FACTORS INFLUENCING THE FINANCIAL SUSTAINABILITY OF LOCAL NGOS IN GAZA

MASTER'S THESIS

Esraa M. A. AZIZ

Eskişehir 2025

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MASTER'S THESIS

Department of Business Administration

Programme in Finance

Supervisor: Prof. Dr. Güven SEVIL

Anadolu University

Graduate School

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Eskişehir

JÜRİ VE ENSTİTÜ ONAYI

Esraa M. A. AZIZ’nın “Gazze'deki yerel STK'ların mali sürdürülebilirliğini etkileyen faktörler” başlıklı tezi 28/05/2025 tarihinde aşağıdaki jüri tarafından değerlendirilerek “Anadolu Üniversitesi Lisansüstü Eğitim-Öğretim ve Sınav Yönetmeliği’nin ilgili maddeleri uyarınca, İşletme Ana Bilim dalında FINANSMAN Programında Yüksek Lisans tezi olarak kabul edilmiştir.

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This thesis/dissertation titled "Factors Influencing The Financial Sustainability of Local NGOs in Gaza" prepared and submitted by Esraa M. A. AZIZ in partial fulfillment of the requirements in "Code of Graduate School of Anadolu University" for the Degree of Master of Finance in the Department of Business Administration has been examined and approved on 28/05/2025

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ABSTRACT

FACTORS INFLUENCING THE FINANCIAL SUSTAINABILITY OF LOCAL NGOS IN GAZA

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Department of Business Administration

Programme in Finance

Anadolu University, Graduate School, May 2025

Supervisor: Prof. Dr. Güven SEVIL

Recently, the financial sustainability of NGOs has become a worldwide issue, particularly in politically sensitive environments such as Palestine, where most NGOs face many difficulties in obtaining sustainable funds.

The study aimed to examine the factors influencing the financial sustainability of LNGOs in Gaza, Palestine. It investigated the impact of income diversification, sound financial management practices, applying downward and upward accountability, and strong donor relationships on achieving financial sustainability. The study targeted 71 executive and financial managers of NGOs through a structured questionnaire, with a sample of 45 responses analyzed using descriptive statistics (means, standard deviations, and frequency tables) and inferential statistics (Pearson correlation and simple regression analysis) via SPSS software.

The study found that sound financial management practices have the most significant positive impact on financial sustainability, followed by applying downward and upward accountability, strong donor relationships, and income diversification. All of these variables significantly influence financial sustainability. Based on these results, the study recommends strengthening these practices to enhance the long-term financial sustainability of NGOs.

Key Words: Financial Sustainability, Donors, Local NGOs, Fund Diversification, Palestine.

ÖZET

GAZZE'DEKİ YEREL STK'LARIN MALİ SÜRDÜRÜLEBİLİRLİĞİNİ ETKİLEYEN FAKTÖRLER

Esraa M. A. AZIZ

İşletme Anabilim Dalı

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Danışman: Prof. Dr. Güven SEVIL

Son zamanlarda, STK'ların mali sürdürülebilirliği dünya çapında önemli bir konu haline gelmiştir. Bu durum özellikle Filistin gibi politik olarak hassas bölgelerde daha da belirginleşmektedir, çünkü çoğu STK sürdürülebilir fonlar sağlama konusunda birçok zorlukla karşı karşıya kalmaktadır

Bu çalışma, Gazze, Filistin'deki yerel STK'ların mali sürdürülebilirliğini etkileyen faktörleri incelemeyi amaçlamaktadır. Gelir çeşitlendirme, sağlam mali yönetim uygulamaları, aşağıya ve yukarıya doğru hesap verebilirlik uygulamaları ve güçlü bağışçı ilişkilerinin mali sürdürülebilirliğe etkisi araştırılmıştır. Çalışmada, yapılandırılmış bir anket kullanılarak 71 STK’nın üst düzey yöneticileri ve mali yöneticileri hedeflenmiş, 45 yanıt içeren örneklem betimleyici istatistikler (ortalama, standart sapma ve frekans tabloları) ve çıkarımsal istatistikler (Pearson korelasyonu ve basit regresyon analizi) ile SPSS yazılımı kullanılarak analiz edilmiştir.

Araştırma sonuçları, sağlam mali yönetim uygulamalarının mali sürdürülebilirlik üzerinde en güçlü olumlu etkiye sahip olduğunu göstermektedir. Ayrıca, aşağıya ve yukarıya doğru hesap verebilirlik uygulamaları, güçlü bağışçı ilişkileri ve gelir çeşitlendirmenin de anlamlı etkileri olduğu belirlenmiştir. Bu nedenle, STK'ların uzun vadeli mali sürdürülebilirliğini artırmak için bu uygulamaların güçlendirilmesi önerilmektedir.

Anahtar Kelimeler: Finansal Sürdürülebilirlik, Bağışçılar, Yerel STK'lar, Fon Çeşitlendirmesi, Filistin.

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ETİK İLKE VE KURALLARA UYGUNLUK BEYANNAMESİ

Bu tezin bana ait, özgün bir çalışma olduğunu; çalışmamın hazırlık, veri toplama, analiz ve bilgilerin sunumu olmak üzere tüm aşamalarında bilimsel etik ilke ve kurallara uygun davrandığımı; bu çalışma kapsamında elde edilen tüm veri ve bilgiler için kaynak gösterdiğimi ve bu kaynaklara kaynakçada yer verdiğimi; bu çalışmanın Anadolu Üniversitesi tarafından kullanılan "Bilimsel İntihal Tespit Programı"yla tarandığını ve hiçbir şekilde "intihal içermediğini" beyan ederim. Herhangi bir zamanda, çalışmamla ilgili yaptığım bu beyana aykırı bir durumun saptanması durumunda, ortaya çıkacak tüm ahlaki ve hukuki sonuçları kabul ettiğimi bildiririm.

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STATEMENT OF COMPLIANCE WITH ETHICAL PRINCIPLES AND RULES

I hereby truthfully declare that this thesis/dissertation is an original work prepared by me; that I have behaved in accordance with the scientific ethical principles and rules throughout the stages of preparation, data collection, analysis and presentation of my work; that I have cited the sources of all the data and information that could be obtained within the scope of this study, and included these sources in the references section; and that this study has been scanned for plagiarism with "Scientific Plagiarism Detection Program" used by Anadolu University, and that "it does not have any plagiarism" whatsoever. I also declare that, if a case contrary to my declaration is detected in my work at any time, I hereby express my consent to all the ethical and legal consequences that are involved.

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Esraa M. A. AZIZ

(Name and Surname of the Student)

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To my companions on this journey, who made it enjoyable despite its challenges. To those who shared with me moments of struggle and success.

To all my dear friends and loved ones

…./…./2025

ÜRETKEN YAPAY ZEKÂ KULLANIM BEYANI

Bu tez çalışmasının hazırlanması, yürütülmesi, verilerin analizi vb. aşamalarının herhangi birinde üretken yapay zekâ programlarından yaralanmadığımı beyan ederim. Herhangi bir zamanda, çalışmamla ilgili yaptığım bu beyana aykırı bir durumun saptanması durumunda, ortaya çıkacak tüm ahlaki ve hukuki sonuçları kabul ettiğimi bildiririm.

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(Öğrencinin Adı Soyadı)

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DECLARATION OF GENERATIVE ARTIFICIAL INTELLIGENCE USAGE

I declare that I have not used generative artificial intelligence programs at any stage of the preparation, execution, data analysis, etc. of this study .

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Esraa M. A. AZIZ

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LIST OF ABBREVIATIONS

CBOs: Community-Based Organizations

CEOs: Chief Executive Officers

CFOs: Chief Financial Officers

ERPs: Enterprise Resource Planning Software

LNGOs: Local Non-Governmental Organizations

NGOs: Non-Governmental Organizations

PNGO: Palestinian Non-Governmental Organizations Network

CHAPTER 1

NGOs & RESEARCH BACKGROUND

1.1 Introduction

In most developing countries, the government can't provide the only source of the goods and services required to eliminate poverty, offer a lot of social services, and assure sustainable growth for its citizens. As a result, another entity outside of the government was required to undertake these responsibilities, giving rise to the idea of non-governmental organizations as being more adaptable, flexible, and responsive to the needs of citizens than governments.

The NGO sector has played a critical role in delivering social and economic services in the Gaza Strip and West Bank. These NGOs survived and even developed in the face of several difficulties created by the occupation, representing a distinct and special model in the Arab area, particularly since the Oslo Accords and the creation of the Palestinian Authority in 1993. These serious shortages of resources are worsened by the increasingly unstable economic situation as a result of Israel's border closures and subsequent attacks into Palestinian areas, as well as the Palestinian National Authority's organizational and financial inability or unwillingness to take responsibility for all social service provision. (Abdelkarim, 2002)

Over the last few decades, the matter of NGOs' financial sustainability has received increased attention across the world. As a result, in a politically complicated and frequently changing context like Palestine, obtaining financial sustainability becomes an essential challenge for many, if not all, Palestinian NGOs. (Morrar & Sultan, 2020)

The financial sustainability of NGOs is connected to the potential risks of their dependency on outside sources of funding, as well as the increasing demand of donors for more efficiency and effectiveness.

The research focuses primarily on the factors influencing the financial sustainability of Palestinian non-governmental organizations, as well as the extent to which these factors influence the institutions' long-term sustainability and provision of services.

1.2 Non-Governmental Organizations

Providing help and social services have existed from humanity's beginning, as humans are innately and naturally sociable. The rise of global crises and difficulties, as well as an increase in conflicts, necessitated the presence of a party to intervene to mitigate these crises, therefore the necessity to establish formal organizations to follow up on these issues developed, and non-governmental organizations were established.

Although the term "Non-Governmental Organizations" is one of the most common terms at the international level, it is not the only term used. Other terms are used, such as non-profit organizations, civil society organizations, or volunteer organizations. (Boukhras & Ghazlani, 2018)

The growing role and activity of non-governmental organizations resulted in their recognition by the United Nations, as the term "non-governmental organization" or NGO came into circulation in 1945 due to the need for the United Nations to distinguish in its charter between participation rights for intergovernmental specialized agencies and those for international private organizations. (Willetts, 2002)

Despite the numerous definitions and terms used to describe non-governmental organizations, no specific or formal definition existed. Whereas, in the United Nations, nearly any kind of private organization can be classified as an NGO. All they have to do is be independent of government control, not aim at challenging governments as a political group or through a narrow concentration on human rights, and be non-profit and non-criminal. (Willetts, 2002) The World Bank defined it as "private organizations that engage in activities that reduce suffering, encourage concern for the poor, protect the environment, provide basic humanitarian services, and practice community development. In a wider sense, it refers to any non-governmental organization founded on volunteering and donations that offers societally beneficial services." (Carmen, 1995) Hudson and Bielefeld (1997) described it as "organizations that provide useful goods or services (in a legal sense) and thus serve a specific public purpose. They are unable to allocate revenues to individuals. They are voluntary in the sense that they are established, maintained, and terminated based on a voluntary choice and initiative by members or the Board of Directors, demonstrating rationality of value."

The basic requirements that would enable any group to be recognized as a non-governmental organization may be described as follows:

- The absence of the government: Means that there is no relationship between the government and its membership, and it is completely independent of the government.
- Non-Profit: Non-governmental organizations can engage in revenue-generating activities, but they cannot be for-profit.
- Community service: All of the organization’s actions must be designed toward helping the community and the public interest, and not toward personal interests.

