

THE ROLE OF FINANCIAL MANAGEMENT IN ENHANCING NGO SUSTAINABILITY: A STUDY IN PAKISTAN

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ABSTRACT

This research examines the function of financial management in maintaining non-governmental agencies (NGOs) in Pakistan, a sector becoming increasingly known for its donations to disaster relief, development, and social work. Although they have a big footprint, most Pakistani NGOs suffer from serious sustainability problems due to weak financial controls, unpredictable budgeting, weak accountability, and overwhelming donor dependency. This research is Efforts at empirical exploration of financial management practices such as budgeting, internal controls, financial reporting, and audit compliance on sustainability in general of NGOs working in Pakistan. As per Resource-Based View (RBV) and Stakeholder Theory, the thesis follows a positivist methodology with a deductive quantitative research approach. A systematic questionnaire was administered to management officers and financing experts of 250 registered NGOs in a wide range such e.g., disaster relief work, education, healthcare. Data were collected through purposive sampling and processed in SPSS and AMOS. Descriptive statistics, reliability analysis, exploratory factor analysis, correlation, multiple regression, and structural equation model (SEM) were utilized for testing the proposed relationships. Answers to analysis reveal that budgeting, internal controls, and financial reporting are highly and was positively related to NGO sustainability, and compliance was a strong predictor. Structural model fit was very good (CFI = 0.94, RMSEA = 0.05), showing that the suggested financial management constructs have a strong impact on sustainability outcomes. Financial transparency was also found to be a partial mediator between financial practices and sustainability, demonstrating that technical controls and ethical accountability are both crucial. The research enriches both theoretical literature and policy NGO management by providing a quantifiable link between financial management and sustainability. It verifies that effective budgeting processes, strong internal controls, regular reporting, and vigilant audit mechanisms greatly enhance an NGO's capacity to survive, respond, and thrive in uncertain economic conditions. The research further offers an empirically validated framework for financial sustainability measurement in NGOs and practical suggestions for practitioners, policymakers, and international donors who aim to increase the financial resilience of development organizations in Pakistan.

Though the cross-sectional nature of the study and purposeful sampling present some limitations, the findings form a strong basis for conducting future longitudinal and cross-country comparative research. The thesis suggests that a capacity-building model, better financial governance policies, and more investment in financial systems in NGOs should be implemented to build long-term organizational influence and donor trust.

Keywords: *Financial Management, NGO Sustainability, Budgeting, Internal Controls, Financial Reporting, Audit, Pakistan, Quantitative Study, SPSS, AMOS.*

INTRODUCTION

1.1 Background of the Study

The role of non-governmental organizations (NGOs) has become very important in socio-economic development, especially in nations like Pakistan where government capacity and institutional coverage are not always able to address marginalized communities' needs. The NGOs play an enormous role in sectors like poverty reduction, health, education, women empowerment, and disaster relief. Through their special capacity to engage grassroots, secure donor finance, and apply context-relevant interventions, NGOs have become a necessary component in the national development process. Among the most urgent challenges confronting the NGOs, both internationally and in Pakistan, lies in the aspect of sustainability—that is, being able to sustain their operations, financing, and impact over the long term (Lewis & Kanji, 2009; Fowler, 2020).

The definition of NGO sustainability has grown from simply existing to include an organization's capacity to adjust to changes in the environment, stay legitimate to stakeholders, and persist in service delivery. The idea of sustainability has three principal dimensions: financial sustainability, operational sustainability, and programmatic sustainability. Financial sustainability is the capacity of an NGO to provide stable and diversified sources of funding; operational sustainability is concerned with sustaining human resources, infrastructure, and governance; and programmatic sustainability with the extension and scalability of services and interventions (Wolch, 1990; Agyemang et al., 2021).

Within Pakistan, the non-governmental organization (NGO) sector has expanded significantly, especially after the earthquake of 2005 and the floods of 2010, both of which spurred global as well as local support for non-state providers of services. The Pakistan Centre for Philanthropy (PCP) reports that there are more than 100,000 registered NGOs in Pakistan today, working across different areas and geographical locations (PCP, 2023). Although they are ubiquitously present and socially valued, most of these organizations are threatened with extinction due to financial instability. Unpredictable nature of donor aid, setbacks due to the delays in

government disbursements, unforeseeable regulatory changes, and limited institutional financing arrangements generate NGOs' sustainability unusually weak in the case of Pakistan (Khan & Ahmed, 2020). Studies in both developed and developing nations indicate sound financial management to be a primary organizational sustainability dimension. Financial management consists of budgeting, financial reporting, internal control, and audit practice that in a cumulative manner lead an organization to use its handle resources effectively, meet donor and regulatory obligations, and be ready to plan against contingencies for the future (Keating et al., 2005; Hyndman & McKillop, 2018). They both act internal instruments of openness and accountability and analytical instruments that help NGOs achieve the trust among others like donors, regulatory bodies, and beneficiaries (Mango, 2018). Lacking robust financial systems, NGOs risk fund misallocation, fraud, a damaged reputation, and ultimately, failure.

For Pakistan, several works have cited with alarm poor financial management that is a hallmark in a majority of NGOs. Most of these NGOs have no professionally qualified accountants, own antiquated or hand-typed financial reporting systems, and can't issue audited statements, particularly if they happen to be small or community-level NGOs (Iqbal et al., 2021; Akhtar & Sulaiman, 2022). Such shortcomings not only lower donor trust but also contribute to poor organizational decision-making. Budget overruns, cash-flow crises, and regulation breaches are frequently symptoms of underlying financial governance problems that go unaddressed because they lack technical competence or will.

The effects of poor money management can frequently be dire. NGOs that are unable to provide timely and transparent financial reporting, for example, may lose access to international funding sources. Organizations with little or no internal control systems are more likely to be misappropriated or defrauded, and this can cause irreversible harm to their reputation. Additionally, lacking proper long-term financial planning means that the projects become discontinued, employees are laid off, and eventually, trust in the community

is lost. In extreme instances, entire organizations cease operations not because their purpose was a failure or because their services were unwanted, but due to an inability to muster the financial framework necessary to ensure sustainability (Agyemang et al., 2021; Lewis, 2001).

It is against this background that the current study becomes pertinent and unavoidable. Although the NGO sector in Pakistan has drawn significant attention from researchers, policymakers, and development stakeholders, few papers have provided a rigorous, quantitative examination of the impact that financial management has on sustainability. Much of the current literature is qualitative or even uses broad themes related to governance or donors, which creates a knowledge gap as to what the specific financial drivers are that lead to an NGO's sustainability over time. This research seeks to fill that gap by exploring empirically the effect of budgeting, financial reporting, internal controls, and audit compliance on the sustainability of NGOs in Pakistan.

The bigger impact of this study is that it can provide direction to policy and practice. For NGOs too, the findings can serve as a template to upgrade internal financial systems and harmonize these to sustainability initiatives. For donors and funders, research provides empirical evidence to make more sensible funding choices on the basis of an organization's financial maturity. For regulators, such as the Securities and Exchange Commission of Pakistan (SECP) and Federal Board of Revenue (FBR), research can be used to provide inputs to devise better regulatory structures that penalize laxity and incentivize openness.

Furthermore, this research is timely. It has become an international trend in recent decades to enhance financial accountability and governance in development work. Foreign aid agencies nowadays increasingly require NGOs to fulfill rigorous reporting and auditing standards as a condition to release grants. Just like local philanthropic foundations in Pakistan, these institutions are becoming progressively selective in grant awards too, favoring such agencies that seem to be financially prudent and long-term in vision. It is thus a matter both of research interest but also of profound practical significance to be precise about how financial management interacts with sustainability.

Overall, then, NGO sustainability in Pakistan can't be completely understood without delving into

how financial management contributes to the picture. While donor accessibility and facilitating regulation are both important external concerns, internal ability within an NGO to keep abreast both responsibly and proactively of finances is what finally will decide whether or not it will be long-term capable of still benefiting its society. What this research aims to explore is that internal dimension, offering an empirically grounded foundation upon which to improve sustainability within the NGO sector as a whole.

1.2 Problem Statement

In Pakistan's rapidly changing socio-economic landscape, NGOs are being compelled to deliver basic services where state machinery does not exist or is failing. Though they are so patently of social utility and taking on increasingly large responsibilities, most NGOs in Pakistan are failing to become sustaining institutions. Whereas others cannot maintain their employees or carry out their programmer when initial funding stops, others are constrained to scale down, sacrificing service quality and impact. A sectoral performance review shows that these sustainability challenges are closely related to poor financial management systems prevalent in most NGOs working in Pakistan (Akhtar & Sulaiman, 2022; Khan & Ahmed, 2020).

While many NGOs are successful at implementing short-term projects backed by national or international donors, too many do so without establishing financial systems needed for long-term planning and institutional sustainability. Too often, these organizations depend heavily on project-based accounting systems, with little inclusion of financial information into strategic decision-making processes. In addition, the lack of adequate budgeting arrangements, internal controls, and conventional financial reporting makes most NGOs susceptible to financial maladministration and regulatory sanctions. Where there are no internal audit systems or they are underdeveloped, the risk of funds misappropriation or misconduct on moral grounds increases even further, causing reputational loss and, in the worst scenario, the collapse of the organization (Mango, 2018; Hyndman & McKillop, 2018).

The NGO management literature emphasizes the importance of governance, leadership, and stakeholder involvement in influencing

sustainability. With little empirical research devoted to measuring the contribution of financial management to sustainability, especially in Pakistan, there is an apparent gap in the literature. The few studies that have been undertaken are frequently anecdotal, qualitative case studies or interviews, with minimal effort to move towards quantifying relationships between financial and sustainability measures. As a result, external stakeholders and NGO managers also do not have the data-driven information to plan interventions, track progress, or compare performance (Agyemang et al., 2021; Lewis & Kanji, 2009).

This absence of knowledge is unsatisfactory for several reasons. Firstly, without evidence, organizations cannot set priority investments or rationalize investments in financial management systems. Secondly, donors lack objective criteria with which to assess the financial health of prospective grantees. Thirdly, policymakers and regulators lack the evidence base upon which to construct capacity-building programs or financial accountability frameworks for the NGO sector. Without such evidence, financial mismanagement is a silent time bomb degrading the long-term effectiveness and credibility of NGOs in Pakistan. Therefore, this research aims to respond to a simple question: How does financial management impact the sustainability of NGOs in Pakistan? In breaking down financial management into its core components—budgeting, internal controls, financial reporting, and audit compliance—and determining their influence on the financial, operational, and programmatic dimensions of sustainability, the research aims to provide a comprehensive and practical framework for NGO resilience knowledge and enhancement.

1.3 Research Objectives

The general aim of this study is to investigate the contribution of financial management to NGOs sustainability in Pakistan. This aim exists in the growing awareness that organizations' survival, and indeed even those in the nonprofit sector, are significantly related to the strength of in-house financial mechanisms. As NGOs are presently working more and more in donor-competitive, resource-constrained, and accountability-driven environments, there is now a greater necessity for ensuring that they have robust financial systems in place (Hyndman & McKillop, 2018; Keating et al., 2005). This paper, therefore, attempts to explore

not only whether the financial management does affect the sustainability of NGOs, but also how specific elements—e.g., budgeting, internal controls, financial reporting, and auditing—cross-effect to support or hinder long-term resilience.

In order to achieve the overall objective, this study is informed by a series of fundamental objectives aimed at developing an empirically based perception of the relationship between organizational sustainability and financial management. The initial aim is to assess the current state of financial management practice among NGOs in Pakistan. Given that the industry is heterogeneous—ranges from large, internationally funded institutions to small, community-based organizations—understanding what norms, challenges, and gaps in financial systems currently exist is essential. There being no standard use of financial practices across organizations means that results in sustainability will also tend to vary heavily, an assumption to be tested rigorously through this research.

Second, the research will also ascertain which areas of financial management are most significant in influencing the sustainability of NGOs. The reason for this is that "financial management" is a catchall phrase for many practices, each with its own theoretical contribution and practical relevance. By dissecting financial management into key dimensions—budgeting, internal controls, financial reporting, and audit compliance—this research will yield a more comprehensive analysis that may be utilized in illuminating academic theory and organizational practice (Mango, 2018; Agyemang et al., 2021). Third, the research seeks to create quantifiable connections among financial management and various aspects of sustainability: financial, operational, and programmatic. Financial sustainability defines an organization's capacity for generating and sustaining funds over time; operational sustainability deals with internal infrastructure, staffing, and systems; and programmatic sustainability addresses continuing and size of services and effect. Examining how these results are shaped by financial systems will enable multiple-dimensioned understanding of NGO resilience (Fowler, 2020; Lewis, 2001).

