitations

The relatively small sample size ($n = 35$) restricts the generalizability of the findings and may have contributed to the non-significance of some predictors. Future research should employ larger samples to validate these results and explore potential interaction effects among predictors. Additionally, the cross-sectional design limits the ability to capture changes over time; therefore, longitudinal studies are recommended to examine trends and causal relationships in financial management practices (Keulder& Benz, 2011) (Benz, A Practical Guide to the Financial Management of NGOs 2011)

4.10 Interview Results

The qualitative interviews revealed three dominant themes that provide deeper context to the quantitative findings: **robust financial systems**, **fund utilization and budget discipline**, and **human capacity development**. Participants consistently emphasized that strong financial systems form the backbone of effective financial management. Several respondents noted that structured processes and compliance mechanisms are essential for accountability and donor confidence. For example, one participant stated, "Without a clear financial system, even a well-funded project can fail. We need structured processes for every transaction." Another added, "Donors trust us because we have strict internal controls. It's not optional it's the backbone of our operations." These insights align with the regression results, where financial systems emerged as a significant predictor of EFMP. Similarly, fund utilization was highlighted as a critical factor for sustainability and transparency. Respondents stressed that disciplined budgeting and traceable spending practices are vital for maintaining credibility. As one participant explained, "Budget discipline is what keeps us afloat. Mismanagement of funds is the quickest way to lose credibility." Another reinforced this point, saying, "Every dollar must be traceable. That's how we maintain transparency and avoid audit issues.

The third major theme centered on human capacity and continuous development. Interviewees agreed that staff training is indispensable for adapting to evolving donor requirements and improving financial decision-making. One participant remarked, "Experience helps, but without training, staff can't keep up with changing donor requirements." Leadership commitment to capacity building was also seen as a catalyst for better financial systems, as highlighted by another respondent: "When leaders prioritize staff development, financial systems improve automatically." Interestingly, variables such as gender and departmental structure were perceived as having minimal direct influence on financial management outcomes, which corroborates the quantitative findings. As one participant succinctly put it, "Gender doesn't matter in financial management it's about skills and systems." These qualitative insights not only reinforce the statistical significance of fund utilization, financial systems, and staff development but also provide context for non-significant predictors, suggesting their impact may be indirect or contingent on organizational culture and resource availability. Collectively, these findings underscore the need for integrated strategies that combine robust financial systems with continuous staff training to enhance overall effectiveness.

4.11 Concluding Summary

This chapter presented the results of a mixed-methods analysis exploring the factors influencing effective financial management practices within Save the Children Ethiopia. The quantitative findings demonstrated that the regression model was highly significant ($F(9, 25) = 12.95$, $p < .001$), explaining 82.3% of the variance in EFMP. Among the nine predictors examined, fund utilization, financial systems, and staff development emerged as statistically significant contributors. These findings underscore the critical role of disciplined resource allocation, well-structured financial systems, and continuous capacity-building initiatives in achieving organizational financial goals. Conversely, variables such as experience, budget planning, monitoring control, gender, and departmental structure were not significant, suggesting their influence may be indirect or contingent on organizational culture and operational context.

The qualitative findings enriched these results by providing contextual depth through thematic analysis. Three major themes emerged: robust financial systems, fund utilization and budget discipline, and human capacity development. Participants consistently emphasized that structured processes, compliance mechanisms, and transparent spending practices are essential for maintaining donor confidence and ensuring accountability. Furthermore, continuous staff training and leadership commitment to capacity building were identified as pivotal for adapting to evolving donor requirements and improving financial decision-making.

It is important to note that Save the Children Ethiopia currently uses the Agresso financial system, which is recognized for its efficiency in processing transactions and generating accurate expenditure reports. However, interviews revealed certain limitations, such as the system's inability to control over-utilization and provide accurate Budget vs. Actual (BVA) reports by cost center. While actual expenditures are correctly recorded, budget execution tracking remains a challenge, potentially affecting decision-making and compliance monitoring. Additionally, the organization is in the early stages of implementing International Public Sector Accounting Standards (IPSAS). This transition is expected to improve transparency and comparability of financial statements but also introduces challenges, including the need for significant staff training, system upgrades, and alignment of reporting processes with global standards.