1.3 NGOs Types

Issa, (2019) and Elgamrawy (2015) mentioned in their studies that NGOs are classified into a variety of categories depending on their size, background, structure, membership types, management, activities, operational features, and level of operation. The most common classifications are based on their orientation and level of operation.

1.3.1 Orientation

NGOs are classified based on the orientation they take into the following:

- Charitable orientation: The organization carries direct responsibility without the participation of the beneficiaries, and its operations often include care, poverty alleviation, and the provision of necessities for poor people.
- Service orientation: This type includes the NGOs that provide health, family planning, or education services, with the NGO designing the program. Individuals are expected to engage in its formation and implementation.
- Participatory orientation: Although not commonly used, this type seeks to engage members of the community in the planning and execution of events. It is highlighted by self-help projects in which locals contribute cash, tools, land, materials, labor, and other resources to the project’s implementation. Family associations are an adequate example of this type.
- Empowering orientation: This type tries to help target groups comprehend their political, social, cultural, and economic environments, which may have an impact on their way of life and entitlements. The beneficiaries are as involved as possible, with NGOs assisting as facilitators.

1.3.2 Level of operation

NGOs are classified according to the level of their operations into the following:

- Community-based organizations (CBOs): They are formed when a group of people agree on a specific need and decide to work together to satisfy it. It may include clubs and get aid from other local and international NGOs.
- City-level organizations: These organizations are formed for general or particular purposes, such as chambers of commerce and industry, unions of business, and associations of community organizations. Their purpose is to serve the group to which they belong, and they sometimes attempt to assist people who are struggling through subsidiary activities.
- Local NGOs: These organizations are founded by local individuals to serve the public interest and they receive funds from both internal and external sources.
- International NGOs: These organizations generally acquire their funding from the government where their headquarters exists, or through international activities within a global effort. They actively support local organizations and undertake initiatives, and they are not permitted to request funds from sources within the nations to which they are assigned.

1.4 NGOs in Palestine

The rise of NGOs in Palestine started in the middle of the nineteenth century, due to the increased privileges provided by foreign countries in Palestine following the end of Ottoman rule, as well as the implementation of administrative and organizational improvements by different countries. The Jerusalem Literary Society is regarded as Palestine's earliest NGO, launched in 1849. NGOs played a significant role in Palestinian society at that period, as they carried out a wide range of economic, social, and political responsibilities and operations. Their inception and establishment were based on the Ottoman Associations Law, which was published in 1908. During that time, it was known as the Ottoman Association, and it worked until the British occupation of Palestine in 1917. (Al-Jayousi, 2017)

The growth of NGOs in Palestine has passed through various periods, which can be classified into three primary stages: (Amro, 2005)

- First stage: This stage started in the twentieth century and continued until 1967. It contained many events represented by the end of Ottoman rule, the period of the British Mandate, and the Zionist occupation of Palestine, and continued to include both Jordanian and Egyptian rule over the West Bank and Gaza Strip in 1967, and the most important thing that differentiated this period was volunteer and relief work, as the work of NGOs during this period concentrated on supporting families and helping those suffering and affected by wars.
- Second stage: This stage continued from 1967 to 1994 when the Palestinian Authority entered the occupied areas. This stage witnessed a qualitative improvement represented by the beginning of widespread civil and social work for these organizations, particularly after the 1987 rebellion, as a result of their focus on aspects of health, education, and agriculture, in addition to political issues, which contributed to their importance in the Palestinian reality.
- Third stage: This stage started in 1994, following a significant qualitative shift in Palestinian existence as a result of the signing of the Oslo Agreements by Palestinian and "Israeli Occupation" parties. During this period, organizations started expanding their activities and growing, political, and social areas, as they moved toward partnership and cooperation with current authority institutions.

According to Palestinian law (Article 2 of the Charitable Societies and Organizations Law No. 1 of 2000), NGOs defines as "It is an independent legal entity established according to an agreement between at least seven persons to accomplish public-good aims without the intention of collecting financial profit and sharing it among members or for personal gain."

The Department of Non-Governmental Organizations and Public Affairs of the Ministry of Interior in Ramallah is responsible for registering and supervising all NGOs in Palestine.

According to the researcher's work in an NGO in Gaza, there is no official body or union that includes all NGOs in Palestine. While there are many bodies concerned with the affairs of NGOs, such as the Center for the Development of Non-Governmental Organizations and the Palestinian Network of Non-governmental Organizations, they do not represent a complete source for obtaining complete information about this sector.

On the other hand, the existing studies are not up-to-date therefore readers and those interested in the NGO sector are without reliable data.

The table 1.1 below presents the number of NGOs operating in Palestine, according to data from the Palestinian Central Bureau of Statistics, based on geographic distribution.

Table 1.1 *Numbers of NGOs in Palestine*

Governorate	Number of NGOs
***Gaza Strip**	**1,324**
North Gaza	231
Gaza	496
Dier Al-Balah	181
Khan Yunis	267
Rafah	149
***West Bank**	**2,364**
Jenin	251
Tubas & Northern Valleys	62
Tulkarm	173
Nablus	359
Qalqilya & Salfit	152
Ramallah & Al-Bireh	497
Jericho & Al-Aghwar	56
Jerusalem	160
Bethlehem	341
Hebron	313
Total	**3,688**

1.5 Problem Statement

(NGOs) play an important role in figuring out social, economic, and humanitarian issues in Palestine. However, these organizations' financial sustainability remains a significant challenge, limiting their capability to efficiently carry out their duties. The complicated social and political scene, ongoing conflicts, and limited resources available in Palestine provide significant challenges for NGOs seeking to ensure a stable and sustainable financial condition.

Financial sustainability is not only an operational issue, it determines an NGO's consistency, effect, and ability to adapt to changing community demands.

Existing studies regarding NGO sustainability are largely focused on global contexts, with numerous studies on developing countries such as Ghana, Kenya, and Zimbabwe. In Palestine, they are limited, and there are no comprehensive studies accessible that clarify the financial sustainability condition of Palestinian NGOs, leading to a deficit in studies regarding NGOs, particularly in Gaza.

Therefore, this research aims to address this gap by investigating and assessing the determinants that affect the financial sustainability of local NGOs in Gaza. Understanding these determinants is critical for developing strategies, policies, and specific measures that improve NGOs' resiliency and contribute to the sustainable growth of Palestinian communities. The main question is what determinants affect the financial sustainability of local NGOs in Gaza?

1.6 Research Variables

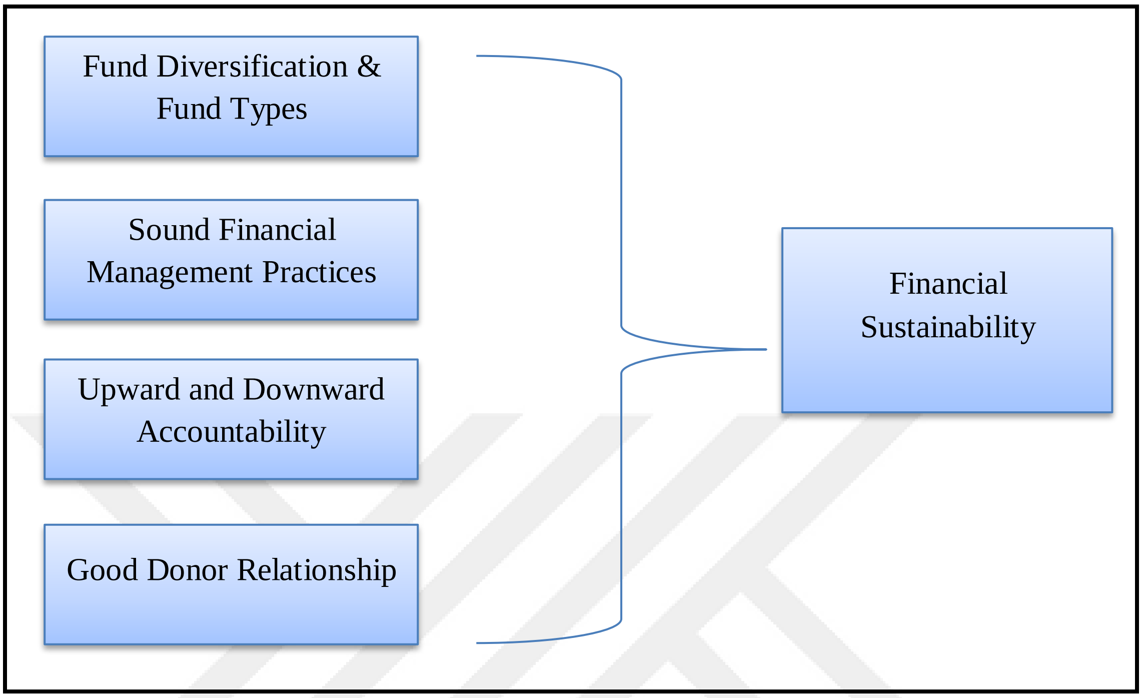
The research includes the following variables:

- **Dependent variable:** Financial sustainability.
- **Independent variables:** The determinants of financial sustainability, which are:

1. Fund Diversification
2. Sound Financial Management Practices
3. Upward and Downward Accountability
4. Good Donor Relationship

The study variables can be explained in the following figure 1.1:

Figure 1.1 *Dependent & Independent Variables.*



Source: Researcher

1.7 Research Questions

The main question of the research is to determine the main determinants of financial sustainability of LNGOs. To answer this main question, there're sub-questions as following:

1. How fund diversification affects the financial sustainability of LNGOs in Gaza?
2. What is the effect of sound financial management practices on the financial sustainability of LNGOs in Gaza?
3. What is the effect of applying upward and downward accountability on the financial sustainability of LNGOs in Gaza?
4. Does good donor relationship have a significant influence on LNGOs' financial sustainability in Gaza?

1.8 Research Objectives

The research aims to determine the main determinants that influence the financial sustainability of Local NGOs in Gaza.

To achieve the aim, the following objectives will be attained:

- Establish the extent to which fund diversification affects the financial sustainability of LNGOs in Gaza;
- Determine the effect of sound financial management practices on the financial sustainability of LNGOs in Gaza;
- Determine the extent to which applying upward and downward accountability influence the financial sustainability of LNGOs in Gaza; and
- Establish whether good donor relationship affected LNGOs' financial sustainability in Gaza.

1.9 Research Importance

The importance of the research comes from the critical role played by NGOs in the growth and improvement of the Palestinian community, particularly in light of the occupation and the lack of a fully-fledged state. These NGOs fill the gaps that the Palestinian government is unable to satisfy in areas such as poverty and hunger relief, basic care needs, family empowerment, health, education, and others, along with providing employment opportunities for members of the Palestinian community, particularly in Gaza.

As stated before, there is a shortage of literature on the determinants that influence the financial sustainability of local NGOs in Palestine, and this research contributes to this literature.

Understanding the determinants of financial sustainability also assists local NGOs in becoming more stable and adopting methods for enhancing financial sustainability in the face of fluctuating and declining financing from external donors. Understanding the determinants of financial sustainability also assists donors in developing strategic plans for Palestinian organizations and ensuring that they continue to operate.

CHAPTER 2

THEORETICAL FRAMEWORK & PREVIOUS STUDIES

2.1 Sustainability of NGOs

When the term "sustainability" is mentioned, many ideas come to the mind, including the economy, politics, society, and even the surrounding environment. This research focuses on the economic side of sustainability, especially the availability of sufficient funds, which is what motivates researchers to study the factors of financial sustainability for NGOs.