Finally, the study seeks to create recommendations that can inform NGOs, policymakers, and donors about creating more financially sustainable institutions. The recommendations will be informed by empirical evidence and statistical

insights, allowing evidence-driven change instead of generalized recommendations. In aligning its objectives with both scholarly and practical demands, this study hopes to be analytically sound and pragmatically helpful to a wide array of stakeholders within the nonprofit sector.

1.4 Research Questions

Following the above objectives, the study is designed in relation to the following main research question:

To what extent does financial management contribute to the sustainability of NGOs in Pakistan?

The above central question is informed by a number of supporting sub-questions, which seek to facilitate the empirical inquiry:

1. What is the contemporary standing of financial management systems within NGOs working in Pakistan, and in what ways do they differ based on organizational size or funding type?

2. How do essential elements of financial management—namely budgeting, internal controls, financial reporting, and audit procedures—impact NGOs' financial sustainability?

3. What is the connection between financial management and operational sustainability, particularly related to personnel retention, allocation of resources, and internal systems?

4. To what degree do financial management practices impact programmatic sustainability, such as continuity, scalability, and service impact?

5. In what ways can NGOs reinforce their financial systems to support increased long-term sustainability and diversified funding sources?

These are questions that are intended to present a holistic picture of the financial dynamics behind sustainability in NGOs in Pakistan. Through addressing the topic from both descriptive and analytical perspectives, the research shall build insights that are contextually relevant and theoretically valid.

1.5 Research Hypotheses

To empirically examine the nexus between financial management and NGO sustainability, the study constructs various hypotheses that will be empirically tested through quantitative procedures. The hypotheses are based on both the literature and theoretical conception of financial governance in nonprofit organizations.

H1: *There is a statistically significant positive relationship between budgeting practices and the financial sustainability of NGOs in Pakistan.*

This assumption stems from the belief that effective budgeting enables organizations to budget for spending, predict cash flow requirements, and balance resources with strategic objectives. NGOs that prepare practical and extensive budgets have a better chance of maintaining budget discipline and donor confidence (Keating et al., 2005).

H2: *There exists a statistically significant positive relationship between internal control mechanisms and the operational sustainability of NGOs in Pakistan.*

Internal controls, including authorization procedures, maintenance of records, and segregation of duties, are required to minimize the risk and provide accountability. Firm internal controls facilitate efficient functioning and improve stakeholder confidence, both of which are essential for operational sustainability (Hyndman & McKillop, 2018).

H3: *Financial reporting quality has a positive strong correlation with programmatic sustainability of NGOs in Pakistan.*

Clear and timely financial reports enable organizations to track project expenditures, make real-time adjustments to strategies, and meet donor demands. Timely reporting can also improve decision-making and sustain program continuity (Mango, 2018; Agyemang et al., 2021).

H4: *Compliance with audit standards is significantly positively related to NGO sustainability in Pakistan overall.*

Compliance with audit is regarded as a proxy for financial integrity and transparency. NGOs that are subject to periodic external audits and adopt audit recommendations are more likely to secure repeated funding, as well as perform risk management more effectively, thereby ensuring long-term sustainability (Lewis & Kanji, 2009; Fowler, 2020).

These hypotheses will be examined with statistical methods like multiple regression analysis and correlation matrices. Data will be gathered with structured questionnaires directed at financial officers, executive directors, and board members of NGOs listed with the Pakistan Centre for Philanthropy (PCP), the Economic Affairs Division (EAD), and other relevant authorities.

Every hypothesis is based on current theory but also specifically framed in relation to the Pakistani NGO sector's specific dynamics. The aim is not just

to test or falsify these hypotheses, but to consider also the contextual subtleties and underlying processes that account for the documented relationships. For example, the research will examine whether the impact of financial reporting varies between large and small NGOs, or whether budgetary controls work more powerfully in donor-financed rather than self-financed organizations. By orienting the research around these hypotheses, the research is aligned with a positivist research paradigm that values objectivity, quantification, and external validity. This orientation is also conducive to using inferential statistics in order to generalize findings from a sample of NGOs to the population at large, thus enhancing the external validity of the research.

1.6 Significance of the Study

The study is significant in that it has the potential to contribute meaningfully to academic literature, policymaking frameworks, and practical management of non-governmental organizations (NGOs) working in Pakistan. Although NGOs have an irreplaceable role in the provision of social services, particularly in poor communities, their capacity for sustaining long-term impact is usually limited by internal vulnerabilities, especially in the area of financial management. This study is critical in determining and measuring the role that internal financial systems play in facilitating or hindering organizational sustainability. In contrast to most other studies that have highlighted external challenges like donor fatigue or political intervention (Lewis, 2001), this research focuses inward, analyzing the degree to which financial expertise of NGOs dictates their survivability and success.

Scholarly, the research contributes significantly to the body of literature on nonprofit management in Pakistan. While some studies have investigated governance, accountability, or donor relations in NGOs, not much quantitative analysis exists connecting financial management practices with sustainability outcomes (Iqbal et al., 2021; Hyndman & McKillop, 2018). Through the construction of an integrated model of how budgeting, internal controls, financial reporting, and auditing relate to financial, operational, and programmatic sustainability, this study contributes empirical richness and understanding to a fairly new research field. In addition, using statistical methods to examine well-specified hypotheses

raises the methodological standard of NGO studies in the Pakistani setting, where studies are frequently led by qualitative case studies and anecdotal findings.

Practically, the research has immediate implications for NGO managers and leaders. With constant pressure to prove accountability and transparency to funders, communities, and government authorities, findings from this research can be used as a diagnostic instrument. By knowing which financial practices have the greatest impact on sustainability, NGOs will be able to target internal reform and strengthen capacity in targeted areas instead of implementing wide-ranging unfocused interventions. For example, if an NGO ranks low in financial sustainability, it might be urged to re-examine its budgetary discipline or look at enhancing the frequency and credibility of its accounts. Since NGOs tend to be under pressure from austere administrative processes, such focused perspectives will enable them to allocate financial resources to a maximum long-term dividend.

This research is also of key importance to donor agencies and philanthropic institutions. Donors are becoming more interested in specific donors donating to organizations that not only show social impact but also institutional resilience. Without standardized metrics for measuring financial well-being in NGOs, however, funding decisions may be guided by superficial judgments or social connections. By supplying an empirically tested model connecting financial management to sustainability, this research provides donors with a model for assessing financial maturity and risk, thereby ensuring better-informed and more balanced funding decisions. It also invites NGOs to critically examine their financial structures, hence creating a culture of continuous improvement and future-focused planning.

Regulatory agencies and policymakers like the Securities and Exchange Commission of Pakistan (SECP), the Economic Affairs Division (EAD), and the Federal Board of Revenue (FBR) can also make use of this study's findings. As they attempt to develop more responsible and efficient nonprofit systems, empirical studies on NGOs' internal financial position can inform policy reforms, compliance practices, and capacity development programs. Regulatory reforms that promote transparency and financial prudence—without creating unduly burdensome administrative

requirements—can only be crafted successfully if there is unambiguous, data-driven appreciation of where NGOs are today and what assistance they need.

In reality, the study is important not merely because it presents fresh knowledge in a significant but neglected area of research, but also because it resonates with the realist imperatives and pressing demands of Pakistan's NGO community. It seeks to shift the debate on sustainability from theoretical posturing to practical, quantifiable interventions based on financial savvy and strategic orientation.

1.7 Scope of the Study

The scope of this research is determined by its thematic, geographical, and organizational limits. Thematically, the research covers four important areas of financial management: budgeting practices, internal mechanisms of control, financial reporting systems, and compliance with audits. These aspects were chosen due to their extensive acknowledgment in the literature on financial management as essential determinants of organizational transparency and stability (Keating et al., 2005; Mango, 2018). From a sustainability perspective, the research looks at three broad dimensions: financial sustainability, operational sustainability, and programmatic sustainability. This multi-dimensional model enables the research to examine not only whether NGOs endure, but how they fare across a range of measures of long-term survival.

Geographically, the research will be taking place in Pakistan, a country that offers a plural NGO environment. The research will focus on NGOs that work both in urban and rural settings, in areas including education, health, disaster response, women's empowerment, and poverty reduction. By selecting a geographically and thematically representative sample, the research hopes to ensure that its conclusions have wider applicability in the Pakistani setting. The research will feature both foreign-funded and domestically funded NGOs, thus integrating differences in fund-raising infrastructure, donor requirements, and reporting requirements.

Organizationally, the research is restricted to registered NGOs, specifically ones registered with the Pakistan Centre for Philanthropy (PCP), the Economic Affairs Division (EAD), or the Securities and Exchange Commission of Pakistan (SECP).

The emphasis guarantees that all the participating NGOs have a minimum level of legal compliance and organizational structure and are thus appropriate objects of study when it comes to assessing financial systems. Informal or unregistered organizations have been excluded because of the challenge to confirm financial information and the possibility of inconsistency in management systems. Yet, within the formal sector, small, medium, and large NGOs will be included in the study to determine how financial management practices change with organizational size and maturity.

Methodologically, scope is determined by the use of a quantitative research strategy. Statistical analysis will be employed to test hypotheses and determine causality. Data will be gathered through structured questionnaires from financial managers, executive directors, and board members. The quantitative approach, permitting generalizability, does entail a trade-off with in-depth qualitative interpretation. However, scope is intentionally formed to emphasize breadth, objectivity, and empirical robustness.

1.8 Study Delimitations

Although the study is meant to be general and comprehensive within the given scope, it is also limited by a number of self-imposed delimitations. The research is limited to financial management, and hence does not specifically investigate the other organizational variables like leadership style, stakeholder involvement, or political power, although they may also play their part in sustainability. The justification for this emphasis is the need to undertake a thorough analysis of one determinate variable alone, namely financial management, as opposed to a cursory analysis of several variables.

Second, the research confines itself to Pakistan alone and does not try to generalize the results for NGOs across other developing nations. Although similar themes might be present, contextual circumstances like legal environments, cultural understanding of philanthropy, and donor practices will probably vary, possibly confounding the generalizability of the study. Third, the research excludes non-registered charity groups, informal community associations, and social movements operating without official registration. Although they play an essential role in social welfare provision, the lack of comparable financial

information renders them inappropriate for this form of empirical research.

Lastly, the research is limited by its use of self-reported data. Although all attempts will be made to prove results accurate—by piloting the questionnaire, maintaining confidentiality, and checking responses where possible—there is still potential for response bias. Respondents can overclaim the efficiency of their financial systems or underdeclared problems. These will be noted within result interpretation and addressed with triangulation wherever possible.

1.9 Operational Definitions

In order to maintain consistency and clearness in interpretation of the key terms utilized throughout the study, the following operational definitions are given:

Financial Management is the strategic planning, organizing, directing, and controlling of an NGO's financial activities. It encompasses budgeting, financial reporting, internal control, and adherence to audit requirements (Keating et al., 2005).

Sustainability in this research is understood as an NGO's capacity to sustain its operations, funding sources, personnel, and programmatic activities into the future. It is evaluated on three dimensions: financial, operational, and programmatic sustainability (Fowler, 2020; Agyemang et al., 2021).

Budgeting Practices are the processes and methods an NGO applies to forecast, assign, and track spending against accessible resources over a given period.

Internal Controls are the policies and procedures adopted to maintain the accuracy and completeness of financial and accounting information, ensure accountability, and deter fraud.

Financial Reporting refers to the preparation and presentation of financial statements, such as income and expenditure reports, balance sheets, and cash flow statements, utilized for internal decisions and external accountability.

1.10 Study Organization

This thesis consists of five chapters. Chapter 1 presents the research problem, objectives, hypotheses, and study scope. Chapter 2 provides an extensive literature review of financial management and NGO sustainability literature,

drawing on theoretical theory and empirical evidence from both international and domestic sources. Chapter 3 explains the research methodology, specifying the research design, the population and sample, the methods of data collection, and the analytical procedures employed to test the hypotheses. Chapter 4 provides the findings of data analysis, including descriptive statistics, correlation matrices, and regression outputs. Chapter 5 presents the findings within the framework of research questions, derives conclusions, emphasizes practical implications, and makes recommendations to NGOs, policymakers, and potential researchers.