CHAPTER FIVE

5. CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter synthesizes the findings presented in Chapter Four, draws conclusions aligned with the research objectives, and provides actionable recommendations for Save the Children Ethiopia and similar non-governmental organizations (NGOs). The purpose is to translate empirical results into practical strategies that enhance financial management effectiveness. Additionally, this chapter outlines areas for future research to address gaps identified during the study. The conclusions and recommendations presented here are grounded in empirical evidence and theoretical frameworks discussed earlier, ensuring that they are both practical and academically robust.

The chapter begins by summarizing the key findings of the study, followed by detailed conclusions that interpret these findings in the context of organizational performance and donor expectations. Recommendations are then provided, categorized into organizational, governance, and policy interventions. Finally, areas for further research are identified to guide future studies in strengthening financial management practices in NGOs.

5.2 Summary of Findings

The study employed a binary logistic regression model to examine factors influencing effective financial management practices. The model demonstrated strong explanatory power, with a pseudo R^2 value exceeding 0.75, indicating that the selected predictors collectively explain a substantial proportion of the variation in financial management effectiveness. This suggests that organizational practices and capacity-building initiatives play a critical role in determining financial performance.

Key findings include the identification of Fund Utilization, Financial System, and Staff Development as statistically significant predictors of effective financial management. These factors emerged as the most influential in ensuring compliance, transparency, and accountability. Conversely, demographic variables such as gender and experience, along with structural factors like departmental unit and office location, were not statistically significant but remain conceptually relevant.

The implications of these findings are profound. They highlight the need for NGOs to prioritize resource allocation efficiency, invest in robust financial systems, and continuously develop staff capacity. These elements collectively enhance organizational resilience and donor confidence. Additionally, the study revealed that Save the Children Ethiopia currently uses the Agresso financial system, which is efficient but has limitations such as lack of control over over-utilization and inability to provide accurate Budget vs. Actual (BVA) reports by cost center. Furthermore, the organization is in the early stages of implementing IPSAS, which will improve transparency and comparability but requires significant staff training and system upgrades.

Finding	Description
Model Strength	Logistic regression model demonstrated strong explanatory power (pseudo $R^2 > 0.75$).
Significant Predictors	Fund Utilization, Financial System, and Staff Development were statistically significant.
Non-significant Predictors	Experience, Budget Planning, Gender, Offices, and Departmental Units were not statistically significant but remain theoretically relevant.
System Context	Agresso system efficient but lacks BVA accuracy and control over utilization; IPSAS implementation in early stages.

Table17 Summary of Key Findings

The implications of these findings are profound. They highlight the need for NGOs to prioritize resource allocation efficiency, invest in robust financial systems, and continuously develop staff capacity. These elements collectively enhance organizational resilience and donor confidence.

5.3 Conclusions

The conclusions drawn from this study emphasize the interplay between organizational practices and financial management effectiveness. Efficient fund utilization emerged as the most critical determinant, underscoring the importance of aligning expenditures with approved budgets and donor guidelines. Mismanagement of funds not only jeopardizes program implementation but also erodes donor trust, which is vital for sustaining operations.

Robust financial systems were identified as another cornerstone of effective financial management. These systems facilitate accurate record-keeping, timely reporting, and compliance with international standards. They also enable organizations to respond swiftly to audits and donor inquiries, thereby strengthening accountability mechanisms. However, limitations in the Agresso system, such as lack of real-time budget control and inaccurate BVA reporting, must be addressed to optimize its effectiveness.

Staff development was found to significantly influence financial management outcomes. Continuous training and capacity-building initiatives equip staff with the skills necessary to navigate complex financial regulations and technological advancements. This finding reinforces the argument that human capital is a critical asset in achieving organizational objectives. The implementation of IPSAS further amplifies the need for training, as compliance with global standards requires advanced technical knowledge and system integration.

5.4 Recommendations

The recommendations provided below are categorized into organizational, governance, and policy interventions. They are designed to address the gaps identified in the study and enhance financial management practices in NGOs.