In the past years, regardless of the huge diversity across NGOs worldwide, most have faced a common challenge: a shortage of funding that restricts the amount and/or quality of essential duties they do. Unlimited needs seeking for restricted resources are a fundamental aspect of economic life in both low-income and wealthy countries. It impacts both major multinational NGOs and small local NGOs. NGO management must frequently devote as much focus on fundraising as they do to spending those funds (Abdelkarim, 2002).

2.1.1 Definition of Financial Sustainability

In recent NGO studies, the definition of financial sustainability is still being subject to discussion. Although the term sustainability is wide and carries various meanings based on the method adapted, researchers dedicated to NGOs appear to agree that it refers to the ability required to maintain its existence and maintain its social obligations to its donors and the society in which it runs (Cordova Paredes, et al., 2019)

Sustainability refers to an organization's capacity to be sustained throughout time by its administration. However, the definition of financial sustainability varies significantly between for-profit and nonprofit organizations, based on the organization's organizational framework, income framework, and overall aim. For both for-profit and nonprofit organizations, financial capacity refers to the resources that allow an organization to capitalize on opportunities and respond to unexpected difficulties while continuing to operate effectively. (Bowman, 2011)

An NGO's financial sustainability relates to the organization's capacity to reallocate assets in response to opportunities and risks while maintaining a good financial position over time. Other researchers describe the financial sustainability of NGOs as the ability of the organization to generate its revenue or attract funds locally, reducing foreign dependency while still completing the requirements. (Ebenezer, et al., 2020) The most comprehensive definition by (Abdelkarim, 2002) defines the financial sustainability as an NGO's capacity to create a broad wealth of resources so that it can maintain its organizational framework and generate advantages for the targeted clients after the termination of donors' financial aid. The definition involves three major parts. The first part includes developing financial management by implementing financial management systems to provide data that allows management to reach effective financial and programming decisions, and consequently enhances the organization's efficiency, assessing expenses to discover possible cost reductions and establishing strategies and techniques for cost reduction, and improving financial predictions and budgeting. The second part includes resource mobilization which involves developing an extensive resource mobilization strategy, developing and marketing successful project ideas to attract new funders, and forming partnerships with the government, other NGOs, or private corporations to utilize unused resources. And the third part contains income generation by the selling of products and services, the development of pricing policies and marketing strategies, the marketing and sale of technical support and soft assets, and the maximization of the cost of membership and physical asset rental costs.

2.1.2 Importance of Sustainability for NGOs

Sustainability is critical for NGOs to continue operating and have an ongoing impact.
The following points highlight the importance of sustainability for NGOs, especially in developing nations:

- The scope of economic, social, and cultural issues cannot be resolved by themselves.
- Issues do not just disappear, and even if an NGO is successful in eliminating one problem, it is frequently made aware of multiple other issues in the community that they were aiding. As has been widely observed, the genesis of an issue is seldom a single cause, but rather a web of interconnected issues, particularly in developing nations.

- Governments in developing nations are inefficient as a result of fraud and a lack of resources, requiring a powerful civil society.
- In certain circumstances, the establishment of international NGOs is neither necessary nor beneficial on both a financial and operational scale.
- If an LNGO can establish a relationship or strong connection with the community, that connection ought not to be abandoned due to financial limitations. (Elgamrawy, 2015)

2.1.3 Characteristics of Financial Sustainability

The characteristics of financial sustainability are as follows:

- Continuing: That is, continuous financing, which facilitates the continuation of organizations' operations and duties;
- Diversity: It refers to financing sources that may be classified into fundamental and major sources, such as government support for organizations, which is frequently depended on, and different legal sources that are also defined by continuity, such as donations, gifts, and grants;
- Funding efficiency: Sustainable funding can be identified by integrity in approaches and goals, whether regarding the availability of financial sources related to real ownership or regarding goals for growth and projects eligible for funding based on actual added value. Sustainable funding is based on criteria and measurements that relate to the efficiency of the project requiring funding;
- Financial and security stability: from risks caused by speculation in the international financial markets, resistance to financial crises, and the ongoing achievement of objectives;
- Investment: Sustainable funding takes the form of real investment in projects for development that provide value to the community, whether socially or economically;
- Prioritization: Funding enables users to utilize the development priority ranking system for planning and carrying out development projects and activities. (Ben Ayyash, & Bushahta, 2022).

2.1.4 Dimensions of Financial Sustainability in NGOs

There are two dimensions of financial sustainability, one related to revenue while the other is related to service, which can be described as follows:

- The first dimension related to revenue: It considers sources of revenue over the expected time frame, as well as existing policy assumptions for service delivery. This dimension emphasizes the ability of the organization to adjust revenue levels or generate new sources of funds. It also considers other aspects, such as the amount to which the organization relies on funding sources outside its authority or impact.
- The second dimension related to service: It considers the quantity and quality of services delivered to recipients, as well as the amounts paid to beneficiaries throughout the estimated period, as a result of current revenue policy assumptions. This dimension assesses the ability of the organization to sustain the quantity and quality of services it offers. (Al-Shaibi, 2022).

2.1.5 Strategies enable NGOs to achieve Financial Sustainability

Financial sustainability is the backbone of non-governmental organizations, that enable them to continue their operations and duties, and achieving financial sustainability is one of the biggest challenges that NGOs face.

Building a sustainable NGO is a challenge that involves both internal factors that enhance organizational capability and external factors to establish a stronger regulatory environment and secure funds to guarantee that NGOs can continue performing their duties. However, NGOs must develop organizational and self-governing capabilities before trying to achieve financial sustainability, and an effective legal structure for the NGO sector is required for both. (Abdelkarim, 2002)

Therefore, NGOs must adopt a comprehensive, integrated strategic plan to ensure financial sustainability and maintain their long-term continuity. (Al-Shaibi, 2022 and Ben Ayyash, & Bushahta, 2022) mentioned in their researches, strategies through which organizations can achieve financial sustainability, as follows:

- Organizational culture and marketing knowledge: Developing organizational and administrative techniques improve resource management and attract funding. NGOs must additionally invest in marketing to raise awareness about their activities and attract donors and partners;
- Networking and expanding partnerships: Connecting with other organizations can lead to opportunities for cooperation on projects and sharing expenses. Cooperation between organizations improves people's lives while also promoting community development and advancement;

- Investment and business development: Expanding investment will lead to long-term financial sustainability, and NGOs can implement projects that advance their social targets and generate sustainable revenue;
- Good leadership and effective management: Effective management is the capacity to observe the future clearly and supervise staff to enhance performance and productivity to achieve its objectives and financial sustainability;
- Strong public relations: Public relations are the providing of recommendations to management and leaders of the organizations, along with the planning and execution of an action plan that serves not only the organization but also the needs of the community. Community participation can result in improved local support and resources, as well as ensuring that NGOs' missions are under the needs of the people they serve;
- Sustainability Planning: One of the most significant duties of administration is long-term planning, which allows NGOs to forecast upcoming challenges and opportunities. This includes establishing financial objectives and implementing procedures to reach them.

2.2 Factors influencing financial sustainability of the NGOs

Many studies have examined various factors that affect financial sustainability, such as: income diversification, sound management, and strong relationships with donors.

(Al-Shaibi, 2022) and (Davis, 2013) studied the influence of fund diversification on financial sustainability. (Issa, 2019) studied the impact of fund diversification and fund types, and upward and downward accountability, while (Ebenezer, et al., 2020) and (Saungweme, 2014) studied the impact of sound financial management practices, income diversification, own income generation, and good donor relationship management practices. (Mutinda & Ngahu, 2016) studied the effect of financial resource mobilization capacity and internal financial control systems while (Dagane & Kihara, 2021) studied the effect of financial reporting, financial monitoring, financial audits, and financial risk assessment. (Wachira, 2016) studied the effect of donor relationship management, income diversification, financial management, and management competence. (Omeri, 2014) studied the impact of diversification of sources of funds, the competence of personnel managing the NGOs projects, and strategic financial planning.

In this study, 4 factors will be examined: fund diversification, sound financial management practices, upward and downward accountability, and good donor relationship.

2.2.1 Fund Diversification

Fund diversification and financial sustainability are frequently ranked at the top of challenges emphasized by NGOs as threats to their existence. This is a common challenge for NGOs all over the world. (Davis, 2013)

(Alymkulova, & Seipulnik, 2005) consider that in order to be sustainable, NGOs should not rely so much on a single source of funds.

(Omeri, 2014) defined the fund diversification as a variety of actions aimed at reducing reliance on a particular kind of funds, particular donor, dominant customer, country that is the primary or sole provider of funds, and currency where most or all funds are paid out. (Wachira, 2016) identified fund diversification as the gathering of funds from various resources. These involve the general public, leaders of business, governments, as well as external donors. He concluded that fund diversification prevents the organization against unexpected fluctuations and difficulties caused by the instability of donor support.

- **Sources of Funding in NGOs**

NGOs can obtain funds to run their projects from a variety of sources, and each organization has more than one source of funding. Each source of funding has its advantages and disadvantages. Each organization has specific sources that are appropriate for its financial requirements, standards, and goals.

There are two types of funding sources in NGOs: external and internal.

- **External sources of funding**

NGOs obtain funds mainly from the government, the business sector, development finance agencies, and international corporations and institutions (Conradie, 1999).

Some governments provide funds to NGOs in the form of yearly financial support and grants to encourage them to carry the government's expenses while also contributing to the advancement of society (Al-Shaibi, 2022). Although funds from the government are an essential source of income for NGOs, it is sensitive to changes in the political system, objectives, and agendas, which can cause volatility. Government support may bring beneficial financial stability to organizations, but it may also result in adverse effects such as a change in the organization's goal, a loss of independence, and an organized shortage of flexibility (Issa, 2019).

Donations from the business sector, development finance agencies, and international corporations and institutions are traditional sources of income for NGOs. Funding can be earned by presenting financial proposals. These proposals must include data on the NGOs' background, goals, achievements, management, and financial systems. A budget with capital allocations and other projected expenditures should be provided. The budget is closely linked to the organization's achievements and objectives. The budget and proposal must be prepared carefully and appropriately. It is also advised that the proposal describe the project's national context and significance, as well as underline its outcomes or beneficial influence. Explain the project's financial sustainability and cost-effectiveness, as well as how the community will participate (Conradie, 1999).

In this context, it's important to address the topic of restricted and unrestricted funding. Restricted funds are described as funds that can only be used for certain objectives agreed upon with the donors, whereas unrestricted funding can be utilized for any purpose that aids NGOs in their goals. Restrictions often include limitations on the planned budget or direct limitations placed by the donor on the usage of funds for the exact purpose for which they were obtained (Issa, 2019).

(Saungweme, 2014) classified the types of funding in NGOs into: public funding, project funding, program funding, and core funding. A financially sustainable NGO needs to be able to acquire a suitable combination of these funds. Public funding can be raised through public fundraising campaigns and are short-term, mostly unrestricted funding that can be obtained from events such as one-off public donations. These are important for accumulating reserves that complement further sources of funding. Project funding is short-term restricted funding that is frequently provided by donor institutions for particular projects lasting 1-3 years. Program funding is long-term funding that might face specific restrictions. It is frequently provided by donors who have strong connections with NGOs and whose donations are based on the program areas. Core funds are defined as funding obtained for an organization's core activities, which are both flexible and reliable. NGOs become more sustainable when they can get more core funds.

NGOs need to undertake a selective approach, ensuring that they have the proper combination of restricted and unrestricted funds, as well as the proper combination of public, project, program, and core funds, to maintain their financial sustainability and donors' trust (Issa, 2019 & Saungweme, 2014).