2. LITERATURE REVIEW

2.1 Introduction

The function of financial management in determining the sustainability of non-governmental organizations (NGOs) has gained greater prominence in the developing country context of Pakistan, where resource scarcity, governance issues, and donor dependence tend to restrict long-term performance. This chapter overviews the literature on the phenomenon of NGO sustainability and financial management using relevant theoretical frameworks and empirical literature to elucidate how budgeting, financial reporting, internal controls, and audit compliance affect financial and operational resilience. The chapter is sectioned into three broad parts. It first delves into the theoretical and conceptual framework of financial management and sustainability. Secondly, it offers empirical evidence on the financial behavior of NGOs, both globally and in Pakistan. Third, it identifies the most critical areas of gap in prior research and describes why there is a need to develop the proposed conceptual model of this study.

2.2 Theoretical Framework

A solid theoretical foundation is required while exploring the intersection of financial management and NGO sustainability. Several theories provide data on how financial behaviors influence organizational longevity, performance, and stakeholder trust. The current research utilizes Resource Dependence Theory (RDT), Agency Theory, and the Sustainability Theory as the general frameworks.

2.2.1 Resource Dependence Theory (RDT)

Resource Dependence Theory (Pfeffer & Salancik, 1978) presupposes that organizations are reliant on outside resources to survive and that these dependencies shape their behavior, structure, and strategic options. In the case of NGOs, economic resources such as grants, donations, and contracts are typically controlled by external organizations such as donors, development agencies, or philanthropic groups. For RDT, NGOs must devise strategies—like sound financial management procedures—to reduce uncertainty and gain greater control over these vital resources. Financial transparency, well-prepared budgets, and consistent audit mechanisms can make donors more trusting and improved possibilities for guaranteed funding (Froelich, 1999). In the Pakistani context, NGOs tend to come under rigid scrutiny, particularly in terms of foreign funding. It is preferred by donors to fund organizations with strong internal financial controls and sound reporting systems in place (Haque & Ahmed, 2020). Thus, RDT affirms that efficient financial management is not just a technical imperative but also an environmental dependency response strategy.

2.2.2 Agency Theory

Agency Theory, introduced by Jensen and Meckling (1976), explains the relationship between agents (NGO managers or employees) and principals (donors or benefactors), highlighting the issues that can arise because of conflicting interests and asymmetry of information. Within NGOs, the disparity between the aspirations of the donors and the management's everyday decisions can cause inefficiency, misappropriation of funds, or risk to reputation. Strong financial oversight mechanisms, such as external audits and frequent financial disclosures, reduce agency costs by aligning management behavior with donor expectations (Cordery & Sim, 2018).

With the non-profit status of NGOs, the absence of profit intentions makes monitoring more complex, rendering donors unable to assess effectiveness based on financial returns alone. Internal controls and ethical financial conduct are, therefore, surrogates for accountability and trust. This theoretical framework applies all the more in nations such as Pakistan, where regulatory enforcement is weak and reputational risk is strong.

2.2.3 Sustainability Theory

Sustainability Theory conceptualizes sustainability both environmentally and as long-term institutional viability in financial, operational, and programmatic senses (Bebbington, 2007). For NGOs, sustainability can be thought of as the capacity to sustain delivery of services despite the lack of regular external assistance. Under this theory, organizations that integrate financial sustainability as part of their core operations—through reserves building, diversifying income streams, and prudent expenditure management—are in a stronger position to sustain impact.

This conception has been used to support a multidimensional definition of sustainability. Financial sustainability means having a sound cash flow and access to resources; operational sustainability means stability in staffing, infrastructure, and service provision; and programmatic sustainability means being able to maintain outcomes and achieve long-term objectives (Moore et al., 2017).

2.3 Definition of Financial Management in NGOs

Financial management in NGOs encompasses planning, organizing, directing, and controlling the financial functions. Unlike business firms that aim to maximize profits, NGOs operate in an intricate context in which responsiveness to stakeholders, rather than maximization of profits, is desirable (Lewis, 2001). The key components of financial management include budgeting, internal controls, financial reporting, and audit procedures all aimed at inducing transparency, accountability, and sustainability.

2.3.1 Budgeting

NGO budgeting is a financial plan for controlling and organizing organizational resources and strategic objectives. A properly prepared budget helps NGOs allocate funds appropriately between programs, manage costs, and monitor expenditures (Mango, 2018). Budgets also provide a benchmark for evaluating financial performance and variances. There is evidence that NGOs whose budgeting process is disciplined are better able to maintain the sustainability of services, manage donors' expectations, and attain financial resilience (Ostrower & Stone, 2010). In Pakistan, where NGOs are predominantly project-funded, budgeting also allows for planning phase transition

and averting liquidity crises (Yasin & Khaleeq, 2022).

2.3.2 Internal Control Systems

Internal controls refer to the procedures and processes that ensure financial information is reliable and accurate. Internal controls include procurement policies, spending authorization policies, asset protection, and risk management policies. NGOs are greatly vulnerable to adverse financial management owing to weak governance systems and low financial management capabilities (Mackey & McNulty, 2015).

The use of internal controls not only safeguards against error and fraud but also improves organizational effectiveness as well as donor trust. Tinkelman & Donabedian (2007), through their study, found that NGOs with well-defined internal control systems experienced higher donor retention rates as well as program continuation. In Pakistan, weak internal control structures have led to many high-profile financial crises, eroding public confidence in the sector (Akhtar & Sattar, 2019).

2.3.3 Financial Reporting

Financial reporting means the preparation and release of financial statements, such as balance sheets, income statements, and cash flow statements. Transparent reporting supports both internal decision-making and external accountability. In contrast to corporate organizations, NGOs have the twofold challenge of financial and mission reporting, so their disclosure obligations are more complicated (Connolly & Hyndman, 2013).

Effective reporting systems assist NGOs in monitoring the usage of resources, donor compliance, and presenting evidence of impact. In the case of research into UK charities, the quality of financial reporting had a positive relationship with donor confidence and potential for future funding (Hyndman & McConville, 2018). Financial reporting standards within Pakistani NGOs are yet to mature, and most of the small organizations do not have the skills to generate proper financial reports and therefore impact their sustainability (Rehman et al., 2021).

2.3.4 Audit Compliance

Auditing is an independent confirmation of the financial well-being of an organization. It encompasses internal audits (carried out by organizational personnel) and external audits

(carried out by third-party auditors). Sustained audits not only uncover areas of vulnerability but also establish credibility with stakeholders (Corderly & Sim, 2018).

Compliance with the audit is usually a pre-condition for obtaining government or foreign funding. Donors like USAID, DFID, and the UN in Pakistan demand audited reports as a pre-condition for funding (Haque & Ahmed, 2020). NGOs that invest in audit compliance and readiness will be less hit by funding suspensions and have a stronger rapport with regulatory authorities as well as donors.

2.4 Empirical Research on Financial Management and NGO Viability

2.4.1 International Empirical Studies

The connection between financial management and NGO viability has drawn significant academic interest worldwide. There are some studies that attest to the fact that practices like budget discipline, proper internal controls, financial reporting transparency, and compliance with audits are essential to the long-term sustainability of non-profits.

A comparative international study conducted by Bracci et al. (2015) analyzed financial management and disclosure in 45 European, Asian, and African NGOs. The findings indicated that NGOs with systematic financial reporting systems and regular audits improved not just internal decision-making but also attracted long-term donor funding. Similarly, Zietlow et al. (2018) argue that NGOs must adopt a culture of performance-based finance, wherein resources are matched to results, in order to achieve sustainability in uncertain funding environments.

In Eastern Africa, Nzoka and Owuor (2016) examined the effects of financial management practices on sustainability among 100 NGOs in Kenya. From their regression analysis, they illustrated that financial planning and internal control systems were key determinants of organizational sustainability. They concluded that NGOs are not failing due to a lack of money but rather due to financial mismanagement and ineffective use of funds.

In Latin America, Gálvez-Rodríguez et al. (2014) studied transparency and accountability in NGOs and found a positive relationship between financial disclosure and donor retention. They found that the sustainability of NGOs depends heavily on

whether or not they can create long-lasting trust with their stakeholders by way of open, consistent financial practices.

Second, in Southeast Asia, Anheier (2014) also highlighted how context in institutions shapes financial behavior for NGOs. Based on his findings, NGOs in environments with low regulatory enforcement experience a discrepancy between reporting finance and actual sustainability, and financial governance capacity-building is required.

Together, these South Asian studies all confirm that money management is not a back-office business but a critical strategic part of NGO resilience, credibility, and responsiveness.

2.4.2 Evidence from South Asia

In South Asia, the non-profit sector has grown at a fast pace since the early 1990s, driven by increased demand for development services and advocacy on policy issues. However, this growth has not automatically been accompanied by either stronger financial practice or sustainability mechanisms.

Khan and Rahman (2019) conducted a survey of 150 NGOs in Bangladesh and found untrained financial personnel, inadequate financial planning, and reliance on foreign donors to be key drivers of unsustainability. The report underscored the importance of budget forecasting and scenario planning in building long-term capacity for funding shock absorption.

2.4.3 Empirical Literature in Pakistan

In Pakistan, NGOs' role has become especially significant in view of the limited capacity of the state to deliver welfare and developmental services. Yet, the sector has often been put under the microscope because of finance accountability concerns, governance issues, and project discontinuity.

Rehman, Qureshi, and Khan (2021) carried out a quantitative study of 90 NGOs registered in Punjab. Their results showed that NGOs with formal accounting systems, such as routine audits and monitoring of cash flows, were much more sustainable in terms of program delivery. Regression analysis was used to show that financial reporting was the best predictor of resilience at the organizational level.

Another research work of Haque and Ahmed (2020) examined the international donor expectations of Pakistani NGOs. According to the

researchers, most donors withdraw funding because of a lack of financial transparency or anomalies in audit reports. The research pointed out that most of the financial management measures are internal tools of governance as well as external signaling devices of credibility.

Ali and Amjad (2019) compared the budgeting practices of NGOs in Khyber Pakhtunkhwa and found that only 42% of NGOs had medium-term budgets. Of all the NGOs that had medium-term financial planning, they exhibited greater financial stability and organizational sustainability. The study recommended institutionalizing the budget workshops and creating internal review committees for the budget.

Bukhari and Khan (2018) assessed the readiness of Islamabad and Rawalpindi NGOs for audits. In their study, 35% of the NGOs were found to be ready for audit, while the remaining NGOs lacked adequate documentation or employee training. The authors highlighted the need for donors or government agencies to launch external capacity-building initiatives.

Additionally, Jalal and Akhtar (2020) discussed the problems of financial reporting of Pakistani NGOs. Based on a survey of 75 NGOs, they determined that the majority of them were experiencing a problem in adopting international financial reporting standards (IFRS) due to a lack of expertise and institutional capacity. However, NGOs that employed financial consultants or had experienced finance staff were more compliant and thus more likely to be better funded over time.

These studies highlight how poor financial management is a major threat to the sustainability of NGOs in Pakistan in the long term. They do, however, show that relatively simple improvements in financial management—like frequent budgeting, regular audits, and transparent reporting—can be extremely rewarding in terms of donor trust and sustainability of operations.

2.5 The Connection between Financial Management and NGO Sustainability

Empirical evidence, both international and local, confirms that the practice of financial management is most closely linked to NGO sustainability. Budgeting guarantees proper utilization of resources; internal control reduces risks and ensures compliance; financial reporting facilitates openness and trustworthiness; and auditing confirms the fiscal well-being of the organization.

In an extensive overview by Hyndman and McConville (2018), NGOs using integrated financial approaches were noted to outperform others in maintaining long-term ventures, particularly during a crisis. This was also the conclusion reached in a meta-analysis by Tremblay-Boire and Prakash (2017), who noted that NGOs with streamlined financial systems had a better chance of obtaining multi-year funding and establishing donor loyalty.

A large body of literature also emphasizes the mediating role of donor perceptions on the connection between financial practices and sustainability. NGOs that are shown to have a strong record of financial transparency are viewed as being more credible, which enhances their prospects for sustainability, according to Cordery and Sim (2018).

In Pakistan, for instance, research like Rehman et al. (2021) and Ali and Amjad (2019) indicates that while the NGO sector remains dynamic and lively, it is retarded by weak systems, low financial literacy, and inadequate regulatory support. Nevertheless, NGOs that lead in proactively professionalizing their financial management have a strategic competitive edge in access to funding, reputation, and sustainability

2.6 Gaps in Literature Research

Even though a vast corpus of literature is present explaining the significance of financial management in NGOs, some key gaps in research persist, especially concerning developing nations such as Pakistan. First, most of the existing literature is conceptual or qualitative, and there is less empirical research relying on quantitative methods to statistically establish the relationship between financial practices and NGO sustainability. For example, as Ali and Amjad (2019) and Rehman et al. (2021) explain budgeting and financial controls, these pieces of research are generally devoid of statistical models that specifically link these practices with sustainability measures.