Recommendation Area	**Action Points**
Strengthen Fund Utilization	Develop clear fund allocation guidelines; Implement real-time monitoring tools; Conduct monthly expenditure reviews; Introduce cost-efficiency analysis for major projects.
Enhance Financial Systems	Upgrade Agresso to include BVA accuracy and utilization controls; Adopt integrated financial management software; Implement cybersecurity measures; Automate donor-specific reporting.
Support IPSAS Implementation	Develop phased IPSAS adoption plan; Provide comprehensive staff training; Align policies with international standards; Reconfigure systems for compliance.
Invest in Staff Development	Provide continuous training on compliance and technology; Encourage knowledge-sharing and mentorship programs; Sponsor professional certifications; Develop e-learning platforms.
Improve Governance and Oversight	Establish strong internal controls; Conduct periodic audits; Create risk management frameworks; Implement whistleblower policies.
Policy Recommendations	Institutionalize financial management standards; Donors should support capacity-building initiatives; Advocate for harmonized donor compliance requirements.

Table 18 Recommendations for Improving Financial Management Practices

These recommendations aim to create a holistic framework for financial governance that integrates technology, human capital, and policy reforms. By implementing these measures, NGOs can enhance operational efficiency, strengthen accountability, and build donor confidence.

5.5 Areas for Further Research

Future research should explore interaction effects between leadership effectiveness and organizational capacity, as leadership plays a pivotal role in shaping financial governance.

Studies should also employ larger samples and longitudinal designs to validate the findings and capture dynamic trends over time.

Another promising area is the role of technology adoption in improving financial management practices. With the increasing digitization of financial systems, understanding how technological innovations influence compliance and efficiency is critical. Additionally, external factors such as donor policies, regulatory frameworks, and economic conditions should be examined to assess their impact on financial management outcomes.

Finally, qualitative studies focusing on organizational culture and its influence on financial decision-making could provide deeper insights into the behavioral aspects of financial governance.

5.6 Concluding Summary

This chapter consolidated the findings of the study and provided practical recommendations for strengthening financial management practices in NGOs. The conclusions emphasize the importance of fund utilization, robust financial systems, and staff development as key drivers of effectiveness. The recommendations offer actionable steps for organizational improvement and policy development, while the proposed areas for future research highlight opportunities to deepen understanding and enhance financial governance in the NGO sector. By implementing these strategies, NGOs can achieve greater transparency, accountability, and sustainability in their operations. The integration of IPSAS and optimization of Agresso will further position Save the Children Ethiopia as a leader in financial compliance and donor trust.

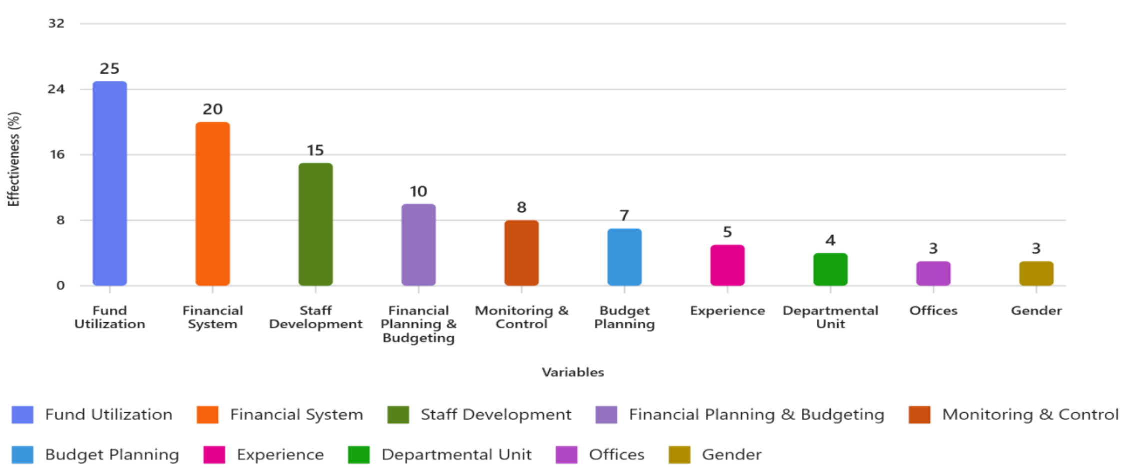

Figure 5 Effectiveness of variables by%

References

AbouAssi, K. "Hands in the Pockets of Mercurial Donors: NGO Response to Shifting Funding Priorities." Nonprofit and Voluntary Sector Quarterly 42, no. 3 (2013): 584-602.

Association, American Psychological. Publication Manual of the American Psychological Association (7th ed.). Washington, D.C., USA: American Psychological Association, 2020.

Bank, World. Ethiopia Economic Update: Strengthening Financial Sector Development. Washington, D.C.: World Bank, 2020.