- **Internal sources of funding**

NGOs carry out self-funding activities, often known as "earned income," which includes a variety of approaches for recovering costs or making additional funds in order to generate additional NGO-specific sources to fund programs or operational expenses (Omeri, 2014).

NGOs can raise their own funds in a variety of ways, involving registration and membership fees, which represent the organization's receipts from membership fees from its members once they join the organization for the first time and renew their membership, earnings from depositing unused funds in a bank deposit account or savings funds, earnings from yearly subscriptions, which collected from members who pay annual fees as a payment of accessing the organization's services, such as cultural and social clubs, earnings generated by different services and activities provided to beneficiaries, such as consultations and event organization, and other commercial transactions such as renting halls and parking areas, as well as earnings from conducting different events such as bazaars (Al-Shaibi, 2022).

Internal funds are a crucial element of financial sustainability since it's flexible and unrestricted. The NGO can be more financially sustainable when it generates its funds (unrestricted funds), enabling it to undertake any projects it desires, particularly some that local and international funders are hesitant to sponsor. Rising internal fund allows the NGO to gather reserve funds, which are normally shown separately in yearly financial statements and may be utilized for unexpected circumstances, reducing donor dependency and shortfalls in funds while also improving the NGO's ability to resist external financial challenges (Saungweme, 2014).

However, NGOs' ability to obtain funds from self-funding activities is still limited. Earned income efforts face several challenges, as these fund-generating efforts have the potential to shift the organization's attention away from its fundamental objective. Additional challenges include a lack of competence to execute profitable commercial activities because NGO workers were utilized and educated for non-profit purposes.

Integrating fund-generating operations with the organization's non-profit charity activities has also presented legal difficulties since certain governments have the authority to remove tax exemptions if an NGO begins profit-generating activities (Saungweme, 2014 & Davis, 2013).

2.2.2 Sound Financial Management Practices

Sound financial management practices include examining and acting on financial issues affecting the NGO's general orientation and abilities to achieve its present and future goals (Wachira, 2016).

Sound financial management practices include managing the organization's current and future financial resources, and establishing how to get the required funds to implement the NGO's strategic plan. An effective strategic financial management practice indicates that the NGO will receive long-term funding from donors who understand and agree with the mission of the NGO. Furthermore, NGOs need to manage their funds and establish sustainable and long-term financial strategies since donor requirements are rapidly changing and the competition between NGOs is expanding due to a variety of issues (Ebenezer, et al., 2020).

NGOs face two significant financial management challenges: funds for the NGO's mission and risk management. Both of these challenges have a critical effect on financial sustainability. Regarding the funds for the NGO's mission, strategic financial management refers to the following issues: the required unrestricted funds, mobilization of resources, strategies for recovery of costs, and fund diversification. Regarding risk management, sound financial management involves emergency planning, donor/stakeholder support, reserve building, and financial integration (Saungweme, 2014).

NGOs with effective financial management systems and strong financial controls attract more donors and offer them trust that funding will be utilized to achieve their intended objectives.

Donors currently provide funds to NGOs that show effective systems with internal controls that maintain accountability and prepare the required financial reports (Wachira, 2016).

Sound financial practices of NGOs can be measured by different kinds of criteria, including the establishment of financial plans linked to strategic plans, the inclusion of financial oversight duties for the board in the NGO's policies, the establishment of a board committee that supervises financial issues, periodic audits, and the preparation and examination of financial statements regularly (Ebenezer, et al., 2020).

Based on different previous studies, (Kgotlaetsile, 2022) summarized different measures for sound financial management practices as follow:

- **Financial and strategic planning**

Financial and strategic planning are interrelated processes, where strategic planning includes the implementation of techniques and instruments that ensure the organization's objectives, structure, methods, and resources are appropriate for continued operation. The financial plan efficiently transforms the actions outlined in the strategic plan into financial data.

The strategic plan describes what and why of the organization's objectives, but the financial plan assures how and when of the stated objectives by determining the quantity of financial resources available to accomplish them. If the organization has knowledge of its financial data, it can fulfill its financial commitments, settle its liabilities, improve its liquidity ratio, and safeguard it from the threat of liquidation.

Budgeting is a financial planning procedure in which predicted funds and expenses over a given period are assigned to the organization's obligations. A budget is a financial planning instrument that estimates both expenses and funds for the operations that will be performed. It can be established for one month, one year, or three to five years. Budgeting needs to include both managers and employees and needs to be reviewed by employees before it's submitted to the management and the board. This enables the whole budget to be expressed to all members of the NGO, resulting in better utilization of financial resources. This approach makes employees aware of the projects that will get funds, allowing them to properly plan their activities and set up their monitoring and assessing instruments on time. To maintain transparency and accountability, the NGO should assign specialized staff to supervise the budgeting activity, document the methods used, and establish timetables. This provides donors with an overview of where the organization is going, which will increase their interest and generate funds.

- **Financial recording**

Financial recording is the fundamental stage in maintaining accountability in the financial management area. It offers accounting opportunities to others, such as personnel, management, the board, donors, and other stakeholders. It allows for the recording of all financial transactions inside the organization, the preparation of financial reports, and the monitoring of cash flow. Financial records are often comprised of cash books, comprehensive ledgers, spreadsheets, and computerized packaged systems. The goal of recording is to make sure that all transactions are recorded in the charts of accounts. The usage of computerized accounting software is the best option for this procedure since it assures accuracy, giving a high level of trust to the financial reports derived from this data. In contrast to spreadsheets, it is sufficiently flexible to enable more extensive transaction coding.

- **Financial Monitoring**

Organizations have to maintain financial records on which they can prepare financial reports. This guarantees that they have accountability for how the funds were spent, that they are aware of their financial abilities at all times, that accountability is promoted, and that the management team can make well-informed decisions.
Financial monitoring include: financial statements, and audit.

- **Financial statements**

Financial statements are written records of the NGO's financial activities. These financial tools help examine and analyze the NGO's financial health, resulting in Annual Financial Statements. These include the statement of financial position (balance sheet), statement of cash flows, and statement of activities (comprehensive income).

- Statement of financial position: It presents detailed financial information on the NGO's health, including what it owns and owes. Overall, it outlines the NGO's financial flexibility in covering its debts, as well as the need for external funds.
- Statement of cash flows: It is the movement of funds into and out of an organization, which facilitates the decision-making process about the funds and investment.
- Statement of activities: Comparing the budgeted income and expenses to the actual income and expenses at a specific period.

- **Audit**

Audit reviews an organization's records, processes, and operations for both internal and external benefits. Internal audit is reported to management and board members, and external audit is reported to donors. An audited NGO indicates its commitment to accountability and transparency, which helps it gain credibility and raise funds. The audit needs to be performed by an external professional who then analyzes the provided financial statements, ensuring their accuracy through a series of tests.

During auditing, the auditor gives an opinion on the statements reviewed, opinions on their accounting procedures, and recommendations for improving the existing systems and processes. Audit has to be conducted after each fiscal year.

2.2.3 Upward and Downward Accountability

NGOs need to continually receive funds from donors to survive; therefore receiving funds from donors necessitates compliance with the required reports and verification of the utilization of the funds. Transparency and accountability are important concerns that must be addressed if these organizations want to keep receiving funds. Showing principles and accountability to donors and supporters is one of the greatest challenges that NGOs face in order to maintain their financial sustainability. (Masdar, 2015)

Accountability comes when both individuals and organizations submit reports to authorized and related entities and accept responsibility for their actions.

However, believing that only official authorities have the right to hold organizations accountable represents a limited vision, and this thinking may lead NGOs to concentrate on their relationships with donors and governments while ignoring other influential people such as the beneficiaries. To ensure the effectiveness of accountability, the term should be extended to include both donors and beneficiaries. (Issa, 2019)

There are two methods to demonstrate accountability to stakeholders. First, upward accountability makes NGOs accountable to donors, boards of trustees, and local governments to ensure that they maintain human values and fulfill their development goals. Second, downward accountability requires NGOs to be accountable to partners and individuals to whom they provide services to ensure effectiveness because these individuals have no connection with donors. (Cavill & Sohail, 2007)

NGOs exchange accountability for funding, and they can keep obtaining funds by expressing commitment to achieving the requirements of stakeholders. However, it is challenging to reconcile different methods of accountability since they often conflict with each other. Upward and downward accountability, on the other hand, can be performed more effectively when strong lateral accountability methods are in place since accountability must be founded on an environment of trust among stakeholders. (Issa, 2019)

- **Upward Accountability**

Upward accountability entails focusing on resource management, utilization, and direct effects, as well as measuring efficiency for the indication of how funding from donors is utilized effectively. Upward accountability is a quantitative method and can be delivered in a variety of methods selected by the donors. (Issa, 2019)

Financial statements, assessments, and performance evaluation reports tend to be the most common methods of proving upward accountability, which typically meets donors' expectations for financial and technical accomplishment. Upward accountability is essential for demonstrating compliance with donor requirements, which include financial procedures, project performance, legal duties, and acceptable technological procedures. (O'Dwyer & Unerman, 2010)

Upward accountability is a type of social responsibility that extends beyond reporting methods and formal processes to include continual discussion and collaborative development between NGOs and donors. The employment of both official and unofficial methods of proving upward accountability is essential to the financial sustainability of the NGOs. Establishing upward accountability points out that NGOs are becoming more proactive in regulating their institutional contexts, which can minimize their reliance on donors and increase financial sustainability. (Masdar, 2015)

Donors generally refer to the financial and activity reports of the NGOs regarding financing decisions, and these reports are also extremely important for any decision-makers.

The upward accountability of the NGO represents its obligation to improve its public image and organizational relevance to donors in the presence of the increasing competition to acquire funds between the huge numbers of NGOs in the same region.