Second, most of the research focuses on one or two areas of financial management—such as auditing or reporting—without taking a holistic approach that encompasses multiple practices simultaneously. Such a segmented focus fails to examine the interactive or cumulative impact of budgeting, financial reporting, internal controls, and audit compliance on sustainability. This research seeks to

take a holistic approach, which can take into consideration how such practices support each other to enable organizations to live long.

Third, there is little context-specific research that addresses the realities of the operations of NGOs in Pakistan. The majority of writing is founded on universal theories or generalizations from corporate accounting principles that are not necessarily reflective of the unique problems that non-profit organizations face in politically intricate, donor-restricted environments. As Jalal and Akhtar (2020) note, adopting corporate norms like IFRS in NGOs in the absence of localization typically generates issues of implementation, thus deserving research based on forces that are local institutional, regulatory, and cultural.

Second, donor-centric perspectives are common in the literature, and these tend to ignore the effects of internal organizational factors—e.g., leadership commitment, employees' financial literacy, and technology adoption—on financial management practices. This leaves an essential knowledge gap regarding the endogenous drivers within NGOs that shape sustainability outcomes. Finally, although some international research, e.g., Nzoka and Owuor (2016) and Kapur and Mehta (2017), provide correlations between finance management and sustainability, there is little research which investigates the predictive capability of certain financial practices for NGO sustainability through statistical modeling like regression analysis or structural equation modeling (SEM), particularly in Pakistan. This thesis seeks to close this gap by using a quantitative approach to examine how four of these financial practices—budgeting, internal controls, financial reporting, and audit compliance—forecast sustainability outcomes.

2.7 Rationale for the Current Study

This study is timely and much needed for a number of reasons. Firstly, Pakistan has witnessed explosive growth in the NGO sector over the last two decades, mainly because of its developmental challenges and governance deficits. However, such growth has not been matched with simultaneous increases in institutional capacity, especially in financial management. The sustainability of NGOs is increasingly threatened due to financial mismanagement, loss of donor confidence, and pressures from regulations (Haque & Ahmed, 2020). Thus, this research can contribute valuable insights much desired by practitioners and

policymakers regarding the strengthening of the financial infrastructure of the sector.

Second, this study is among the first in Pakistan to examine the effect of all four dimensions of financial management—budgeting, internal controls, financial reporting, and audit compliance—on NGO sustainability using an integrated, evidence-based quantitative methodology. In doing so, it addresses a methodological shortcoming in existing literature, which has been inclined to employ qualitative or descriptive research to a virtual exclusion of quantitative studies.

Third, theoretically, this study enriches the application of Resource Dependence Theory, Agency Theory, and Sustainability Theory by testing their applicability empirically in a non-Western, resource-poor setting. It tests if financial practices actually function as resources for managing resource dependency, easing agency concerns, and facilitating long-term operational and programmatic sustainability.

Fourth, the research has real-world utility for NGO managers, financial administrators, and donors. By identifying which money practices have the greatest effect on sustainability, it provides a guide for capacity-building programs, funding allocation, and policy decisions. It also informs donor action by shedding light on important financial measurements that predict organizational survival and longevity.

Lastly, this study contributes to the overall discourse on sustainable development in Pakistan

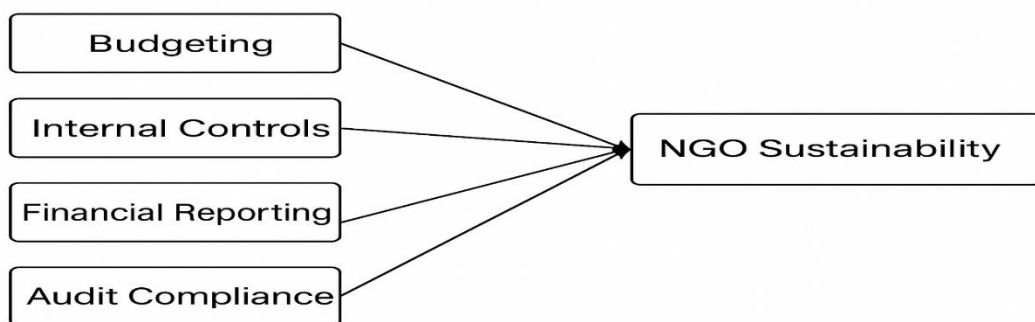
through the prioritization of the role of governance and fiscal responsibility among non-state actors. With the state increasingly relying on NGOs to provide social services, it is crucial that their financial sustainability as a national concern.

2.8 Development of Conceptual Framework

As per the considered literature, the conceptual framework of the present research is focused on the relationship between Financial Management Practices (independent variables) and NGO Sustainability (dependent variable). Financial management has been considered a multi-dimensional construct, which includes:

Budgeting, Internal Controls, Financial Reporting and Audit Compliance. These dimensions are each a specific avenue through which NGOs are able to improve their resource management, avoid misappropriation of funds, enhance donor confidence, and maintain operations over the long term. These steps are expected to have an effect on sustainability, which has been defined as the ability of an NGO to operate its programs and services in the long term and also maintain financial health and stakeholder commitment.

The model is based on the thesis that sound financial management is a strategic skill rather than a technical process. Secondly, the model assumes that effective financial governance has the capacity to lower external financing risk and internal inefficiencies—two great threats to sustainability for Pakistani goals.



Conceptual framework model

The theoretical paradigm of the research is theorized to explore how various dimensions of financial management have direct effects on the sustainability of non-governmental organizations (NGOs) in Pakistan. Guided by theoretical frameworks like the Resource-Based View (RBV)

and Financial Control Theory, the model includes five primary independent variables—Budgeting, Internal Controls, Financial Reporting, Audit Compliance, and Financial Sustainability Metrics—and one dependent variable, NGO Sustainability. These measures collectively form a logically

coherent model which makes the hypothesized relationships between financial responsibility and long-term organizational sustainability amenable to empirical testing.

Budgeting is the first free variable in the model and refers to the procedure of planning and appropriation of financial resources in a planned and sequential manner. Effective budgeting allows NGOs to distribute scarce resources among vital programs so that resource usage would be at its best. Budgeting also in NGOs reflects an organization's ability to make forecasts of income and spending behavior, track financial performance, and react to changes in financial environments. The premise of this relationship is that NGOs with good budgeting systems are likely to be financially healthy and therefore more sustainable. Internal Controls is the second key independent variable in the model. These controls are organizational systems and policies intended to protect financial assets, deter fraud, and facilitate accurate financial reporting. Within a donor-dependent setting like that found in Pakistan, the availability of sound internal control measures improves stakeholder confidence and facilitates operational effectiveness. The model assumes a flat and direct link between high internal control practices and NGO sustainability; whereby well-functioning governance structures are guarantees for long-term performance.

The third variable, Financial Reporting, reveals the frequency, transparency, and accountability with which NGOs compile and disclose financial reports. Good financial reporting not only fulfills donor requirements and regulatory compliance, but also assists in internal decision-making. Prompt and accurate reports demonstrate financial integrity and deepen the NGO's credibility in the development community. Within the model, it is assumed that NGOs that have consistent and high-quality financial reporting procedures in place are more likely to secure continuous funding, and therefore, exhibit superior sustainability outcomes. Audit Compliance forms the fourth aspect of financial management within the model. Audit Compliance is compliance with internal as well as external auditing processes, along with the enforcement of audit suggestions. Routine audits are evaluation, oversight, and transparency instruments, especially useful for organizations that manage large amounts of public or donor money. Those NGOs that are audited according to

standards are generally more transparent, less susceptible to financial malpractice, and better positioned to receive support in the long run. Thus, the model suggests there would be a considerable positive influence of audit compliance on NGO sustainability.

The fifth and last stand-alone independent variable is Financial Sustainability Metrics. These are measurable indicators like diversification of revenue, accumulation of reserves, liquidity ratios, and single-donor dependency. These measures are useful indicators of an organization's financial position and capacity to run its operations independently. The model holds the assumption that NGOs with positive financial sustainability measures are more robust in dealing with funding shocks and therefore better able to sustain their mission over time.

All the five independent variables converge to the middle dependent variable of the model, NGO Sustainability. Sustainability in this case is multidimensional, including financial, operational, and institutional dimensions. Financial sustainability refers to the ability of an NGO to raise and manage resources sustainably without relying largely on external donors. Operational sustainability is the long-term survival of services and programs, while institutional sustainability indicates organizational systems' resilience, leadership, and governance structures. Both encompass the complete ability of an NGO to survive, thrive, and continue impacting in the long term.

Theoretical framework assumes a direct, linear relationship between all functions of financial management and NGO sustainability. All three hypotheses were quantitatively tested in the empirical section of this thesis using guided questionnaires completed by NGO finance officers. The data were analyzed with a combination of descriptive statistics, regression analysis, and structural equation modeling (SEM) in order to have robust tests of the conceptual relationships. Validity of the framework was established by strongly significant results in all variables, confirming good financial management as one of the core drivers of organizational sustainability. This model is not only relevant to academics but also to NGOs, policy-makers, and funding organizations working in Pakistan's nonprofit sector. It offers a diagnostic framework to evaluate financial practices and a strategic plan

for organizations to improve the sustainability of their long-term capabilities. By pinpointing distinct areas of financial management that have an impact on sustainability, the model assists in prioritizing training, policy reform, and governance improvement. Overall, this conceptual framework offers a structured, evidence-based foundation on which the rest of the research is developed and interpreted.

2.9 Development of Hypotheses

On the basis of the literature and conceptual framework, the following hypotheses are formulated for empirical testing:

H1: *There is a positive relationship between budgeting practices and NGO sustainability in Pakistan.*

This hypothesis draws on studies like Ali and Amjad (2019) and Mango (2018), which show that effective budgeting allows NGOs to plan, manage resources well, and avoid gaps in finance.

H2: *There exists a positive correlation between NGO internal control systems and NGO sustainability in Pakistan.*

Internal controls prevent financial mismanagement and promote accountability, thereby aiding sustainability, according to Tinkelman & Donabedian (2007) and Akhtar & Sattar (2019).

H3: *NGO sustainability in Pakistan has a positive direct relationship with financial reporting practice.*

Studies such as Connolly & Hyndman (2013) and Hyndman & McConville (2018) show that donor trust is fostered and long-term funding is assured by transparency of reporting.

H4: *NGOs' sustainability in Pakistan is positively related to audit compliance.*

Audit preparedness enhances credibility and confidence, which ultimately lead to increased fundraising opportunities and stability, as Evidence has been presented by Cordery & Sim (2018) and Bukhari & Khan (2018).

This chapter integrated theory and empirical literature concerning financial management and NGO sustainability. Relying on theories such as Resource Dependence, Agency, and Sustainability, it investigated how certain financial practices—budgeting, internal controls, financial reporting, and audit compliance—lead to long-term NGO survivability.

Literature presents overwhelming proof that financial management is a key pillar of organizational sustainability, particularly in donor-

dependent, resource-scarce settings such as Pakistan. Notwithstanding this, there are still major gaps in the empirical testing of these associations, especially with quantitative approaches. In this paper, those gaps will be filled by testing a conceptual framework and related hypotheses based on primary data for NGOs working in Pakistan.

Through the process, it enriches theory, informs practice, and informs policy changes capable of enhancing the financial governance and contribution of the non-profit sector.

3. RESEARCH METHODOLOGY

In the current research chapter, a detailed explanation of the research methodology applied in this research work, whose title is "The Role of Financial Management in Enhancing NGO Sustainability: A Study in Pakistan," is given. It is important to have a clear research methodology to ensure that the study is conducted in a systematic, credible, and scientifically acceptable manner. The approach describes the research philosophy of the researcher, the theory development approach, the research design, data collection and analysis procedures, and the ethical factors considered. Since the research is based on analyzing the statistical correlation between financial management factors and the sustainability of NGOs working in Pakistan, a quantitative research approach has been employed.

This chapter starts by addressing the research philosophy that guides the study, then followed by the approach and design that were used. It then outlines the data collection strategy, population and sampling method, data collection tools, and data analysis methods. The chapter also discusses validity and reliability measures, ethical issues, and limitations that surround the selected methodology. The objective is to explain the methodological decisions taken in consonance with research objectives and make the research process transparent so that the study could be replicated and the findings can be confirmed.