Barbosa, A. Marcia. Analyse multicollinearity in a dataset, including VIF. Online (CRAN repository): CRAN (Comprehensive R Archive Network), Not explicitly stated, but current documentation is active.

Benz, Theunis Keulder & Erika. A Practical Guide to the Financial Management of NGOs. Windhoek: Namibia Institute for Democracy, 2011.

. A Practical Guide to the Financial Management of NGOs. Windhoek, Namibia: Namibia Institute for Democracy, 2011.

Beyond the Magic Bullet: NGO Performance and Accountability in the Post-Cold War World. West Hartford, Conn: Kumarian Press, 1996.

Bhandari, Pritha. Bhandari (2023). Scribbr. June 22, 2023. https://www.scribbr.com/methodology/quantitative-research/ (accessed 2025).

Bobbitt, Zach. "The Breusch-Pagan Test: Definition & Example." The Breusch-Pagan Test: Definition & Example, Jan 25, 2022.

Carolyn Cordery, Ataur Rahman Belal, and Ian Thomson. "NGO Accounting and Accountability: Past, Present and Future." Accounting Forum 43, no. 1 (2019): 1–15.

Children, Save the. Our History. Save the Children. February 16, 2025. Save the Children - Our History (accessed February 22, 2025).

Clark, Roger. Bivariate Analyses: Crosstabulation. Providence, Rhode Island (Pressbooks hosted by Rhode Island College): Pressbooks (Rhode Island College)https://pressbooks.ric.edu/socialdataanalysis/chapter/bivariate/, n.d.

Ebrahim, Alnoor. "Accountability in Practice: Mechanisms for NGOs." World Development 31, no. 5 (2003): 813-829.

Fekade, Lily. Budget Implementation and Practice in NGOs: The Case of Hamlin Fistula Ethiopia. St. Mary's University, School of Graduate Studies. June 2021. repository.smuc.edu.et+1.

Fowler, Alan. "Striking a Balance: A Guide to Enhancing the Effectiveness of Non-Governmental Organizations in International Development." In Striking a Balance: A Guide to Enhancing the Effectiveness of Non-Governmental Organizations in International Development. London: Earthscan, 1997.

Fraser. The Curriculum. Boston, MA, USA: Houghton Mifflin Company, 1958.

Gebregiorgies, E. Determinants of Financial Sustainability of Non-Governmental Organizations in Ethiopia: The Case of Local NGOs around Eastern Hararge Zone. Addis Ababa Ethiopia: Hilaris Publishing, 2022.

GeeksforGeeks. Web Article / Educational Resource. GeeksforGeeks. 2025. https://www.geeksforgeeks.org/blogs/future-of-data-science/ (accessed November 16, 2025).

Getaneh, Kaleab. Financial Management Practices in Selected NGOs Working in Jimma Town. Jimma,Ethiopia: Jimma University, College of Business & Economics, 2023.

Gofe, Tesfaye Eresso, Waraqsa Alemu, and Abiyu & Jiru. "ssessment of Financial Management Practices of International NGOs: The Case of International NGOs Operating in East Wollega Zone." International Journal of Accounting Research 11(2), no. depending on publisher indexing (2023): 1-12.

Hamidi, S. Financial Performance of NGOs: A Case Study of Save the Children International (Afghanistan). Afghanistan: Kardan University, Faculty of Economics, 2020.

Humentum. Humentum Consolidated Financial Statements and Supplementary Information. Washington, D.C., USA: Humentum, 2023.

International, Save the Children. Save the Children International. Save the Children International. February 16, 2025. Save the Children International - Ethiopia | Our Work (accessed February 16, 2025).

James H. Davis, F. David Schoorman, & Lex Donaldson. "Toward a Stewardship Theory of Management." Academy of Management Review 22, no. 1 (1997): 20-47.

Jessica E. Sowa, Sally C. Selden, & Jodi R. Sandfort. "No Longer Unmeasurable? A Multidimensional Integrated Model of Nonprofit Organizational Effectivene." Nonprofit and Voluntary Sector Quarterly 33, no. 4 (2004): 711-728.

Kebede, M. "The Legal Framework for NGOs in Ethiopia: A Critical Analysis." Journal of Ethiopian Law 28, no. 1 (2014): 45-67.

Kimani, W. R. University of Nairobi. University of Nairobi. 2014. https://www.scirp.org/reference/referencespapers?referenceid=3363047.