However, over focusing on applying upward accountability have disadvantages as well. Overly concentrating on the financial aspects of keeping NGOs accountable undermines these organizations' capacity to keep them accountable since they rely on financial resources supplied by the same donor who expects them to meet their interests and objectives. (Issa, 2019)

The process of upward accountability additionally decreases the resources remaining for beneficiaries since NGOs need to allocate a significant portion of their earnings to fulfill donor reporting tasks. (O'Dwyer & Unerman, 2010)

Increasing accountability concentrates on the financial reports, which are viewed as the only measure of the quality of NGO performance. Furthermore, these reports might differ substantially between donors and projects, necessitating a large expenditure of both time and funds. NGOs are typically overloaded with many requirements for compiling and drafting donor-requested reports, resulting in information of minimal value to these organizations' performance and decision-making. Although creating and sustaining good relationships with stakeholders using upward accountability is an encouraging indicator of financial sustainability, it does not replace the need for downward accountability. Thus, NGOs must implement downward accountability measures. (Issa, 2019)

- **Downward Accountability**

Expanding the procedures that NGOs should adopt by showing accountability necessitates more emphasis on downward accountability. Downward accountability means that NGOs have to be accountable to the individuals who benefit from their services and rely on them to enhance their quality of life. (O'Dwyer & Unerman, 2010)

NGOs can achieve better outcomes by interacting directly with their beneficiaries. When NGOs shows a higher capacity for adopting downward accountability, it would increase their ability to benefit from their interaction with beneficiaries as a competitive advantage. These NGOs can then separate themselves from others and gain higher authority in their relationships with donors, resulting in greater independence and sustainability. (Issa, 2019)

Many international development fund donors have lately discovered that to increase the effectiveness of funds allocation, NGOs must engage in participatory discussion with their beneficiaries to explain their requirements and understand the main objectives. (O'Dwyer & Unerman, 2010)

NGOs have to be capable of generating funds and establishing a strong relationship with beneficiaries and influencers to increase their visibility and reach out to community members. In the same vein, offering aid to beneficiaries can increase the chance of developing partnerships with NGOs, allowing them to remain anchored while supporting their sustainability. (Issa, 2019)

Downward accountability, also the term of "comprehensive accountability philosophy," is central to the rights-based approach since it facilitates discussion between NGOs and relevant stakeholders such as donors and beneficiaries, thereby empowering beneficiaries and improving the transparency, effectiveness, and sustainability of NGO activities. (O'Dwyer & Unerman, 2010)

Downward responsibility, on the other hand, frequently goes beyond the scope of formal NGOs' goals and programs since it necessitates the integration and alignment of different and conflicting goals. In addition, NGOs may have contradictory commitments to donors and beneficiaries. While donors need NGOs to be accountable for the transparency, efficacy, and outcomes of the programs they finance, beneficiaries also expect these NGOs to strive to address locally defined development requirements instead of implementing their own goals or opinions. As a result, NGOs tend to prioritize upward accountability to donors, while downward procedures remain underdeveloped. (Issa, 2019)

Establishing partnerships is one of the techniques for increasing downward accountability in NGOs. Partnerships with other NGOs can assist in guaranteeing that the NGO's operations are accountable, since the partner may have more expertise within their geographical area and environment. Partnerships, on the other hand, might provide more difficult and accountable issues because each partner has different features in terms of goal, specialty, and values. (Cavill & Sohail, 2007)

Downward accountability can be successful if it has a full network of accountability orientations connecting all participants, including donors, the environment, and beneficiaries. Therefore, successful partnerships based on ongoing engagement are required to ensure the continuation of feedback and learning. (O'Dwyer & Unerman, 2010)

Community or beneficiaries participation is another technique for improving downward accountability. NGOs with strong rights-based objectives should focus development initiatives on the community and its beneficiaries, referring to them as local agents of change. NGOs may employ community participation to encourage downward accountability. However, participation can be restricted to commitment-related objectives if these objectives include just consulting beneficiaries during the implementation phase, and it can also be used as part of a broader strategic plan if it improves beneficiaries' ability to impact organizations' agendas or donors. (Issa, 2019)

Downward accountability indicates that NGOs have to implement an approach of participation that allows beneficiaries to identify the goals of these organizations, enabling them to evaluate the outcomes of their operations from the beneficiaries' perspective. (O'Dwyer & Unerman, 2010)

2.2.4 Good Donor Relationship

Donor relationship management is the process of creating and growing strong relationships with donors, and to maintain these relationships in the long term. (Wachira, 2016)

Donor relationship management involves NGOs understanding donor objectives and adjusting their systems and procedures to attract a wide range of donors. NGOs that can adjust their procedures with donor objectives are more likely to receive more funding and achieve their financial sustainability. (Saungweme, 2014)

Each investor seeks to earn something from their investment, and in the NGO sector, the earnings that donors expect to have, are the confirmations that their funds are being used for their stated objectives. As a result, NGOs must guarantee that they deliver donors and investors with comprehensive and transparent documentation. (Ebenezer, et al., 2020)

Most donors are currently aiding NGOs through coalitions, networks, and partnerships. Therefore, NGO membership in several of these key alliances and networks is critical for strengthening donor connections. (Saungweme, 2014)

Good donor relationship management involves keeping an up-to-date database or monitoring system for donor list that supports the NGOs in the region. The frequency of donor-organized events to which the NGO is invited reflects the organization's good donor relationship management techniques. The number of projects or programs financed by the same donor indicates the strength of the organization's relationship with that donor. Repeated funds by donors, as well as the availability of funds for long-term projects, are indicators of the organization's strong relationships with donors. (Saungweme, 2014)

On the other hand, the relationship seems to be weak if the percentage of returned donors declines, if the total amount of funds decreases, or if the donor stops funded projects. Therefore, NGOs should monitor the relationship with donors through continual communication, appropriate funds utilization, preparation of required financial reports to donors on periodical times, and complying with donor requirements. (Wachira, 2016)

2.3 Previous Studies

Financial sustainability of NGOs is a topic that has garnered significant attention in academic circles. As mentioned before, financial sustainability represents a critical challenge for NGOs to survive and continue its operations. Many academics have investigated and studied the factors that affect financial sustainability.

One important study that investigated four factors affecting NGOs' financial sustainability is by Saungweme, M. (2014), "Factors influencing financial sustainability of local NGOs: The case of Zimbabwe.". In which the researcher aimed to asses if local NGOs in Zimbabwe were financially sustainable or not. Also, he aimed to examine the major variables influencing the financial sustainability of local NGOs. The study examined the effect of 4 variables: sound financial management practices, income diversification, own income generation, and good donor relationship, by using different research methods which included a literature review, secondary data analysis, and a structured questionnaire. A regression analysis was used to investigate the correlations between the various variables and financial sustainability. He found that local NGOs in Zimbabwe weren't financially sustainable. The regression analysis found that sound financial management practices had the greatest impact on financial sustainability. Then income diversification, own income creation, and the least impact was the donor relationship.

Similarly, the study of Ebenezer, A., Musah, A., & Ahmed, A. (2020), "Determinants of financial sustainability of non-governmental organizations (NGOs) in Ghana", studied 5 factors influencing financial sustainability: sound financial management practices, income diversification, own income generation, good donor relationship and the use of Enterprise Resource Planning software (ERPs) and Cloud Accounting. They used a questionnaire for collecting data, and the data was analyzed through different statistical methods including graphs, frequencies, Kruskal Wallis test, and regression analysis. They found that NGOs in Ghana weren't financially sustainable. Also, they found that sound financial management practices, own income generation, diversification of income, and good donor relationships were the main factors that affect the financial sustainability of NGOs in Ghana. However, the usage of ERPs and cloud accounting wasn't statistically significant even it had a positive influence.

Wachira, L. (2016) also discussed in his study entitled "Factors affecting financial sustainability of local NGOs in Kenya, Kiambu County", the factors affecting financial sustainability of NGOs by collecting primary data using a questionnaire. Different methods were used to measure the validity and reliability. The data was analyzed by descriptive and inferential statistics. The researcher found that NGOs in Kiambu weren't financially sustainable. Regarding the factors, donor relationship management, income diversification, financial management, and management competence had a positive significant impact on the financial sustainability of the NGOs in Kiambu.

Omeri, K. (2014) in his study "Factors influencing financial sustainability of non-governmental organizations: a survey of NGOs in Nakuru County" aimed to identify the factors that affect the financial sustainability through examining the effect of diversification of funds, competence of managers of the NGOs projects and strategic financial planning. He used Resource Based View method. Data was collected through questionnaire, and analyzed by SPSS. He found that all investigated factors (diversification of funds, competence of managers and strategic financial planning) had a significant impact on the financial sustainability. However, the competence of the managers had the biggest impact on the NGOs in Nakuru.

Mutinda, S., & Ngahu, S. (2016) aimed to identify different factors in their study entitled "Determinants of financial sustainability for non-governmental organizations in Nakuru County, Kenya". A questionnaire used for data collection. The data was analyzed using SPSS by means, standard deviations, and Pearson correlation and regression analysis. They found that internal financial control systems had a positive impact on financial sustainability. However, financial resources mobilization capacity had no significant impact on financial sustainability.

Dagane, M., & Kihara, A. (2021) in their study "Financial control practices and financial sustainability of non-governmental organization in Garissa County, Kenya" aimed to determine the effect of financial control practices on the financial sustainability of NGOs in Garissa, through examining the effects of the following factors: financial reporting, financial monitoring, financial audits and financial risk assessment on the financial sustainability. The study adopted the descriptive research design and collected secondary and primary data. Primary data was collected using a structured questionnaire. The data was analyzed by descriptive and inferential statistics using SPSS and Excel. The study found that financial reporting, financial monitoring, financial audits, and financial risk assessment had a positive and significant impact on the financial sustainability of the NGOs in Garissa.

About Palestinian studies, Issa, Y. (2019) in his study entitled “Determinants of financial sustainability of Palestinian non-profit organizations in Bethlehem Governorate” aimed to identify the determinants of financial sustainability of Palestinian non-profit organizations in Bethlehem by examining the influence of fund diversifications and funds types, and the influence of upward and downward accountability on financial sustainability. The researcher used the descriptive analytical methodology, secondary data (previous studies and data from the Ministry of Interior) and primary data (structured questionnaire) were collected. The researcher found that Palestinian non-profit organizations were experiencing significant challenges in the process of gathering funds in the long term. Also, he confirmed the results of previous studies in developing countries about the importance of diversification of funds and applying accountability in the financial sustainability of the NGOs.

Morrar, R. and Sultan, S. (2020) examined in their study “The donor-driven model and financial sustainability: A case study from Palestinian non-government organizations” the Palestinian NGOs' dependence on external funding and the effect of their financial sustainability efforts. Data was collected through structured interviews with 22 NGOs in the West Bank and Gaza. The data were analyzed thematically using the program MAXQDA. The study found that Palestinian NGOs must work independently of donor objectives to reduce their dependence on a donor and that Palestinian NGOs need to collaborate with others to concentrate their efforts and avoid disintegration.

As the previous studies about the determinants of the financial sustainability of NGOs in the Arap area generally and Palestine-Gaza especially were rather few, this study will examine the effects of 4 factors (fund diversification, sound financial management practices, upward and downward accountability, and good donor relationship) on the financial sustainability of NGOs in Gaza.

CHAPTER3

RESEARCH METHODOLOGY

3.1 Research Design

The researcher employed a descriptive approach in the theoretical parts of the study to present various aspects related to NGOs, financial sustainability, and the potential influencing factors. This method aimed to outline the conceptual basis of the study and to provide a comprehensive overview of its core concepts. In the empirical part, the inferential approach was adopted to test the research hypotheses through a detailed examination and analysis of the collected data using simple regression analysis.

3.2 Data Sources

The Two main data sources were used:

- Secondary data: The researcher used a variety of references, including scientific journals, financial articles and publications, books, previous research, and websites of different Palestinian and international NGOs.
- Primary Data: For the analytical part of the current research, the researcher employed primary data obtained using a structured questionnaire prepared specifically for this study and distributed to the study population.

3.3 Research Tool

The questionnaire was selected as a tool for collecting primary data due to many advantages, including ease of measurement, analysis, and management; confidentiality; and the ability for the participants to respond to the questionnaire whenever it is convenient for them. The questionnaire was prepared based on a comprehensive examination of related previous studies, to accomplish the goals of the study, comprehend the relationship between the variables, and test the study hypotheses. The questionnaire was designed based on three main references to ensure the comprehensiveness and accuracy of the questions asked, as it was based on Issa (2019), Wachira (2016), and Omeri (2014).

The Questionnaire was distributed to the chief executive officer (CEOs) and chief financial officers (CFOs) of the NGOs due to their adequate knowledge of the organization's financial and admin situation. To make distribution easier, the questionnaire was created on Google Forms and sent to the study sample by email link.

The questionnaire consisted of two main sections:

- **The first section:** Includes demographic information about participated NGOs (Scope of work, Operational duration, and Fund resources)
- **The second section:** Contains the study variables and consists of five fields:

The first field: which examine the financial sustainability through 4 questions.

The second field: which examine the fund diversification through 6 questions.

The third field: which examine the sound financial management practices through 8 questions.