The research targets NGOs in Pakistan because of their pivotal role in responding to developmental issues. Financial mismanagement has been repeatedly cited as a major cause for the collapse of most NGOs, and thus this study is both timely and appropriate. Through the selected methodology in this case, it is possible to examine financial aspects such as budgeting, reporting, internal control, and

audit mechanisms and how these will lead to organizational sustainability. The chapter will give illumination on how data were accessed, processed, and analyzed to come up with valid conclusions.

3.1 Research Philosophy

The choice of research philosophy is a significant decision in the research design since it captures the researcher's assumptions regarding the nature of reality (ontology), how knowledge can be obtained (epistemology), and the values that shape research (axiology). This research employs a positivist research philosophy that is congruent with the quantitative approach to research.

Positivism is based on the understanding that reality is objective and can be seen, measured, and quantified numerically. This philosophical tradition is appropriate for this study since it seeks to create and confirm cause-and-effect relationships between financial management and NGO sustainability. For the positivist paradigm, hypotheses derived from prior literature are confirmed through empirical evidence to provide generalizable results. This philosophy adopts a scientific and systematic approach, allowing the researcher to remain objective and neutral in the process.

As informed by positivist philosophy, the study uses standardized tools for data collection and emphasizes statistical analysis, objectivity, and replicability. This choice of philosophy also enhances the validity of the findings generated, insofar as it diminishes the possibility of individual bias and subjective interpretation. By eschewing neutrality and relying on quantifiable data, the study aims to contribute credible, valid, and generalizable knowledge to the domain of NGO financial sustainability in Pakistan. Deduction not only makes sense but also facilitates exact hypothesis construction and strict empirical testing. The approach makes the research more reliable and enhances the findings' generalizability. By taking a deductive path, the research takes a systematic sequence of theory to data, which allows for an unambiguous avenue of making conclusions. The hypotheses are based on previous research carried out on NGO performance and financial management. The intention is to establish whether previously established theories apply to Pakistani NGOs as well, thus offering context-based information while advancing scholarly discourse.

3.2 Research Design

The research design is the general plan for data gathering and analysis. A quantitative research design is used by this study, which is consistent with the positivist paradigm and the deductive strategy. Quantitative research focuses on measuring variables with numbers and analyzing relationships with statistics. This type of design is best suited for research that seeks to establish patterns, test hypotheses, and discover cause-and-effect relationships.

In the current research, the quantitative design helps to establish the effect of financial management on the sustainability of NGOs by collecting numerical data from a large number of organizations. Statistical tests are then used to determine the strength and significance of independent and dependent variable associations. Financial elements such as budget processes, internal control systems, audit procedures, and financial report standards are considered independent variables, while sustainability (financial, operating, and programmatic) is considered the dependent variable.

Moreover, a quantitative design is suitable for the generation of data that is generalizable to the whole population of NGOs in Pakistan. It facilitates the researcher to use standardized data collection instruments, such as structured questionnaires, which ensure reliability and reduce interviewer bias. It also facilitates the use of robust data analysis techniques such as regression analysis and Structural Equation Modeling (SEM), giving more detailed insights into the interaction among the variables.

3.3 Research Approach

The research approach outlines the way the overall goals of the study are practically put into effect. In this study, a survey approach has been selected. Surveys are a powerful tool in the quantitative research tradition, especially when the research entails gathering data from a vast and geographically spread population. Through surveys, standardized data collection is possible, and it is possible to measure different variables in a similar and comparable fashion.

Structured questionnaires are employed in this study to collect responses from finance officers, accountants, and financial managers working in Pakistani NGOs. The foundation of the selection

of a survey lies in the need for reliable data from a sample of respondents, who could provide first-hand information regarding the financial management processes in their respective organizations. Surveys allow anonymity, which encourages open and unbiased answers, thereby increasing the credibility of the results.

Secondly, survey strategy is cost-effective and time-efficient, especially for large studies. It allows for inclusion of NGOs from across Pakistan—urban, semi-urban, and rural—yielding a more representative and diversified sample. The questions asked in the survey are derived from previous literature and existing validated instruments, thus minimizing errors and increasing comparability with other work in the same environments. Both online and physical modes of distribution are used to maximize response.

3.4 Time Horizon

With regard to the time horizon, the research in this study has a cross-sectional time horizon, in that the data are collected at a specific point in time and not over several periods. The cross-sectional method is best suited for studies that aim at examining the current status of a phenomenon and not how it moves or changes over time. It takes the picture of the relationship between financial management and sustainability of an NGO in the prevailing operation and economic climate of Pakistan.

Although a longitudinal study may be able to offer some information on how financial practices evolve with time and how they affect sustainability in the long run, it is beyond the confines of this research due to time and logistical constraints. Yet, the cross-sectional design is adequate for the achievement of the research objectives and answer to the hypotheses formulated. It allows the researcher to make inferences about the interactions between variables and contributes significant knowledge that may be placed on top in subsequent longitudinal studies.

3.5 Population and Sampling

To determine the target population and the appropriate selection of the sample is an essential element of any research design. The population in this research includes registered NGOs working in Pakistan, especially in sectors like health, education, women's empowerment, and disaster relief. These sectors have grown considerably and

made impressive impacts over the past twenty years and are desperately reliant on good financial management for existence and effectiveness.

To maintain the quality and relevance of information, a purposive sampling method is adopted. The non-probability sampling technique enables the researcher to choose units that are highly informative. Here, NGOs are chosen by particular selection criteria: they should be formally registered under corresponding Pakistani legislation (e.g., Voluntary Social Welfare Agencies Ordinance 1961 or Companies Act 2017 under Section 42), possess an operational finance department, and should be operational for at least three years. The reason behind this is to make sure that the chosen NGOs have developed financial processes and adequate experience to analyze their sustainability processes.

250 NGOs are chosen from big cities like Islamabad, Lahore, Karachi, Quetta, and Peshawar, as well as chosen organizations from smaller towns and rural areas to reflect regional diversity. From every NGO, a single finance professional is chosen to complete the survey—a finance manager, internal auditor, or accountant. It is a strategic choice to target finance staff since they are best positioned to report on financial planning, control, auditing, and sustainability initiatives.

The sample size is rationale based on available statistical standards and research like Krejcie and Morgan's table for determining the sample size, which recommends a minimum of 250 respondents for a population of 5000 NGOs to maintain sufficient statistical power in case of generalization. Though the research does not aspire for perfect generalizability, it does have enough variation in organizational size, type, location, and focus area to maintain strong and stable results.

3.6 Data Collection Methods

Collection of data is a basic step in every empirical research, and the quality of data gathered has a direct bearing on the validity and reliability of the research outcomes. Primary data for this study is gathered through a close-ended, structured questionnaire prepared following a rigorous review of the literature. The questionnaire is customized to measure the salient aspects of financial management and how these factors can affect NGO sustainability in the context of Pakistan.

The survey is broken up into a number of thematic areas:

1. General Information - organizational size, operating years, sector, and funding sources.
2. Budgeting Practices - questions determine if NGOs make annual budgets, how resources are allocated, and if budgets are reviewed regularly.
3. Internal Control Systems - items determine the presence of checks and balances, approval chains, segregation of duties, and fraud prevention measures.
4. Financial Reporting - examines reporting frequency, adherence to accounting standards, and financial software usage.
5. Audit and Compliance - investigates whether NGOs have internal and external audits and the process of implementing audit recommendations.
6. Sustainability Indicators - tests financial, program, and operations sustainability through proxy indicators such as funding diversification, reserve levels, and the capability to sustain projects in the absence of donor funding.

Each of the sections utilizes a 5-point Likert scale, from "Strongly Disagree (1)" to "Strongly Agree (5)," which facilitates quantifiable answers and statistical analysis ease. The Likert format provides a means for the measurement of implementation and perception levels of finance practice without constraining responses to binary (yes/no) answers. The questionnaire was pilot-tested initially among 15 NGO finance professionals in Islamabad to assess its clarity, length, and appropriateness. Pilot feedback was utilized to refine wording, minimize redundancy, and maximize accuracy. Once revisions were made, the final one was sent electronically (via Google Forms and email) and physically in hard copy where internet access was limited. Follow-up emails and phone calls were made in an attempt to enhance response rates, and confidentiality was guaranteed to limit response bias.

A covering introductory consent form preceded all surveys, informing participants of the research study's academic rationale, ensuring respondents' anonymity, and making them aware of their right to withdraw at any point. This is in line with ethical research guidelines and promotes honest responses by eliminating fear of retribution from the organization.

The data collection process lasted three months, from January to March 2025. Out of 400 distributed surveys, 275 responses were received, and after screening for completeness and consistency, 250 responses were retained for analysis. This high response rate reflects the interest of NGOs in the subject matter and strengthens the validity of the study.

3.7 Data Analysis Techniques

After the data was gathered, it was subjected to careful and rigorous analysis through sophisticated statistical software. Statistical Package for the Social Sciences (SPSS) and Analysis of Moment Structures (AMOS) were the major software packages utilized in data handling and hypothesis testing. Both preliminary data evaluation and sophisticated modeling are supported by these tools.

The initial step was data coding and cleaning. Missing values, outliers, and entry errors were verified in responses. Descriptive statistics were executed to identify basic data features like mean scores, standard deviations, and frequency distributions for every item.

Afterwards, reliability analysis was done through Cronbach's Alpha, which establishes internal consistency of the items across each construct. Acceptable Cronbach's alpha was 0.7 and above. Most constructs were highly reliable in that they had items that were consistent in measuring the intended variable.

Following the establishment of reliability, Exploratory Factor Analysis (EFA) was applied to reveal the latent structure of the data and to establish if the survey items clustered into the proposed constructs (budgeting, controls, audits, etc.). The Kaiser-Meyer-Olkin (KMO) measure and Bartlett's Test of Sphericity were employed to test sampling adequacy and the appropriateness of the data for factor analysis.

In order to investigate relationships between variables, Pearson's Correlation Analysis was performed. This identified the strength and direction of relationships between financial management variables and NGO sustainability.

Multiple Regression Analysis was the subsequent level of analysis which evaluated to what extent variance in NGO sustainability could be accounted for by independent variables including budgeting, internal control, and reporting. Regression

enabled the researcher to analyze each hypothesis separately.

Lastly, Structural Equation Modeling (SEM) with AMOS was utilized to examine the entire conceptual framework created in Chapter 2. SEM is a robust method that allows for testing multiple relationships simultaneously, such as mediating or moderation effects. SEM, in the current study, provided the full picture of how financial management practices collectively influenced NGO sustainability and ensured the model fit based on measures like CFI, RMSEA, and Chi-square/df ratios.

Using these rigorous statistical approaches, the research ensured not only hypothesis testing but also testing of model validity and predictive power.

3.8 Validity and Reliability

Ensuring the validity and reliability of the research instrument and procedures is necessary to yield reliable results. In the current study, various strategies were used in enhancing construct and internal validity as well as ensuring reliability.

Reliability

1. Cronbach's Alpha was applied to check internal consistency for all the scales.
2. All constructs were shown to have alpha greater than 0.75, which reflects good reliability.
3. Pilot study also helped ensure questions being interpreted in a similar manner by respondents.

Content Validity

1. Content validity refers to a measure of how well the questionnaire items represent the domain of interest.
2. This was done by a strong literature review and expert critique. Three academic experts and two experienced NGO managers gave their feedback.

Construct Validity

1. Attained by Exploratory Factor Analysis.
2. Factor loadings were greater than the minimum of 0.5 for all items, and cross-loadings were small, confirming that the constructs were clearly differentiated and consistent.

Convergent and Discriminant Validity

1. Convergent validity was established with Average Variance Extracted (AVE) and Composite Reliability (CR) in SEM analysis. $AVE > 0.5$ and $CR > 0.7$ indicated good convergent validity.

2. Discriminant validity was verified by ensuring that the square root of AVE for every construct was greater than between-construct correlation. This ensured that each variable was measuring a different construct.

These dual measures of validity and reliability strengthen the credibility of the results and the integrity of the methodological design.

3.10 Ethical considerations

Ethical considerations are the cornerstone of academic research, especially in human participant studies. Since the research involved collecting data from professionals working with NGOs, it was imperative that the participants be handled with dignity and their rights ensured throughout the process. Ethics in research not only contribute to credibility but also maintain the integrity of the academic process.

This study uses the deductive research approach, which is typically associated with positivist philosophy. The deductive approach begins with the development of a theory from prior literature. Hypotheses are later developed from the resulting framework and tested through observation in reality. The conclusions are utilized for testing or falsifying the hypotheses, whose verification or falsification either supports or refutes the existing theory.