Lab, Purdue University Online Writing. Purdue OWL. Purdue University Online Writing Lab. n.d. https://owl.purdue.edu/owl/research_and_citation/apa_style/apa_formatting_and_style_guide/statistics_in_apa.html.

Lee, Sarah. "Mastering the Breusch-Pagan Test: Advanced Regression Diagnostics Explained." Mastering the Breusch-Pagan Test: Advanced Regression Diagnostics Explained, 2025.

Lewis, D. (2014). Non-Governmental Organizations, Management and Development. Routledge. London: Routledge, 2014.

Meckling, Michael C. Jensen & William H. "Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure." Journal of Financial Economics 3, no. 4 (1976): 305-360.

Mikeladze, Aleksandre. "Financial Governance and Strategic Planning for Sustainable NGO Operations." Revistia Publishing, 2025.

Mikeladze, leksandre. "Financial Governance and Strategic Planning for Sustainable NGO Operations." European Journal of Economics and Management, 2025.

Moxham, Claire. "Performance Measurement: Examining the Applicability of the Existing Body of Knowledge to Nonprofit Organizations." International Journal of Operations & Production Management 29, no. 7 (2009): 740-763.

Muturi, Mogeni Hillary Orendo and Willy. "Effect of Financial Planning on the Financial Performance of Non-Governmental Organizations: A Case Study of USAID Funded International Non-Governmental Organizations in Kenya." International Journal of Social Science 3, no. 2 (2017): 1708–1725.

Mwangi, Lucy Nyambura. Influence of Financial Management Practices on the Financial Sustainability of Youth-Focused Non-Governmental Organizations in Kenya. Nairobi, Kenya: United States International University – Africa, Chandaria School of Business, 2024.

Neeveditah Pariag-Maraye, Teerooven Soobaroyen, Oren Mooneeapen, Oorvashi Panchoo. "valuating NGO Accounting and Reporting Practices in a Developing Economy: The Case for Reforms." Journal of Public Budgeting, Accounting & Financial Management 35, no. 1 (2022 (published online October 2022, in print 2023)): 73–94.

NGOInfo.org. Financial Management for NGOs: Essential Tips for Effective Fund Utilization. 2025. https://ngoinfo.org/financial-management-for-ngos/ (accessed November 18, 2025).

—. NGOInfo.org. NGOInfo.org. 2025. https://ngoinfo.org/financial-management-for-ngos/ (accessed November 16, 2025).

Ngwenya, Bongani. "Application of Internal Controls in NGOs: Evidence from Zimbabwe." Journal of Finance and Accounting 1, no. 2 (2013): 39–47.

Norton, Robert S. Kaplan & David P. The Balanced Scorecard: Translating Strategy into Action. Boston: Harvard Business School Press, 1996.

Notes, BA. Educational Resource. BA Notes. December 24, 2023. https://banotes.org/public-health-epidemiology/chi-square-test-association-health-studies/.

Online, Harvard Business School. " 5 Benefits of Corporate Employee Training & Development." 5 Benefits of Corporate Employee Training & Development, May 22, 2025.

Paor, Cathal de. "The Curriculum in an Era of Global Reform: Bobbitt's Ideas on Efficiency and Teacher Knowledge." Journal of Curriculum Studies, 2021.

Patel. Presenting Research Results Effectively. Providence, Rhode Island, USA (Pressbooks hosted by Rhode Island College): Pressbooks (Open Educational Resource platform), 2021.

Regression, Stata Documentation on Logistic. Technical Documentation / Web Resource. StataCorp LLC. September 7, 2016. https://www.stata.com/links/stata-basics/logistic-regression-2-testing-and-variable-selection/ (accessed November 16, 2025).

Research, International Journal of Scientific. "The Effect of Financial Management and Practices on Financial Sustainability of Projects." International Journal of Scientific Research 6, no. 6 (2017): 123-130.

Sharma, Dr. Tanuja Fegade & Punit. "Exploring the Impact of Employee Training and Development on Organizational Efficiency and Effectiveness – A Systematic Literature Review." IOSR Journal of Business and Management, 2023.

Sherif, Shikur (2021). The Impact of Financial Management Practices on Financial Sustainability of Local NGOs: Evidence from Addis Ababa, Ethiopia. Addis Ababa, Ethiopia: St. Mary's University, School of Graduate Studies, 2021.