The fourth field: which examine the upward and downward accountability through 7 questions.

The fifth field: which examine the good donor relationship through 7 questions.

In this section, the questions were rated based on a 5 point Likert scale ranging from ;(5 = Strongly Agree, 4= Agree, 3=Neutral, 2= Disagree to 1 = Strongly Disagree).

3.4 Population and Sample

The NGOs in Gaza that are members of the Palestinian Non-Governmental Organizations Network (PNGO) were selected as the study population due to the ease of accessing their data and communication channels. The PNGO is an independent, democratic civil network established in 1993, immediately after the Oslo Accords, with the aim of fostering cooperation and networking among various civil society organizations. The network includes 145 Palestinian NGOs, of which 71 are active in Gaza, working in diverse humanitarian, social, and developmental fields. Consequently, the researcher adopted a comprehensive enumeration approach to collect primary data, targeting the 71 active NGOs operating in Gaza.

3.5 Statistical Tools

Several statistical techniques were used to examine the collected data, including:

- Cronbach's alpha test: To examine the reliability of the questionnaire's components.
- Pearson correlation coefficient: to check the validity of the questionnaire.
- Mean and standard deviation: to understand the study sample.
- Frequencies and percentages: to make the features of the study sample more clear.
- Regression analysis: to test the relationship between the dependent variable and impendent variables.

3.6 Research Hypotheses

The research has four hypotheses:

H1: Fund diversification has a significant effect on the financial sustainability of LNGOs in Gaza.

H2: Sound financial management practices have a significant effect on the financial sustainability of LNGOs in Gaza.

H3: Applying upward and downward accountability has a significant effect on the financial sustainability of LNGOs in Gaza.

H4: Good donor relationship has a significant effect on the financial sustainability of LNGOs in Gaza.

Chapter 4

DATA ANALYSIS & RESULTS

4.1 Questionnaire's Validity

The questionnaire's validity indicates that the questions measure what was supposed to be measured. To assess the questionnaire's validity, the researcher used a statistical approach that involved calculating correlation coefficients between each item inside each section's item and the section's overall score as follows:

Correlation coefficients presented in Table (4.1) reflect how each statement in the second section, "Financial Sustainability," correlated with the total score in this section. The correlation coefficients range between (0.532 – 0.843), which indicates a positive correlation. Additionally, α is less than 0.05, confirming the section's validity for its stated measurement purposes.

Table 4.1 *Correlation coefficients between each statement within the" Financial Sustainability" section and the total score of the section.*

No.	Statements	Pearson Correlation	Sig.
1	The organization I work for is financially sustainable.	.843**	0.000
2	The NGO's financial resources are adequately allocated to all activities.	.830**	0.000
3	Projects are accomplished on time and depending on the planned budget.	.614**	0.000
4	The NGO has sufficient funds to cover all uncertainties.	.532**	0.000

Correlation coefficients presented in Table (4.2) reflect how each statement in the third section, "Fund Diversification," correlated with the total score in this section. The correlation coefficients range between (0.239 – 0.749), which indicates a positive correlation. Additionally, α is less than 0.05, confirming the section's validity for its stated measurement purposes.

Table 4.2 *Correlation coefficients between each statement within the" Fund Diversification" section and the total score of the section.*

No.	Statements	Pearson Correlation	Sig.
1	Having several resources of funding enhances the chance that NGOs will be financially sustainable.	.749**	0.000
2	High reliance on donor financing causes interventions to be modified to reflect donor goals.	.354*	0.017
3	A mix between restricted and unrestricted funds will enhance the organization's sustainability.	.712**	0.000
4	Implementing self-funding activities enhances the financial sustainability of NGOs.	.335*	0.024
5	My NGO engaging in self-funding activities.	0.293	0.049
6	Self-funding activities can shift the organization's focus from its primary goal.	.659**	0.000

Correlation coefficients presented in Table (4.3) reflect how each statement in the fourth section, "Sound Financial Management Practices," correlated with the total score in this section. The correlation coefficients range between (0.445 – 0.752), which indicates a positive correlation. Additionally, α is less than 0.05, confirming the section's validity for its stated measurement purposes.

Table 4.3 *Correlation coefficients between each statement within the" Sound Financial Management Practices" section and the total score of the section.*

No.	Statements	Pearson Correlation	Sig.
1	The NGO prepares strategic plan	.654**	0.000
2	The NGO prepare and evaluate periodic financial budgets to align with the strategic plan.	.445**	0.002
3	All staff members are involved in the process of the preparation of financial budgets and strategic plan.	.445**	0.002
4	The NGO keeps up-to-date accounting records.	.752**	0.000

Table 4.3 *Correlation coefficients between each statement within the" Sound Financial Management Practices" section and the total score of the section.* (Continued)

5	The NGO's accounting entries are supported by sufficient documentation.	.487**	0.001
6	The NGO prepares yearly financial statements.	.494**	0.001
7	The NGO conducts yearly audit by external independent entity	.494**	0.001
8	The NGO employs an internal auditor.	.538**	0.000

Correlation coefficients presented in Table (4.4) reflect how each statement in the fifth section, "Upward and Downward Accountability," correlated with the total score in this section. The correlation coefficients range between (0.375 – 0.926), which indicates a positive correlation. Additionally, α is less than 0.05, confirming the section's validity for its stated measurement purposes.

Table 4.4 *Correlation coefficients between each statement within the" Upward and Downward Accountability" section and the total score of the section.*

No.	Statements	Pearson Correlation	Sig.
1	The term accountability is fundamentally related to financial accountability (how funds are utilized).	.874**	0.000
2	Recently, a lot of donors have shown more interest in implementing standards of accountability.	.915**	0.000
3	Implementing upward accountability helps to create a competitive advantage, which improves the NGO's reputation and raises the possibility to gain more fund.	.731**	0.000
4	Concentrating on establishing accountability needs dealing with additional expenditures and liabilities that may be beyond the ability of the staff and the NGO.	.926**	0.000
5	Concentrating on accountability could shift the NGO's function from its fundamental objective by allocating more resources to accountability and less to the NGO's activities.	.527**	0.000
6	Upward accountability is more critical than downward accountability for achieving the NGO's financial sustainability.	.375*	0.011
7	The NGO's ability to implement downward accountability is critical to enhance financial sustainability.	.530**	0.000

Correlation coefficients presented in Table (4.5) reflect how each statement in the sixth section, “Good Donor Relationship,” correlated with the total score in this section. The correlation coefficients range between (0.477 – 0.873), which indicates a positive correlation. Additionally, α is less than 0.05, confirming the section's validity for its stated measurement purposes.

Table 4.5 *Correlation coefficients between each statement within the “Good Donor Relationship” section and the total score of the section.*

No.	Statements	Pearson Correlation	Sig.
1	The NGO keeps strong relationships with all donors.	.873**	0.000
2	The NGO maintains ongoing contact with donors about projects and funding.	.813**	0.000
3	The NGO continuously participates in the events arranged by donors.	.806**	0.000
4	The NGO applies accountability for all donors’ projects.	.750**	0.000
5	The NGO has a high proportion of repeat funds from return donors.	.745**	0.000
6	The NGO engages donors in the project execution process.	.477**	0.001
7	The NGO maintains an updated database and tracking system for the donors list.	.773**	0.000

4.2 Questionnaire's Reliability

The questionnaire's reliability relates to its effectiveness to deliver consistent findings when re-distributed many times, as well as the accuracy of the findings each time.

Cronbach's alpha coefficient was used to assess the questionnaire's reliability; the findings are displayed in Table (4.6).

Table 4.6 *Cronbach’s alpha coefficient to measure the questionnaire’s reliability*

No.	Section	Cronbach's Alpha	Number of statements
1	Financial Sustainability	0.913	4

Table 4.6 *Cronbach's alpha coefficient to measure the questionnaire's reliability* (Continued)

2	Fund Diversification	0.860	6
3	Sound Financial Management Practices	0.965	8
4	Applying Upward and Downward Accountability	0.915	7
5	Good Donor Relationship	0.948	7
All sections		**0.981**	**32**

As shown in Table (4.6), Cronbach's alpha coefficients have high values across all sections, ranging from 0.860 to 0.965. Additionally, the Cronbach's alpha coefficient for all questionnaire statements was 0.981. These results indicate the research tool's validity and reliability.

The questionnaire's validity and reliability evaluations indicate high confidence in its ability to gather accurate data and test the research hypotheses.

4.3 Statistical Description of the Demographic Section

As Table 4.7 shows, the sample includes 45 NGOs who participated in the questionnaire.

About the scope of work, we can conclude that the most focused areas of NGOs operating in Gaza, is the agricultural receiving the highest attention (27%), that's can be clarified as most people in Gaza depend on agriculture as a source of income. Women's rights and humanitarian aid (22% each) also receive significant attention, reflecting the critical need to address gender inequality and provide relief in a region affected by prolonged conflict. Economic empowerment (18%) highlights efforts to improve livelihoods in a struggling economy. However, children's rights (7%) and culture (4%) appear underrepresented, which may suggest these areas are either less prioritized or overshadowed by the urgency of other issues. This distribution underscores the NGOs' focus on addressing immediate and critical needs in Gaza's challenging context.

In terms of operation duration, we can conclude that the majority of NGOs in Gaza (45%), operating for over 10 years, indicating a strong presence of experienced organizations addressing long-term needs in the region. Additionally, 38% of NGOs have been active for 7-9 years, further emphasizing their sustained commitment. In contrast, newer NGOs, with less than 6 years of operation, account for only 17% of the total, suggesting limited recent establishment. This distribution reflects the stability and longevity of many NGOs in Gaza, likely driven by the ongoing challenges and the need for consistent support in the area.

Regarding the fund resources, we can conclude that the main sources of funding for NGOs in Gaza, showing that the European Union (31%) and UNICEF (29%) are the primary contributors, followed by UNRWA (25%), highlighting the reliance on international organizations. Red Crescent funding accounts for 7%, while government and self-financing are minimal, at 4% each. Notably, there is no funding from individual donations or other unspecified sources, which reflects limited local financial support and a heavy dependence on external donors. This funding structure underscores the critical role of international aid in sustaining NGO operations in Gaza amidst ongoing challenges.

Table 4.7 *Statistical Description of the Demographic Section*

Category		Frequency	Percent
Scope of Work	Women's Right	10	22%
	Humanitarian Aid & Relief	10	22%
	Economic Empowerment	8	18%
	Children's Right	3	7%
	Agricultural	12	27%
	Other (Please mention) *Culture	2	4%
	Total	**45**	**100%**
Operations Duration	3 years or less	2	4%
	4-6 years	6	13%
	7-9 years	17	38%
	10 years and above	20	45%
	Total	**45**	**100%**
Fund Resources	Government	2	4%
	UNICEF	13	29%
	UNRWA	11	25%
	European Union	14	31%
	Red Crescent	3	7%
	Self-Financing	2	4%

Table 4.7 *Statistical Description of the Demographic Section.* (Continued)

Fund Resources	Donations from Individuals	0	0%
	Others (Please mention)	0	0%
	Total	**45**	**100%**

4.4 Data Analysis

This part consists of data analysis and descriptive statistics for the independent and dependent variables using the mean, standard deviation, and ranking.