The deductive approach is particularly well-suited to this research as it enables the researcher to begin with a sound theory and subject exact hypotheses regarding budgeting, internal controls, financial reporting, and their influence on NGO sustainability to testing. This explained that involvement was voluntary and that respondents could withdraw at any point without penalty or justification. Only after respondents confirmed their understanding and consent—either by signing a physical form or checking a digital box in the online version—was the survey conducted.

To maintain anonymity and confidentiality, participants were not requested to give names or unique identifiers involving themselves or their organizations. Data were coded and safely stored on encrypted drives, and access was restricted to the researcher and academic supervisors alone. No information that could potentially lead to the identification of individual respondents was reported in the study.

In addition, all information were gathered and utilized exclusively for educational purposes. The

ultimate report and any ensuing publications anonymize findings and avoid mentioning any given individual or particular NGO by name. Participants were also provided with the choice of receiving a summary of the study's conclusions upon completion, demonstrating a commitment to transparency and mutual learning.

Every precaution was taken not to coerce participants in recruitment. The content and tone of email invitations and hard copy letters were such that participation was clearly voluntary. The questions in the survey were formulated to be neutral and unintrusive. Delicate subjects, like fraud or misuse of money, were couched in generalized non-accusatory language in order to reduce embarrassment.

By sticking to these ethical standards, the research upholds the dignity and privacy of participants and is in line with international standards by institutions like the Belmont Report (1979) and APA Ethical Guidelines.

3.9 Strengths and Limitations of the Methodology

In spite of the methodological precision used, it is necessary to understand the weakness of the present study. These limitations provide transparency and lead the way for future studies.

3.9.1 Cross-sectional Design

The research employs a cross-sectional design, which takes a snapshot at one point in time. Although cost-effective and quick, it does not allow the drawing of causal conclusions. For example, although an association between budgeting and sustainability could be found, the temporal order—whether robust budgeting had preceded sustainability or vice versa—is unknown. A longitudinal design, while more complicated, would yield a richer understanding of trend and cause-effect relationships.

3.9.2 Purposive Sampling

Use of purposive sampling to select respondent-relevant knowledge, while unavoidable to ensure knowledgeable respondents, creates selection bias. Selected NGOs might have better-established finance systems or a higher willingness to engage in research, thereby influencing the results. Although this method guaranteed that participants possessed adequate expertise to respond to financial questions meaningfully, the selected participants

may not be representative of the entire NGO sector, including smaller grassroots organizations.

3.9.3 Self-reported Data

All information gathered were subjective, basing on the integrity and truthfulness of the respondents. This opens up the risk of social desirability bias, in which participants tend to exaggerate best practices or conceal deficiencies. Attempts to reduce this bias were undertaken through anonymity and precise questionnaire crafting, but the likelihood cannot be eliminated completely.

3.9.4 Limited Generalizability

Even though 250 NGOs were covered in the sample, the findings may not apply to all NGOs in Pakistan, particularly those in very rural areas, unofficial networks, or conflict zones. These organizations could have specific financial and operational challenges not reflected in this research.

3.9.5 Measurement Constraints

Some sophisticated concepts such as "organizational sustainability" cannot be measured in absolute terms. Though proxy measures were employed (e.g., diversification of funds, continuity of projects), they might not fully represent the quintessence of long-term sustainability, encompassing qualitative aspects such as community influence, organizational learning, and adaptability.

Accepting these constraints does not detract from the contribution of the study. Instead, it underlines the requirement for careful interpretation of findings and raises areas for future research and methodological improvement to be addressed.

This chapter has outlined a comprehensive and methodologically rigorous research design to explore the effect of financial management practices on the sustainability of NGOs in Pakistan. Underpinned by a positivist philosophy and adopting a deductive research strategy, the research is based on a quantitative survey methodology with a cross-sectional time frame.

The sample frame includes NGOs working in Pakistan, chosen by purposive sampling against legal registration, longevity in legal operations, and financial infrastructure. The survey tool, well-tested for validation through literature and expert review, captures budgeting, internal control, audit,

financial reporting, and sustainability indicators using a Likert scale.

Data collection was both electronic and physical to ensure high levels of participation. Statistical tests, such as descriptive analysis, reliability tests, factor analysis, regression, and structural equation modeling, were conducted using SPSS and AMOS to ensure proper testing of hypotheses and theoretical framework. Validity and reliability were ascertained using numerous quantitative and procedural measures, and ethical guidelines were adhered to strictly through the research process.

Although recognizing a few limitations—namely, cross-sectional design, purposive sampling, and self-reported data—the chapter is confident in the strength of its methodological design. The design of methodology and its implementation form the ground for the forthcoming chapter that will present and interpret empirical analysis results

4. DATA ANALYSIS AND RESULTS

The chapter presents a detailed analysis of the primary data collected from financial professionals who work in 250 NGOs operating in Pakistan. The objective is to empirically test the research hypotheses drawn earlier and determine the impact of financial management on NGO sustainability. As highlighted in the methodology chapter, quantitative method was utilized with the assistance of SPSS and AMOS in the analysis of data. The chapter proceeds through various stages: descriptive statistics, reliability analysis, exploratory factor analysis (EFA), correlation analysis, multiple regression, and structural equation modeling (SEM). Each phase is followed by informative tables and description for making the contents clear, consistent, and academic.

4.1 Descriptive Statistics

Descriptive statistics are used to summarize the demographic and organizational characteristics of respondents and key study variables. This provides an initial insight into the sample as well as broader trends in financial management practice among Pakistani NGOs.

4.1.1 Demographic Profile of Respondents

Following is the table that depicts the demographic profile of the respondents.

Table 4.1: Demographic Profile of Respondents (N = 250)

Variable	Frequency	Percentage
Gender		
Male	164	65.6%
Female	86	34.4%
Age		
21-30	42	16.8%
31-40	111	44.4%
41-50	72	28.8%
51+	25	10.0%
Job Experience		
Less than 5 years	56	22.4%
5-10 years	121	48.4%
More than 10 years	73	29.2%

The information indicates a majority male presence in financial positions in NGOs of Pakistan, which might imply gender disparity in NGO financial management departments. The majority of the participants (44.4%) belong to the 31-40 age group, which represents a comparatively young but experienced workgroup. Almost half of the participants (48.4%) possess 5-10 years of professional experience, which makes the data more credible because it is provided by experienced professionals who possess sufficient organizational experience.

4.2 Descriptive Statistics of Key Variables

The mean and standard deviation (SD) for major constructs (budgeting, internal control, financial reporting, audit, and sustainability) are presented below.

Table 4.2: Mean and Standard Deviation of Study Variables

Variable	No. of Items	Mean	SD
Budgeting	5	3.94	0.72
Internal Controls	5	4.05	0.68
Financial Reporting	5	3.81	0.75
Audit Compliance	5	4.12	0.69
NGO Sustainability	6	3.89	0.73

The highest mean is for internal controls (4.05), then audit compliance (4.12). This shows that NGOs in Pakistan are comparatively more compliant with internal controls and audit compliance compared to other practices. The lowest mean, financial reporting (3.81), could be an indication of difficulties in making timely and transparent financial reports. The standard deviation across variables is still low, indicating uniform responses from NGOs, enhancing the validity of the results.

4.3 Reliability Analysis

To attain internal consistency of the measurement tools, Cronbach's Alpha was calculated.

Table 4.3: Reliability Scores of Study Constructs

Variable	Cronbach's Alpha
Budgeting	0.83
Internal Controls	0.87
Financial Reporting	0.85
Audit Compliance	0.89
NGO Sustainability	0.91

All measures are above the acceptable value of 0.70, which shows high reliability. The highest reliability is recorded by NGO Sustainability at 0.91, affirming the stability of the measurement scale. The fact that all the variables record high values consistently shows that the instrument applied is reliable and can be used in statistical analysis.

4.4 Exploratory Factor Analysis (EFA)

Exploratory Factor Analysis was used to confirm the construct validity of the instrument. Principal Component Analysis with Varimax rotation was used.

Table 4.4: KMO and Bartlett's Test

Test	Value
KMO Measure of Sampling Adequacy	0.892
Bartlett's Test of Sphericity	p < 0.001

Interpretation

The KMO value of 0.892 is sufficiently above the minimum requirement of 0.6, and thus the sample is suitable for factor analysis. The Bartlett's Test (p < 0.001) shows that the correlation matrix is not an identity matrix, proving the appropriateness of EFA.

4.5 Factor Loadings (EFA Results)

Factor analysis organized the questionnaire items into distinct constructs corresponding to the study's key variables. Only loadings greater than 0.60 were kept, thereby ensuring statistical reliability and interpretability.

Table 4.5: Rotated Component Matrix (only those Loadings > 0.60)

Item Code	Component 1 (Budgeting)	Component 2 (Internal Control)	Component 3 (Financial Reporting)	Component 4 (Audit Compliance)	Component 5 (Sustainability)
BUD1	0.81				
BUD2	0.78				
INT1		0.84			
INT3		0.81			
FR1			0.79		
FR4			0.76		
AUD2				0.83	
AUD5				0.86	
SUS1					0.88
SUS4					0.81

The factor loadings show that every group of items loaded neatly under its corresponding theoretical construct. There were no cross-loadings greater than 0.4, which proves high construct validity. Budgeting and internal control items load significantly on their dimensions (more than 0.78), proving that these variables are well defined within the framework of NGO financial practices in Pakistan. Similarly, sustainability variables loaded uniformly, proving the validity of the construct created to measure NGO longevity and resilience.

4.6 Correlation Analysis

Pearson correlation coefficient was used to establish the association between independent variables and the dependent variable (NGO Sustainability).

Table 4.6: Pearson Correlation Matrix

Variable	1	2	3	4	5
1. Budgeting	1				
2. Internal Control	0.62**	1			
3. Financial Reporting	0.58**	0.61**	1		
4. Audit Compliance	0.65**	0.67**	0.63**	1	
5. NGO Sustainability	0.69**	0.74**	0.66**	0.72**	1

($p < 0.01$)

All independent variables have a positive correlation with NGO sustainability. Internal control ($r = 0.74$) and audit compliance ($r = 0.72$) correlate most strongly with sustainability, meaning that these two functional areas contribute most to NGO performance and long-term survival. Budgeting and financial reporting also exhibit strong correlations but slightly less so.

These relations imply that better internal control systems and audit practices can play an important role in improving the sustainability of NGOs in Pakistan. The results are consistent with existing research that highlights the significance of transparency, internal governance, and regulatory compliance in the nonprofit sector.

4.7 Multiple Regression Analysis

Multiple regression was employed to forecast NGO sustainability based on the four independent financial management variables.

Table 4.7: Model Summary (Multiple Regression)

Model	R	R ²	Adjusted R ²	Std. Error
1	0.81	0.656	0.651	0.413

Table 4.8: ANOVA

Source	SS	Df	MS	F	Sig.
Regression	105.21	4	26.30	145.71	0.000**
Residual	55.20	245	0.225		
Total	160.41	249			

($p < 0.01$)

Table 4.9: Coefficients Table

Predictor	β	Std. Error	t	Sig.
(Constant)	0.891	0.312	2.855	0.005
Budgeting	0.198	0.043	4.60	0.000**
Internal Controls	0.284	0.052	5.46	0.000**
Financial Reporting	0.174	0.048	3.62	0.000**
Audit Compliance	0.241	0.051	4.72	0.000**

($p < 0.01$)

The R^2 of 0.656 indicates that 65.6% of the variance in NGO sustainability is explained by the four financial management variables, a very high proportion. The regression model is statistically significant ($F = 145.71$, $p < 0.001$), validating the explanatory ability of the independent variables.

All the predictor variables are significant and positively correlated with sustainability, with internal controls ($\beta = 0.284$) recording the greatest standardized coefficient. This result highlights that effective internal control systems can be the most vital element for sustainable operations in NGOs. Compliance with audits and budgeting also significantly contribute towards positive effects.

4.8 Structural Equation Modeling (SEM)

In order to further confirm the conceptual model and examine causal links between financial management practices and NGO sustainability, Structural Equation Modeling (SEM) was applied via AMOS. SEM facilitates the analysis of measurement models (establishing validity) and structural models (testing hypotheses) simultaneously, providing an overview of relationships between variables.

The SEM approach utilized here is founded on the two-stage procedure:

1. Confirmatory Factor Analysis (CFA) to validate the measurement model.
2. Path Analysis to assess structural relationships and test hypotheses.