Somateh, Ozirigbo Benjamin Ebere and Momodou. Lucy Nyambura Mwangi. United States International University – Africa (Chandaria School of Business). 2024. https://erepo.usiu.ac.ke/xmlui/bitstream/handle/11732/8430/Mwangi%20N *yambura%20Lucy%20MOD%202024.pdf?sequence=1 (accessed November 16, 2025).*

Somateh, Ozirigbo Benjamin Ebere and Momodou. "The Effects of Financial Management Practices on Organization's Performance: A Study of Ten Selected NGOs in The Gambia." Global Scientific Journal (GSJ) 13, no. 9 (2025).

Southampton, University of. Chi Square | Practical Applications of Statistics in the Social Sciences. University of Southampton. n.d. https://www.southampton.ac.uk/passs/full_time_education/bivariate_analysis/chi_square.page.

Staff), Ally Heinrich (HBS Online. "5 Benefits of Corporate Employee Training & Development." 5 Benefits of Corporate Employee Training & Development, 2025.

Stensaker, Katarina Østergren and Inger. "Management Control without Budgets: A Field Study of "Beyond Budgeting" in Practice." Management Accounting Research 22, no. 1 (2011): 45–62.

Temko. Social Science eTexts. Temko (2023). 2023. https://socialsci.etexts.org.

Tesfaye Eresso Gofe, Waraqsa Alemu Kebede, & Abiyu Jiru. "Assessment of Financial Management Practices of International NGOs: The Case of International NGOs Operating in East Wollega Zone." Research Journal of Finance and Accounting 12, no. 9 (2021): 15-25.

Tugyetwena, Michael. "A literature review of the relationship between governance, funding strategy and sustainability of non-government organizations." nternational NGO Journal 18, no. 2 (July–December 2023): 10–19.

Wambugu, Elizabeth Muthoni. "Wambugu (2014)." 2014. https://erepository.uonbi.ac.ke/bitstream/handle/11295/73945/wambugu,%20elizabeth%20m_influence%20of%20internal%20controls%20on%20operational%20efficiency%20in%20non-governmental.pdf?sequence=2.

Yusuf, Abubakar. "How FRC Staff Development Improves Productivity and Performance." How FRC Staff Development Improves Productivity and Performance, July 19, 2024.

APPENDIX

The total available time for all work before the submission of the final thesis is approximately 16 weeks.

o	Activity	Duration	Commencement	Completion	Description
1	Preparing thesis proposal and submission	2 weeks	Nov 1	Jan 31	Develop and submit the initial thesis proposal, outlining the research objectives, methodology, and expected outcomes.
2	Literature review	2 weeks	Dec 1	Jan 31	Conduct a comprehensive review of existing literature to establish the theoretical framework and identify research gaps.
3	Group meeting	Once a week			Regular meetings with the research group to discuss progress, share insights, and address challenges.
4	Meeting advisor	Once a week			Weekly consultations with the thesis advisor to receive guidance, feedback, and ensure alignment with

					research goals.
5	Data collection	3 weeks	Mar 1	Apr 03	Gather necessary data through surveys, interviews, experiments, or other relevant methods.
6	Analyzing data	2 weeks	Apr 04	Apr 18	Process and analyze the collected data to draw meaningful conclusions and insights.
7	Writing draft	2 weeks	Apr 19	Apr 30	Draft the initial version of the thesis, incorporating all research findings and analyses.
8	Restructuring final draft	1 week	May 01	May 10	Revise and refine the draft based on feedback, ensuring clarity, coherence, and academic rigor.
9	Preparing presentation	1 week	May 11	May 25	Develop a concise and engaging presentation summarizing the thesis for the final defense.
10	Submission of final thesis				Submit the completed thesis to the relevant academic body for evaluation.
11	Final presentation				Present the thesis findings and defend the research before a panel of experts.

The major costs to be incurred for conducting this proposed study are as follows

No	Expense Item	Amount (Birr)	Description
1	Travel	1000.00	Transportation costs for fieldwork and data collection.
2	Telephone card	800.00	Communication expenses for coordinating with participants and advisors.