Table 4.8 *Statistical Description of "Financial Sustainability"*

N	Statements	Mean	Std. Deviation	Degree	Rank
1	The organization I work for is financially sustainable.	3.38	1.01	Moderate	3
2	The NGO's financial resources are adequately allocated to all activities.	3.69	0.90	high	2
3	Projects are accomplished on time and depending on the planned budget.	3.73	0.94	high	1
4	The NGO has sufficient funds to cover all uncertainties.	3.18	1.01	Moderate	4
All		**3.49**	**0.86**	**Moderate**	

The analysis of financial sustainability, as presented in Table 4.8, shows an overall mean of 3.49 with a standard deviation of 0.86, suggesting a moderate level of agreement among respondents. The highest-ranked statement, "Projects are accomplished on time and depending on the planned budget," received the highest mean of 3.73 with a standard deviation of 0.94, showing a high degree of agreement. On the other hand, the lowest-ranked statement, "The NGO has sufficient funds to cover all uncertainties," had the lowest mean of 3.18 and the highest standard deviation of 1.01, signifying a moderate level of agreement but also greater variability in responses.

These findings show that, while the allocation of financial resources and completion of the project on time are taken positively, there are concerns regarding the financial sustainability in all conditions.

Table 4.9 *Statistical Description of "Fund Diversification"*

N	Statements	Mean	Std. Deviation	Degree	Rank
1	Having several resources of funding enhances the chance that NGOs will be financially sustainable.	3.78	0.82	high	1
2	High reliance on donor financing causes interventions to be modified to reflect donor goals.	3.20	1.01	Moderate	5
3	A mix between restricted and unrestricted funds will enhance the organization's sustainability.	3.71	0.84	high	2
4	Implementing self-funding activities enhances the financial sustainability of NGOs.	3.64	0.93	Moderate	3
5	My NGO engaging in self-funding activities.	3.13	1.01	Moderate	6
6	Self-funding activities can shift the organization's focus from its primary goal.	3.20	1.01	Moderate	4
All		**3.44**	**0.72**	**Moderate**	

The analysis of fund diversification, as illustrated in Table 4.9, indicates an overall mean of 3.44 with a standard deviation of 0.72, indicating a moderate level of agreement among respondents. The highest-ranked statement, "Having several resources of funding enhances the chance that NGOs will be financially sustainable," received the highest mean score of 3.78 with a standard deviation of 0.82, suggesting a high degree of agreement. Similarly, the statement "A mix between restricted and unrestricted funds will enhance the organization's sustainability" ranked second, with a mean score of 3.71 and a standard deviation of 0.84, also reflecting a high level of agreement. The lowest-ranked statement, "My NGO engages in self-funding activities," received a mean score of 3.13 with the highest standard deviation of 1.01, reflecting a moderate level of agreement but also a wider dispersion in responses.

These findings show that, while diversified funding sources and balanced fund allocation are considered as critical to financial sustainability, and despite NGOs' belief in the importance of self-financing activities, there is still some uncertainty about NGOs' ability to engage in self-financing activities.

Table 4.10 *Statistical Description of "Sound Financial Management Practices"*

N	Statements	Mean	Std. Deviation	Degree	Rank
1	The NGO prepares strategic plan	3.80	0.92	high	2
2	The NGO prepare and evaluate periodic financial budgets to align with the strategic plan.	3.80	0.92	high	1
3	All staff members are involved in the process of the preparation of financial budgets and strategic plan.	3.47	0.97	Moderate	7
4	The NGO keeps up-to-date accounting records.	3.78	0.90	high	5
5	The NGO's accounting entries are supported by sufficient documentation.	3.80	0.92	high	3
6	The NGO prepares yearly financial statements.	3.80	0.92	high	4
7	The NGO conducts yearly audit by external independent entity	3.76	0.96	high	6
8	The NGO employs an internal auditor.	3.33	1.00	Moderate	8
All		**3.69**	**0.84**	**Moderate**	

The analysis of sound financial management practices, as presented in Table 4.10, indicates an overall mean of 3.69 with a standard deviation of 0.84, reflecting a moderate level of agreement among respondents. There are 4 statements that have the same rank which is the highest-ranked statement, "The NGO prepares strategic plan", "The NGO prepares and evaluates periodic financial budgets to align with the strategic plan," The NGO's accounting entries are supported by sufficient documentation," and "The NGO prepares yearly financial statements" received the highest mean score of

3.80 with a standard deviation of 0.92, indicating a high level of agreement about the importance of strategic plan, documentation, and financial statements. However, lower-ranked aspects, including "All staff members are involved in the process of the preparation of financial budgets and strategic plan" (mean = 3.47, SD = 0.97) and "The NGO employs an internal auditor" (mean = 3.33, SD = 1.00), suggest the need for more improvement.

These findings indicate that while NGOs generally adhere to sound financial management practices, internal auditing, and broader staff participation may require further attention.

Table 4.11 *Statistical Description of "Upward and Downward Accountability"*

N	Statements	Mean	Std. Deviation	Degree	Rank
1	The term accountability is fundamentally related to financial accountability (how funds are utilized).	3.44	0.97	Moderate	4
2	Recently, a lot of donors have shown more interest in implementing standards of accountability.	3.71	0.87	high	1
3	Implementing upward accountability helps to create a competitive advantage, which improves the NGO's reputation and raises the possibility to gain more fund.	3.58	1.01	Moderate	2
4	Concentrating on establishing accountability needs dealing with additional expenditures and liabilities that may be beyond the ability of the staff and the NGO.	3.36	1.00	Moderate	5
5	Concentrating on accountability could shift the NGO's function from its fundamental objective by allocating more resources to accountability and less to the NGO's activities.	3.20	0.99	Moderate	7
6	Upward accountability is more critical than downward accountability for achieving the NGO's financial sustainability.	3.31	1.00	Moderate	6
7	The NGO's ability to implement downward accountability is critical to enhance financial sustainability.	3.47	0.97	Moderate	3
All		**3.44**	**0.79**	**Moderate**	

The analysis of upward and downward accountability, as presented in Table 4.11, highlights an overall mean of 3.44, with a standard deviation of 0.79, reflecting a moderate level of agreement among respondents. The highest-ranked statement, “Recently, a lot of donors have shown more interest in implementing standards of accountability,” with a mean of 3.71 and a standard deviation of 0.67, underscores the growing emphasis on transparency and accountability as key factors influencing donor engagement. Conversely, the lowest-ranked statement, “Concentrating on accountability could shift the NGO's function from its fundamental objective by allocating more resources to accountability and less to the NGO's activities.” with a mean score of 3.20 and a standard deviation of 0.99, reflecting a moderate level of agreement but also a wider dispersion in responses.

Overall, the findings demonstrate a moderate consensus on the importance of accountability, with an emphasis on its role in financial sustainability and the significance of balancing between upward and downward accountability.

Table 4.12 *Statistical Description of “Good Donor Relationship”*

N	Statements	Mean	Std. Deviation	Degree	Rank
1	The NGO keeps strong relationships with all donors.	3.82	0.86	High	2
2	The NGO maintains ongoing contact with donors about projects and funding.	3.84	0.88	High	1
3	The NGO continuously participates in the events arranged by donors.	3.60	0.89	Moderate	6
4	The NGO applies accountability for all donors’ projects.	3.73	0.86	High	3
5	The NGO has a high proportion of repeat funds from return donors.	3.33	1.00	Moderate	7
6	The NGO engages donors in the project execution process.	3.60	0.86	Moderate	5
7	The NGO maintains an updated database and tracking system for the donors list.	3.67	0.95	High	4
All		**3.66**	**0.79**	**Moderate**	

The analysis of good donor relationship, as illustrated in Table 4.12, indicates an overall mean of 3.66 with a standard deviation of 0.79, indicating a moderate level of agreement among respondents. The highest-ranked statement, "The NGO maintains ongoing contact with donors about projects and funding," received the highest mean score of 3.84 with a standard deviation of 0.88, suggesting a high degree of agreement. Similarly, the statement "The NGO keeps strong relationships with all donors" ranked second, with a mean score of 3.82 and a standard deviation of 0.86, also reflecting a high level of agreement. This indicates that most of participated NGOs have a good communications and strong relationships with donors. The lowest-ranked statement, "The NGO has a high proportion of repeat funds from return donors," received a mean score of 3.33 with the highest standard deviation of 1.00, reflecting a moderate level of agreement but also a wider dispersion in responses and suggesting potential challenges in donor retention so the NGOs should strengthen long-term donor engagement strategies to ensure continued financial support.

These findings show that, while NGOs appear to maintain good relationships with donors, there is opportunity for improvement in ensuring continued funding from existing donors. Strengthening donor retention strategies could enhance financial sustainability and long-term organizational success.

4.5 Testing the Hypotheses

To test the research hypothesis, simple linear regression was used to test the significant effect of each independent variable on the dependent variable.

H1: Fund diversification has a significant effect on the financial sustainability of LNGOs in Gaza.

Table 4.13 *Statistical analysis of "Fund Diversification"*

Adjusted R Square		**F test statistics**	
Financial Sustainability	**0.540**	**F**	**Significance**
		50.404	**0.000**
	Beta (β)	**t test statistics**	
		t	**Significance**
Constant	**0.490**	**1.133**	**0.264**
Fund Diversification	**0.872**	**7.100**	**0.000**

The results illustrated in Table 4.13 indicate that fund diversification has a statistically significant impact on the financial sustainability of LNGOs in Gaza. The significance value (p-value) of 0.000 is below 0.05, confirming the statistical significance of the relationship. The adjusted R-squared value of 0.540 suggests that fund diversification explains approximately 54% of the variance in financial sustainability. Furthermore, the regression coefficient (β = 0.872) implies that for each one-unit increase in fund diversification, financial sustainability is expected to increase by 0.872 units. These findings highlight the critical role of fund diversification in enhancing the financial sustainability of LNGOs.

Simple Regression Equation:

Y= 0.490 + 0.872 * X1 (where Y= Financial Sustainability, X1= Fund Diversification)

Hypothesis result:

Accepting the hypothesis that Fund diversification has a significant effect on the financial sustainability of LNGOs in Gaza.

H2: Sound financial management practices have a significant effect on the financial sustainability of LNGOs in Gaza.

Table 4.14 *Statistical analysis of "Sound Financial Management Practices"*

Adjusted R Square		**F test statistics**	
Financial Sustainability	**0.696**	**F**	**Significance**
		98.476	**0.000**
	Beta (β)	**t test statistics**	
		t	**Significance**
Constant	**0.355**	**1.096**	**0.279**
Sound Financial Management Practices	**0.850**	**9.924**	**0.000**

The results presented in Table 4.14 demonstrate that sound financial management practices significantly influence the financial sustainability of LNGOs in Gaza. The p-value of 0.000 is well below 0.05, indicating strong statistical significance. The adjusted R-squared value of 0.696 suggests that sound financial management practices accounts for approximately 69.6% of the variation in financial sustainability. Additionally, the regression coefficient (β = 0.850) indicates that for each one-unit increase in sound financial management, financial sustainability is expected to increase by 0.850 units. These findings emphasize the importance of sound financial management practices in ensuring the long-term financial sustainability of LNGOs.

Simple Regression Equation:

Y = 0.355 + 0.850 * X2 (where Y= Financial Sustainability, X2= Sound Financial Management Practices)

Hypothesis result:

Accepting the hypothesis that sound financial management practices has a significant effect on the financial sustainability of LNGOs in Gaza.

H3: Applying upward and downward accountability has a significant effect on the financial sustainability of LNGOs in Gaza.