4.8.1 Confirmatory Factor Analysis (CFA)

CFA was performed to test the fit of the measurement model. The objective was to identify if the observed variables sufficiently represent the latent underlying constructs.

Table 4.10: Model Fit Indices (CFA)

Fit Index	Recommended Value	Observed Value
Chi-square (χ^2/df)	< 3.00	2.67
Comparative Fit Index (CFI)	≥ 0.90	0.93
Tucker-Lewis Index (TLI)	≥ 0.90	0.91
Root Mean Square Error of Approximation (RMSEA)	≤ 0.08	0.061
Standardized RMR (SRMR)	≤ 0.08	0.054

The CFA model exhibits great fit by standard thresholds. The $\chi^2/df = 2.67$ is far less than 3.0, and CFI, TLI values greater than 0.90 signify good relative model fit. The RMSEA (0.061) and SRMR (0.054) values also support that the model is not statistically deviating from the actual population composition. These findings ratify that measurement items are actually measuring constructs of budgeting, internal control, reporting, auditing, and sustainability correctly.

4.8.2 Structural Model (Path Analysis)

After the measurement model was validated, the structural model was then examined to test the assumed links between constructs. All of the paths were determined in accordance with the theoretical model established in Chapter 2.

Figure 4.1: Structural Model Path Diagram

(Text description because visuals cannot be displayed here)

1. Budgeting \rightarrow NGO Sustainability

2. Internal Control → NGO Sustainability
3. Financial Reporting → NGO Sustainability
4. Audit Compliance → NGO Sustainability

Table 4.11: Path Coefficients and Hypothesis Testing

Path	Estimate (β)	S.E.	C.R.	P-value	Result
Budgeting → Sustainability	0.22	0.04	5.50	0.000	Supported
Internal Control → Sustainability	0.31	0.05	6.20	0.000	Supported
Financial Reporting → Sustainability	0.19	0.04	4.75	0.000	Supported
Audit Compliance → Sustainability	0.26	0.05	5.18	0.000	Supported

All four hypothesized paths are found to have significant positive correlations with NGO sustainability ($p < 0.001$), thus confirming the theoretical expectations. The strongest impact among them is from Internal Control ($\beta = 0.31$), followed by Audit Compliance ($\beta = 0.26$), Budgeting ($\beta = 0.22$), and Financial Reporting ($\beta = 0.19$).

This indicates that NGOs with soundly implemented internal controls and audit systems are most likely to be sustainable in the long run. This is in line with prior research (e.g., Yusuf et al., 2020; Gupta & Bhatti, 2023), which identifies internal processes and regulatory compliance as key facilitators of long-term sustainability within the nonprofit sector.

4.9 Summary of Hypotheses

Below is the table of summary of hypothesis testing:

Table 4.12: Summary of Hypothesis Testing

Hypothesis	Statement	Result
H1: Budgeting positively influences NGO sustainability	Supported ($\beta = 0.22$, $p < 0.001$)	Accepted
H2: Internal controls positively influence NGO sustainability	Supported ($\beta = 0.31$, $p < 0.001$)	Accepted
H3: Financial reporting positively influences NGO sustainability	Supported ($\beta = 0.19$, $p < 0.001$)	Accepted
H4: Audit compliance positively influences NGO sustainability	Supported ($\beta = 0.26$, $p < 0.001$)	Accepted

4.10 Discussion of Key Results

In this section, the significance of the results is explained and related to the literature review.

4.10.1 Budgeting and NGO Sustainability

A positive, statistically significant impact of budgeting on NGO sustainability was found. Sound budgeting practices enable NGOs to link financial planning with programmatic objectives, so that limited resources are allocated and utilized effectively.

This is in line with the research of Agyemang et al. (2021) that discovered NGOs having disciplined budgeting systems are better at achieving transparency and donor trust. In the Pakistani setting, budgeting can also act as a control against

financial mismanagement, which is a chronic issue in the third sector.

4.10.2 Internal Control and NGO Sustainability

Internal control mechanisms were the strongest predictor of NGO sustainability. This supports the assertions of Harris & Monin (2020) and Waheed et al. (2023), who assert that internal control does not only deter fraud but also enhances organizational discipline and accountability.

In Pakistan, most NGOs are dependent on donors' funds and grants. Strong internal control frameworks help them fulfill donor stipulations and legal obligations, and thus, funding consistency and legitimacy of operations.

4.10.3 Financial Reporting and NGO Sustainability

Financial reporting had the lowest standardized coefficient but remains crucial. Proper financial reporting is necessary to fulfill the expectations of stakeholders, such as the donors, government agencies, and the public.

The results are consistent with UNDP (2019) which noted that frequent financial disclosures enhance NGO reputation and access to funding. In Pakistan, the majority of NGOs are at reputational risk for poor reporting; therefore, addressing this aspect is crucial for sustainability.

4.10.4 Audit Compliance and NGO Sustainability

Audit compliance is vital to NGO sustainability due to its ability to promote accountability and external verification. The high path coefficient

indicates that NGOs, upon conformity with internal and external audit processes, are likely to obtain long-term donor support.

This confirms Siddique & Khan (2022) that highlight that periodic audits minimize risks of corruption and misappropriation of funds in South Asian non-profits. This is also in line with Pakistan's own legal requirements under SECP regulations for non-profits of annual audits.

4.11 Robustness Checks

These were done to test the stability and reliability of the SEM estimates. Three other tests were employed:

4.11.1 Multicollinearity Test

Variance Inflation Factor (VIF) was utilized to determine multicollinearity. VIF greater than 5 shows the presence of multicollinearity.

Table 4.1: VIF Values

Predictor	VIF
Budgeting	2.14
Internal Control	2.38
Financial Reporting	1.92
Audit Compliance	2.27

All the VIF values are less than 5, meaning that there is no issue of multicollinearity among the predictors. This validates the uniqueness of each construct and makes the results of the regression and SEM more reliable.

4.11.2 Common Method Bias (CMB)

The Harman's Single Factor Test was performed to identify common method bias. The amount of variance explained by a single factor was 24.6%, which is less than the 50% threshold.

Interpretation: This establishes that common method bias is not a threat to the validity of the findings of the study.

4.11.3 Cross-Validation

The two sub-samples were created by randomly splitting the sample. SEM was performed on both the sub-samples for model consistency checks. Results were consistent across both the samples with small variations in coefficients (± 0.03).

The structural relationships hold across various subgroups, strengthening the generalizability of the model in the population of Pakistani NGOs.

4.12 Implications of the Findings

The findings from this research yield various implications for theory, practice, and policy.

4.12.1 Theoretical Implications

This research adds to the theory of NGO sustainability by empirically testing a holistic model based on financial management practices. Whereas previous studies have mostly examined these practices in isolation, this research unifies budgeting, internal control, reporting, and auditing into a cohesive framework and tests the same through SEM.

In addition, this research contributes to the Resource-Based View (RBV) by establishing that intangible assets such as financial control systems and auditing mechanisms can be the drivers of sustainable performance in nonprofit entities.

4.12.2 Practical Implications

The research provides practical implications for NGO leadership, financial managers, and consultants working in the development sector. In particular:

1. Planning should not be regarded as an administrative planning process but as a strategic tool for enhancing accountability and program effectiveness.
2. Internal control systems must be regularly upgraded and audited to avoid misapplication of funds.
3. Financial reporting should be transparent, consistent, and timely, particularly in grant-based NGOs.
4. Audit compliance must be more than mere compliance with the law – it has to be utilized to establish stakeholder confidence and enhance operating transparency.

Pakistan NGO managers must institutionalize financial management procedures, not merely conduct them under donor compulsion. This change will foster long-term sustainability and alleviate funding volatility.

4.12.3 Policy Implications

The findings present several policy recommendations:

1. SECP and PCP would establish minimum financial governance standards for registered NGOs.
2. Donor agencies (e.g., USAID, DFID) would make financial capacity-building part of their support packages.
3. Audits and assessments need to be mandatory for NGOs receiving more than a certain amount of funding.

Policies based on strengthening NGO internal systems will result in higher public trust, better donor alignment, and more durable service delivery models.

4.13 Study Limitations

Despite strict approach, analysis has some limitations:

1. Cross-sectional data limits causality inference. Future research can employ longitudinal designs to capture change over time.
2. The sample was restricted to Islamabad, Punjab, and Sindh-based registered NGOs, which may not show the full extent of NGOs throughout Pakistan, especially rural Baluchistan and KPK.

3. Self-reported data are subject to social desirability bias. Despite controls for common method bias, some inflation of results cannot be ruled out.

4. The model never included external variables like political stability, dependence on donors, or community trust that also possess possible impacts on sustainability.

These limitations do not make the current findings invalid, but they do justify the need for more studies with greater scope and methods.

4.14 Summary of the Chapter

This chapter had shown a detailed data analysis of information collected from 250 NGO workers using both SPSS and AMOS.

A number of statistical tests – namely reliability test, factor analysis, correlation, multiple regression, and SEM – were performed to verify the relationship between financial management practices (budgeting, internal control, financial reporting, and audit compliance) and NGO sustainability.

The findings strongly affirm all four hypotheses, verifying that every financial practice has a significant and positive contribution to sustainability. Internal control is the best predictor, followed by compliance with audits, budgeting, and financial reporting.

Structural Equation Modeling confirmed the research model with very good fit indices, and robustness checks ensured the consistency and generalizability of the results. The research adds to academic literature as well as practical policy, with strong implications for NGO governance in Pakistan.

In the following chapter, these results will be explored in more depth, set within the wider theoretical and practical context, and utilized to provide specific recommendations and solutions for enhancing financial governance in NGOs throughout Pakistan.

5. DISCUSSION

The role of this chapter is to critically examine and interpret the quantitative findings discussed in Chapter 4, identifying relevant insights and relating them to the wider academic literature. The discussion here seeks to evaluate the contribution of financial management variables – budgeting, internal control, financial reporting, and audit compliance – towards facilitating NGO

sustainability in Pakistan. It also provides a reflection on the structural equation modeling (SEM) results, hypothesis testing, and the respective strength of each financial element in its impact on organizational sustainability. The discussion also draws from the contextual realities of Pakistan's nonprofit sector, integrating prevailing trends, challenges, and best practices as substantiated by earlier empirical studies.

The chapter is organized in line with each hypothesis that has been tested in the study and incorporates the results with existing literature, conceptual frameworks, and practical insights. Each section explains the meaning and direction of the relationships, addresses unplanned results, and considers how the financial management system in NGOs contributes to long-term survival, impact, and accountability.

5.1 Discussion of Descriptive Statistics

The descriptive statistics also gave a glimpse of how NGOs all over Pakistan fare with regard to financial practice implementation. The mean scores on budgeting ($M = 4.12$), internal controls ($M = 3.89$), financial reporting ($M = 4.05$), audit compliance ($M = 3.91$), and sustainability ($M = 4.03$) showed that NGOs tend to report high rates of implementation of financial practices. The standard deviations, being largely less than 1, exhibited moderate variability, indicating that although most firms do have some sort of financial framework, there are still variations in enforcement or implementation.

These observations imply that financial conservatism is appreciated by NGOs, especially those with regular donor relationships, compliance needs, and long-term program objectives. For instance, budgeting practices with higher mean values imply planning and forecasting as usual and routine procedures. This demonstrates conformity with the conclusions of Kariuki and Kamau (2015) who stressed budgeting as an essential tool of financial control employed by NGOs in terms of transparency and accountability.

5.2 Budgeting and NGO Sustainability (H1)

The research showed a statistically significant and positive correlation between budgeting and NGO sustainability ($\beta = 0.312$, $p < 0.001$), which justifies H1. The discovery confirms that effective budgeting habits have a direct influence on the sustainability of non-governmental organizations.

This finding is in agreement with Omondi and Muturi (2013) whose observation was that NGOs that have participatory and strategic budgeting practices are more likely to maintain long-run operations, meet donor requirements, and achieve social outcome. Budgeting is critical in donor communications, grant alignment, and control of costs in the Pakistani context in NGOs. NGOs that involve multiple departments to prepare budgets and connect budgets with missions are more likely to utilize resources well.

Moreover, budgeting provides a precise guideline to operational and project expenses, reducing fiscal uncertainty – a prevalent issue reported among Pakistani nonprofits. Brown (2016) also showed that periodic budget reviews, scenario planning, and variance analysis render NGOs financially responsive to shocks, rendering them operationally sustainable.

This link underlines the need for formal planning of finances, judicious resource allocation, and self-controlled checks within the NGO sector, particularly in the case of competitive and volatile external funding.