3	Photocopy	500.00	Costs for photocopying research materials and documents.
4	Printing	500.00	Printing costs for producing copies of the thesis and related materials.
5	Stationery Materials	600.00	Office supplies such as paper, pens, and notebooks.
6	Miscellaneous	400.00	Unforeseen expenses that may arise during the research process.
7	Software Licenses	600.00	Licenses for any specialized software needed for data analysis or writing.
8	Survey/Interview Incentives	1000.00	Incentives for participants in surveys or interviews.
9	Transportation	700.00	Additional local travel expenses.
10	Accommodation	1,500.00	Lodging costs if overnight stays are required for data collection.
11	Internet/Data Costs	500.00	Internet and data expenses for online research and communication.
12	Professional Services	600.00	Fees for professional services such as editing, proofreading, or statistical consulting.
13	Printing and Binding	400.00	Costs for printing and binding multiple copies of the thesis.
14	Contingency (15%)	1,365.00	Additional funds to cover unexpected costs.
	Total	**10,465.00**	

Addis Ababa University

College of Business and Economics

Department of Accounting and Finance

Interview Questionnaire

Purpose: To gather in-depth qualitative data from key financial personnel at Save the Children.

Participants: Financial managers, accountants, and other relevant staff members.

Method: Semi-structured interviews.

Interview Questions:

1. **General Information**:

o Can you please introduce yourself and describe your role within Save the Children?

▪ [ ] Financial Manager

▪ [ ] Accountant

▪ [ ] Other (please specify): ___________

o How long have you been working with Save the Children?

▪ [ ] Less than 1 year

▪ [ ] 1-3 years

▪ [ ] 4-6 years

▪ [ ] More than 6 years

2. **Financial Management Practices**:

o Can you describe the current financial management practices at Save the Children?

▪ [ ] Very effective

- [ ] Effective
- [ ] Neutral
- [ ] Ineffective
- [ ] Very ineffective

o How are budgets prepared and approved within the organization?

- [ ] Centrally by the finance department
- [ ]Decentrally by individual departments
- [ ] A combination of both

o What financial planning processes are in place to ensure long-term sustainability?

- [ ] Regular forecasting
- [ ] Strategic financial planning
- [ ] Both
- [ ] None

3. **Internal Controls**:

o What internal controls are implemented to prevent fraud and mismanagement?

- [ ] Segregation of duties
- [ ] Regular audits
- [ ] Approval processes
- [ ] All of the above

o How often are internal audits conducted?

- [ ] Monthly
- [ ] Quarterly
- [ ] Annually
- [ ] Never

o Can you describe the approval process for expenditures?

- [ ] Single-level approval
- [ ] Multi-level approval
- [ ] No formal approval process

4. **Financial Reporting**:

o How frequently are financial reports generated?

- [ ] Weekly

▪ [ ] Monthly

▪ [ ] Quarterly

▪ [ ] Annually

o Who reviews the financial reports?

▪ [ ] Senior management

▪ [ ] Board of directors

▪ [ ] Both

▪ [ ] Other (please specify): ___________

o What key performance indicators (KPIs) are used to monitor financial health?

▪ [ ] Liquidity ratios

▪ [ ] Operating margins

▪ [ ] Fundraising efficiency

▪ [ ] All of the above

5. **Challenges and Improvements**:

o What are the main challenges you face in financial management? (Open-ended)

o Can you provide examples of any financial management issues that have occurred and how they were resolved? (Open-ended)

o What improvements do you think could be made to enhance financial management practices at Save the Children? (Open-ended)

6. **Training and Capacity Building**:

o What training programs are available for financial staff?

▪ [ ] Regular workshops

▪ [ ] Online courses

▪ [ ] On-the-job training

▪ [ ] None

o How does the organization ensure that staff are up to date with financial management best practices and regulatory requirements?

▪ [ ] Regular training sessions

▪ [ ] Professional development courses

▪ [ ] Both

▪ [ ] None

7. **Regulatory Compliance**:

o How does Save the Children ensure compliance with local and international financial regulations?

▪ [ ] Regular compliance audits

▪ [ ] Training on regulatory requirements

▪ [ ] Both

▪ [ ] None

o What challenges do you face in maintaining regulatory compliance? (Open-ended)

8. **Donor Relations**:

o How does Save the Children maintain transparency and accountability to donors?

▪ [ ] Regular financial reports

▪ [ ] Donor meetings

▪ [ ] Both

▪ [ ] None

o Can you describe the process for reporting financial information to donors?

▪ [ ] Regular updates

▪ [ ] Annual reports

▪ [ ] Both

▪ [ ] None

9. **Technology and Tools**:

o What accounting software and tools are used for financial management?