Table 4.15 *Statistical analysis of "Upward and Downward Accountability"*

Adjusted R Square		F test statistics	
Financial Sustainability	0.668	F	Significance
		86.453	0.000
	Beta (β)	t test statistics	
		t	Significance
Constant	0.450	1.340	0.187
Upward and Downward Accountability	0.885	9.298	0.000

The results presented in Table 4.15 demonstrate that applying upward and downward accountability significantly influence the financial sustainability of LNGOs in Gaza. The p-value of 0.000 is well below 0.05, indicating strong statistical significance. The adjusted R-squared value of 0.668 suggests that approximately 66.8% of the variance in financial sustainability can be explained by the application of upward and downward accountability. Additionally, the regression coefficient (β = 0.885) indicates that for each one-unit increase in application of upward and downward accountability, financial sustainability is expected to increase by 0.885 units. These findings emphasize that enhancing both upward and accountability can significantly contribute to the financial resilience and sustainability of LNGOs.

Simple Regression Equation:

Y = 0.450 + 0.885 * X3 (where Y= Financial Sustainability, X3= Applying Upward and Downward Accountability)

Hypothesis result:

Accepting the hypothesis that applying upward and downward accountability has a significant effect on the financial sustainability of LNGOs in Gaza

H4: Good donor relationship has a significant effect on the financial sustainability of LNGOs in Gaza.

Table 4.16 *Statistical analysis of "Good Donor Relationship"*

Adjusted R Square		**F test statistics**	
Financial Sustainability	**0.654**	**F**	**Significance**
		81.346	**0.000**
	Beta (β)	**t test statistics**	
		t	**Significance**
Constant	**0.271**	**0.742**	**0.462**
Good Donor Relationship	**0.881**	**9.019**	**0.000**

The results presented in Table 4.16 indicate that good donor relationship significantly influence the financial sustainability of LNGOs in Gaza. The significance value of 0.000, which is below the 0.05 threshold, confirms the statistical significance of this effect. The adjusted R-squared value of 0.654 indicates that 65.4% of the variation in financial sustainability can be attributed to the quality of donor relationships. The regression coefficient (β = 0.881) suggests that a one-unit improvement in donor relationships leads to an increase of 0.881 in financial sustainability. These findings underline the significance for LNGOs to invest in maintaining strong, transparent, and mutually helpful relationships with donors. Effective donor contribution may lead to continued support, trust, and financial stability, which increases the financial sustainability of these organizations.

Simple Regression Equation:

Y = 0.271+ 0.881 * X4 (where Y= Financial Sustainability, X4= Good Donor Relationship)

Hypothesis result:

Accepting the hypothesis that good donor relationship has a significant effect on the financial sustainability of LNGOs in Gaza.

Chapter 5

CONCLUSION & RECOMMENDATIONS

5.1 CONCLUSION

We can conclude that all the factors have a positive and significant impact on financial sustainability.

5.1.1 Fund Diversification

The results indicate that fund diversification has a positive influce on financial sustainability.

NGOs that have multiple funding sources and adopt a mix of restricted and unrestricted grants show higher financial sustainability than other organizations. Conversely, organizations that have two or only one source of income are more vulnerable to financial crises and therefore less sustainable. Although the NGOs participating in the survey believe in the importance of self-financing activities in increasing financial sustainability, there are concerns regarding the ability of NGOs to engage in such activities due to limited self-financing opportunities and strong dependence on donors.

Many researchers have been interested in studying the impact of the fund diversification on financial sustainability, and among the studies that agree with the researcher that the fund diversification has an critical influnce on financial sustainability: (Ebenezer, et al., 2020), (Issa, 2019), (Wachira, 2016), (Omeri, 2014), and (Saungweme, 2014)

5.1.2 Sound Financial Management Practices

It was also found that sound financial management practices have a significant influence on the financial sustainability of NGOs. The NGOs that showed higher financial sustainability than others are those that prepare strategic plans and financial budgets that are consistent with the plans, and also maintain documented accounting records, and prepare annual financial reports that are audited by an external auditor. However, the study focused on the importance of involving employees in the process of preparing the strategic plans, and the need to employ an internal auditor for the organization to ensure more accountability and transparency, thus contributing to the financial stability of the organization.

Through the analysis results, it was found that sound financial management practices are the most influential factor on financial sustainability among other factors, and (Saungweme, 2014) agreed with this result.

(Ebenezer, et al., 2020) also confirmed sound financial management practices have a significant impact on financial sustainability.

5.1.3 Applying Upward and Downward Accountability

The researcher found that the application of upward and downward accountability has an important influence on financial sustainability.

Donors constantly demand the application of accountability standards, which makes accountability important in the continuity of obtaining funding from donors.

While NGOs agree on the importance of downward accountability and its application to keep the organization in line with the needs of society and target groups, there are concerns among some NGOs about paying more attention to accountability activities than the organization's main activities, and NGOs may also incur additional expenses to ensure the application of downward accountability. Therefore, we can conclude that it is necessary to follow a balanced approach between upward and downward accountability.

(Issa, 2019) agreed with the researcher about the impact of the application of upward and downward accountability on financial sustainability.

5.1.4 Good Donor Relationship

The researcher also found that the good relationship of NGOs with donors have a significant influence on financial sustainability.

The most financially sustainable NGOs are those that have a strong relationship with donors, maintain constant communication with them, involve them in the project implementation process, and continue to actively attend all donor-related events and activities. While most NGOs have a good relationship with donors, there is a need for more efforts and development of strategies to maintain donor projects for a longer period.

Among the studies that agreed with the researcher on the impact of good relationships with donors on financial sustainability are (Ebenezer, et al., 2020) and (Wachira, 2016).

Also, (Saungweme, 2014) concluded that there is an impact of good relationships with donors on financial sustainability, but less than the other factors.

5.2 RECOMMENDATIONS

- Encourage NGOs to develop strategies for diversifying their sources of income.
- It is essential for NGOs to generate self-financing sources, such as cultural and social club projects and income-generating initiatives, as this helps them become more financially independent, thereby ensuring more financial sustainability.
- Encourage NGOs to strengthen sound management practices and comply to international standards, which can enhance donor trust and create opportunities for financial stability and sustainability.
- Ensure the participation of all employees in the development of strategic plans and hiring an internal auditor to guarantee accountability and transparency.
- NGOs must maintain a high level of transparency and accountability while balancing upward and downward accountability to sustain donor trust and ensure that the organization does not ignore the needs of its beneficiaries.
- Build stronger relationships with donors, implement appreciation programs, maintain continuous communication, and expand networks with funders can enhance access to long-term financial support.
- Invest in staff training and capacity-building in grant proposal writing, fundraising, and donor relations can contribute to securing more projects, thereby enhancing the financial sustainability of NGOs

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APPENDICES

APPENDIX-1. Questionnaire Form

Dear CEOs -CFO,

This survey was prepared for the purpose of collecting data within the scope of the master's thesis titled "Factors Influencing the Financial Sustainability of Local NGOs in Gaza". Approval was obtained from Anadolu University ethics committee for the study. The study aims to reveal the factors influencing the financial sustainability of local NGOs in Gaza by investigating the impact of different factors on financial sustainability. Your feedback is very valuable and will contribute to the understanding of this important issue. Your responses will be kept confidential and participation is voluntary. By answering the survey, you agree to participate in this research.

Esraa M. A. AZIZ

First Section: Demographics:

1. **What is the scope of the NGO's work?**

Women's Right	Children's Right
Humanitarian Aid and Relief	Agricultural
Economic Empowerment	Other (Please mention)

2. **How long has the NGO been operating effectively?**

3 years or less	4-6 years
7-9 years	10 years and above

3. **What are the main sources of funding for the NGO?**

Government	Red Crescent	European Union
UNICEF	Self-Financing	Others (Please mention)
UNRWA	Donations from Individuals	

Second Section: Financial Sustainability	**1**	**2**	**3**	**4**	**5**
1. The organization I work for is financially sustainable.					
2. The NGO's financial resources are adequately allocated to all activities.					
3. Projects are accomplished on time and depending on the planned budget.					
4. The NGO has sufficient funds to cover all uncertainties.					
Third Section: Fund diversification					
1. Having several resources of funding enhances the chance that NGOs will be financially sustainable.					
2. High reliance on donor financing causes interventions to be modified to reflect donor goals.					
3. A mix between restricted and unrestricted funds will enhance the organization's sustainability.					
4. Implementing self-funding activities enhances the financial sustainability of NGOs.					

5. My NGO engaging in self-funding activities.					
6. Self-funding activities can shift the organization's focus from its primary goal.					
Fourth Section: Sound Financial Management Practices					
1. The NGO prepares strategic plan					
2. The NGO prepare and evaluate periodic financial budgets to align with the strategic plan.					
3. All staff members are involved in the process of the preparation of financial budgets and strategic plan.					
4. The NGO keeps up-to-date accounting records.					
5. The NGO's accounting entries are supported by sufficient documentation.					
6. The NGO prepares yearly financial statements.					
7. The NGO conducts yearly audit by external independent entity					

8. The NGO employs an internal auditor.					
Fifth Section: Upward and Downward Accountability Upward accountability: The relationships that link the NGOs with donors and government. Downward accountability: The relationships that link the NGOs with beneficiaries and society.					
1. The term accountability is fundamentally related to financial accountability (how funds are utilized).					
2. Recently, a lot of donors have shown more interest in implementing standards of accountability.					
3. Implementing upward accountability helps to create a competitive advantage, which improves the NGO's reputation and raises the possibility to gain more fund.					
4. Concentrating on establishing accountability needs dealing with additional expenditures and liabilities that may be beyond the ability of the staff and the NGO.					
5. Concentrating on accountability					

could shift the NGO's function from its fundamental objective by allocating more resources to accountability and less to the NGO's activities.					
6. Upward accountability is more critical than downward accountability for achieving the NGO's financial sustainability.					
7. The NGO's ability to implement downward accountability is critical to enhance financial sustainability.					
Sixth Section: Good Donor Relationship					
1. The NGO keeps strong relationships with all donors.					
2. The NGO maintains ongoing contact with donors about projects and funding.					
3. The NGO continuously participates in the events arranged by donors.					
4. The NGO applies accountability for all donors' projects.					
5. The NGO has a high proportion of repeat funds from return donors.					

6. The NGO engages donors in the project execution process.					
7. The NGO maintains an updated database and tracking system for the donors list.					

APPENDIX-2 Etik Kurulu Karar Belgesi

Evrak Kayıt Tarihi: 03.12.2024	Protokol No: 819854	Tarih: 23.12.2024

ANADOLU ÜNİVERSİTESİ

SOSYAL VE BEŞERÎ BİLİMLER BİLİMSEL ARAŞTIRMA VE YAYIN ETİĞİ KURULU

KARAR BELGESİ

ÇALIŞMANIN TÜRÜ:	Yüksek Lisans Tez Çalışması
KONU:	Sosyal Bilimler
BAŞLIK:	Gazze'deki Yerel STK'ların Mali Sürdürülebilirliğini Etkileyen Faktörler Factors influencing the financial Sustainability of local NGOs in Gaza
PROJE/TEZ YÜRÜTÜCÜSÜ:	Prof. Dr. Güven SEVİL
TEZ YAZARI:	Esraa M. A. AZIZ
ALT KOMİSYON GÖRÜŞÜ:	-
KARAR:	Olumlu

CIRCULME VIATE

Name Surname: ESRAA M. A. AZIZ

Foreign Languages:

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Educational Information:

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2024, Accountant, ARQAAM for business solutions FZCO

2024, Training Coordinator, WORKENET Community

2022, Accountant, HISHAM Trading

2017-2021, Projects’ Accountant, Women's Affairs Center-Gaza