▪ [ ] QuickBooks

▪ [ ] SAP

▪ [ ] Microsoft Dynamics

▪ [ ] Agresso

▪ [ ] Other (please specify): ___________

o How does technology support financial management processes?

▪ [ ] Very well

▪ [ ] Well

▪ [ ] Neutral

- [ ] Poorly
- [ ] Very poorly

10. **Future Outlook**:

o What are your future goals for financial management at Save the Children? (Open-ended)

o How do you see the financial management practices evolving in the next few years? (Open-ended)

Survey Questionnaire

Purpose: To collect quantitative data on financial management practices and perceptions from a broader group of staff members.

Participants: Employees involved in financial management, including those from different departments and levels within the organization.

Method: Structured questionnaires.

Survey Questions:

1.**Demographic Information**:

o What is your role within Save the Children?

- [ ] Financial Manager
- [ ] Accountant
- [ ] Other (please specify): ___________

o How long have you been working with Save the Children?

- [ ] Less than 1 year
- [ ] 1-3 years
- [ ] 4-6 years
- [ ] More than 6 years

2. **Financial Management Practices**:

o On a scale of 1 to 5, how effective do you think the current budgeting process is? (1 = Not effective, 5 = Very effective)

- [ ] 1
- [ ] 2
- [ ] 3
- [ ] 4
- [ ] 5

o How often are financial plans reviewed and updated?

▪ [ ] Monthly

▪ [ ] Quarterly

▪ [ ] Annually

▪ [ ] Never

o How would you rate the effectiveness of the financial planning process? (1 = Not effective, 5 = Very effective)

▪ [ ] 1

▪ [ ] 2

▪ [ ] 3

▪ [ ] 4

▪ [ ] 5

3. **Internal Controls**:

o How confident are you in the internal controls in place to prevent fraud? (1 = Not confident, 5 = Very confident)

▪ [ ] 1

▪ [ ] 2

▪ [ ] 3

▪ [ ] 4

▪ [ ] 5

o How often are internal audits conducted in your department?

▪ [ ] Monthly

▪ [ ] Quarterly

▪ [ ] Annually

▪ [ ] Never

o How effective are the approval processes for expenditures? (1 = Not effective, 5 = Very effective)

▪ [ ] 1

▪ [ ] 2

▪ [ ] 3

▪ [ ] 4

▪ [ ] 5

4. **Financial Reporting**:

o How frequently do you receive financial reports?

▪ [ ] Weekly

▪ [ ] Monthly

▪ [ ] Quarterly

▪ [ ] Annually

o How clear and understandable are the financial reports you receive? (1 = Not clear, 5 = Very clear)

▪ [ ] 1

▪ [ ] 2

▪ [ ] 3

▪ [ ] 4

▪ [ ] 5

o How useful are the financial reports for your work? (1 = Not useful, 5 = Very useful)

▪ [ ] 1

▪ [ ] 2

▪ [ ] 3

▪ [ ] 4

▪ [ ] 5

5.**Challenges and Improvements**:

o What are the main challenges you face in financial management? (Open-ended)

o What improvements would you suggest for the financial management practices at Save the Children? (Open-ended)

6.**Training and Capacity Building**:

o How often do you receive training on financial management?

▪ [ ] Never

▪ [ ] Annually

▪ [ ] Semi-annually

▪ [ ] Quarterly

o How effective are the training programs in improving your financial management skills? (1 = Not effective, 5 = Very effective)

▪ [ ] 1

▪ [ ] 2

▪ [ ] 3

▪ [ ] 4

▪ [ ] 5

7.**Regulatory Compliance**:

o How well does Save the Children comply with local and international financial regulations? (1 = Not well, 5 = Very well)

▪ [ ] 1

▪ [ ] 2

▪ [ ] 3

▪ [ ] 4

▪ [ ] 5

o What challenges do you face in maintaining regulatory compliance? (Open-ended)

8.**Donor Relations**:

o How transparent is Save the Children in its financial reporting to donors? (1 = Not transparent, 5 = Very transparent)

▪ [ ] 1

▪ [ ] 2

▪ [ ] 3

▪ [ ] 4

▪ [ ] 5

o How effective is the communication of financial information to donors? (1 = Not effective, 5 = Very effective)

▪ [ ] 1

▪ [ ] 2

▪ [ ]