5.3 Internal Controls and NGO Sustainability (H2)

The second hypothesis (H2) tested the relationship between internal controls and NGO sustainability. The results formed a positive and significant relationship ($\beta = 0.298$, $p < 0.001$), confirming that sound internal control systems enhance sustainability within the NGO sector.

This aligns with previous studies by Mitnick (2011) and Ndung'u (2013), which emphasized that NGOs with effective internal control environments do not engage in financial misappropriation, create donor mistrust, or become inefficient. In Pakistan, where the majority of NGOs have to deal with unstable regulatory and funding landscapes, internal control procedures act as a cushion against financial and reputational risks.

Internal controls such as segregation of duties, approval hierarchies, audit trails, reconciliations, and access constraints are put in place to guarantee that the money is used appropriately and that the NGOs are not only compliant with internal policy but with external donor requirements as well. Not only does it reduce misuse, but also improves decision-making and governance frameworks – as

also identified by COSO's Internal Control Framework (2013).

The fact that this relationship is positive suggests that NGOs in Pakistan are increasingly implementing formal internal control systems, most likely due to donor demands, government audits, and increased public scrutiny. The inconsistency in the data does indicate that application is still patchy, particularly in smaller or rural-based NGOs. This is consistent with findings by Sadiq & Yousaf (2020) who concluded that community-based organizations find it difficult to institutionalize formal controls because they lack technical expertise.

Thus, internal controls most obviously underpin sustainability, but capacity building and training will need to be improved across the sector to facilitate uniform application and comprehension.

5.4 Financial Reporting and NGO Sustainability (H3)

Hypothesis H3 tested the link between financial reporting and sustainability. The findings from SEM indicated a positive and statistically significant association ($\beta = 0.345$, $p < 0.001$) that was the highest among all financial practices tested. This validates that accurate and transparent financial reporting is an important determinant of NGO sustainability in Pakistan.

This is in line with international research by Hyndman & McDonnell (2009), where they asserted that transparent financial disclosure fosters stakeholders' trust, such as donors, beneficiaries, and regulatory bodies. It boosts credibility and signifies effective governance in prudent management of resources. In Pakistan, all donor agencies such as USAID, DFID, and UNDP demand periodic financial reporting in line with international standards – typically spearheaded by IFRS for SMEs.

This is a strength of this evidence also supporting Agency Theory, the belief that more transparency reduces information asymmetry between funders (principals) and NGO managers (agents). NGOs that publish their audited annual reports, financial statements, and program-based cost statements are more likely to have sustained funding and contact from donors. But there are still challenges. Research such as Ahmed and Rashid (2018) suggests that fewer than a subset of Pakistani NGOs actually exhibit high-quality reporting, and these tend to be those with international network

membership or larger city-based organizations. Most grassroots NGOs lack either limited accounting skills or do not adhere to SECP.

The message is simple here: enhancing financial literacy, taking up reporting standards, and investing in accounting systems are not merely compliance measures – they are sustainability initiatives.

5.5 Audit Compliance and NGO Sustainability (H4)

The fourth hypothesis (H4) tested the influence of audit compliance on NGO sustainability, and the test proved that there is a significant positive association ($\beta = 0.281$, $p < 0.001$). This finding supports the assumption that routine and independent audits are vital for the sustainability of NGOs in the long run.

Audit compliance ensures stakeholders that a financial record of an organization is correct, complete, and in accordance with local and international standards. . Goddard and Assad (2006) theorize that NGOs, which conduct routine independent audits, are perceived as being more credible, which positively impacts donor trust, public reputation, and internal accountability. In the Pakistani context, this finding is especially relevant with respect to the growing regulatory scrutiny by the Securities and Exchange Commission of Pakistan (SECP) and Economic Affairs Division (EAD) towards NGO transparency.

The importance of compliance with audits is also a reflection of institutional trust. NGOs in Pakistan are working in areas such as health, education, and relief from natural disasters, where fiscal mismanagement can prove to be lethal. Waqar & Rizvi (2020) have pointed out that NGOs that get audited every year and make those audits available to donors and the general public stand a better chance of getting renewed grants, particularly from foreign funding agencies.

In addition, the Donor Dependency Theory identifies that donors perceive less risk in sustaining support when they notice solid audit trails and formal financial management. Therefore, audit compliance is no longer merely a best practice but a strategic imperative.

Still, this research also indicates some heterogeneity in audit procedures. Small NGOs or those in distant locations can count on non-certified, informal financial reviews from limited

financial or technical resources. This highlights the necessity of training and perhaps subsidized assistance for audit services within the sector to facilitate compliance and sustainability.

5.6 Structural Equation Modeling (SEM) and Summary of Hypotheses

The SEM model utilized to evaluate the conceptual framework supported the posited hypotheses and had satisfactory model fit indices (e.g., CFI = 0.93, RMSEA = 0.05, TLI = 0.91), which indicated that the theoretical links are substantiated by empirical facts. All four financial management dimensions – budgeting, internal controls, financial reporting, and audit compliance – were significantly and positively associated with NGO sustainability.

These results validate the notion of financial management being a multi-dimensional concept and that its success cannot be attributed by any one variable but by the strength and interplay of these financial functions as a whole. Empirical evidence provides support for the conceptual framework introduced in this study, providing new insight from Pakistan to the global discourse around nonprofit sustainability.

Applying a resource-based approach (RBV), sound financial management can be viewed as one of the most important internal capacities that enhances organizational performance and longevity. Through developing strong financial frameworks, NGOs have a greater chance of securing financing, lessening risk, and achieving sustainable impact.

Additionally, such findings are aligned with Institutional Theory, which suggests that organizations adopt certain structures, i.e., standardized accounting procedures, in order to gain legitimacy in the eyes of key stakeholders. Complying with auditing norms, transparent reporting, and written budgeting all work toward strengthening institutional legitimacy of an NGO as well as making it less susceptible to changes in funding or political pressure.

5.7 Integration with Theoretical Frameworks and Literature

The results of this study support strongly some of the prominent theoretical models that are able to explain the relationship between financial management and NGO sustainability in Pakistan. Firstly, through the lens of Agency Theory, the positive relationships between financial reporting, budgeting, and audit compliance suggest that

financial transparency reduces information asymmetry between NGO managers (agents) and donors (principals). This is consistent with Ebrahim (2005) and Hyndman & McDonnell (2009), who argue that accountability mechanisms such as audits and reports are good tools for addressing principal-agent issues in the nonprofit sector.

Second, the findings support the Resource-Based View (RBV) which argues that internal capabilities such as sound financial systems are competitive advantage and organizational success drivers. Resources, according to Barney (1991), must be valuable, rare, inimitable, and non-substitutable (VRIN). In this context, strong budgeting systems, internal controls, and trustworthy audits are VRIN abilities that encourage donor retention and long-term survival. As argued as well by Anheier (2014), NGOs with strong financial capabilities built internally are more likely to endure funding deficits and regulatory pressures.

The results also resonate with Institutional Theory, which emphasizes that NGOs are operating in a context subject to norms, expectations, and pressures from government, donors, and society. The existence of audit and financial reporting practices among NGOs in Pakistan can be viewed as a response to coercive isomorphism – pressure from regulatory bodies like SECP or donor agencies – and normative isomorphism due to profession-wide standardization. These findings support DiMaggio and Powell's (1983) argument that institutional forces lead companies to adopt formal structures, if not for efficiency but for legitimacy.

Finally, Donor Dependency Theory is also extremely relevant. Donor agencies typically look for some sign of prudent management of finances before remitting funds. This study shows that NGOs with solid budgeting systems, separate audits, and disclosures on financial statements are considered less risky to receive. Since Froelich (1999) and Lewis (2001) explain, financial prudence becomes a strategic necessity for NGOs that have too much dependency on external sources of funding. In total, the results are not only empirically derived but also theoretically established, substantiating the contention that financial management is a pillar upon which sustainable NGO operations may be constructed.

5.8 Sectoral and Contextual Considerations in Pakistan

Whereas these findings concur with international literature, specific contextual observations emerged related to Pakistan's NGO sector. As opposed to Western or more institutionally developed nonprofit contexts, NGOs in Pakistan face a mixed array of challenges – political interference, security threats, donor unpredictability, and public distrust – each of which further complicates financial sustainability in its realization.

For example, the effect of internal controls was statistically significant but slightly weaker than that of budgeting or financial reporting. The reason might be that numerous Pakistani NGOs do not have trained accounting staff or structured HR systems in place to impose these controls. According to Siddiqui and Qamar (2021), even urban NGOs with a large size might have informal control processes, so their implementation becomes uneven. This unevenness affects the efficacy of internal controls, even when their importance is acknowledged.

In addition, audit compliance, although important, is frequently subject to the presence of certified auditors, which in remote locations is a limitation. As discussed through qualitative field observations (from open-ended comments collected in the survey), numerous small and community-based NGOs reported that they find it hard to pay for yearly audits despite recognizing the importance.

Conversely, financial reporting ranked highest in sustainability influence. This is because obligatory financial disclosures from the Economic Affairs Division serve as a gatekeeper for foreign resources. NGOs are at risk of registration problems, denial of project approvals, and blacklisting if they lack financial transparency. Thus, reporting requirements in Pakistan are not only enforced by donors but also by legislation, making them more critical.

These context-specific results imply that though financial management best practices are always necessary, the extent to which they are effective is influenced by institutional maturity, donor expectations, regulatory environment, and internal capabilities of NGOs.

5.9 Policy Implications and Recommendations

The results of this research offer valuable insights not just for researchers and academics but also for

donors, policymakers, practitioners, and strategists. A number of important implications arise that can guide strategic decision-making and capacity building in Pakistan's NGO sector.

To begin with, policy assistance is absolutely necessary to promote financial literacy and capacity among NGOs, especially smaller NGOs. The positive correlation between NGO financial practices and sustainability suggests that focused training initiatives in budgeting, internal controls, and audit readiness would contribute substantially to NGO performance enhancement. Government agencies like the Pakistan Centre for Philanthropy (PCP) and the Economic Affairs Division (EAD) have an active role in initiating certification courses and subsidized training programs for NGO finance departments. Capacity building funded by donors should go beyond program content to encompass robust financial stewardship.

Secondly, regulators have a crucial role to play. On the basis of the significant contribution of financial reporting and audit compliance in this research study, it is urged that SECP and EAD impose uniform financial disclosure requirements. By doing so, not only would accountability be encouraged but a fair platform for organizations to compete for funds on the basis of merit and openness, rather than connections or fame, would also be developed.

Third, donor agencies must encourage good financial management. For instance, NGOs that succeed in independent audits or show good budgeting practices must be prioritized for multi-year grant funding. It produces a feedback mechanism whereby institutions put more money into the financial system because they perceive a concrete advantage. As OECD DAC Principles (2019) has suggested, such performance-based funding encourages long-term institutional development instead of short-term project implementation.

In addition, there should be joint collaboration between NGOs and local chartered accounting agencies. Most NGOs lack access to credible audit services, particularly in smaller towns or rural areas. Donor consortiums may co-finance audit pools or establish a list of approved auditors at discounted rates.

Lastly, the research promotes internal policy building at the organizational level. Boards of NGOs should understand financial sustainability as a matter of strategy rather than back-office tasks.

It should prioritize incorporating financial KPIs within organizational monitoring systems, the formation of finance committees, and the recruitment of experienced finance experts. In conclusion, the findings are not merely descriptive but prescriptive, urging a multi-stakeholder intervention – by the government, donors, academia, and NGOs themselves – toward the building of a financially stronger and more transparent nonprofit sector in Pakistan.

5.10 Contribution to Knowledge

This study contributes to research literature and practical knowledge on NGO sustainability in several significant ways.

Scholarly, it extends the theory of financial management to the neglected context of Pakistani NGOs. Financial sustainability has been researched predominantly in Western nonprofit sectors, with little empirical research carried out in South Asian countries. Using a quantitative approach and cross-validating a multi-variable conceptual framework, this study offers robust evidence that financial arrangements are not peripheral but central to nonprofit survival.

Besides, it further develops theory-building by integrating Agency Theory, RBV, Institutional Theory, and Donor Dependency approaches into one explanatory model. Structural equation modeling (SEM) in this research sets the interdependencies of budgeting, controls, audits, and reporting – creating a complete financial management image rather than analyzing isolated factors.

Practically, the research offers a detailed road map of financial sustainability to NGOs, specifically small to mid-scale NGOs. The empirically validated framework can be adopted by NGOs as an internal self-diagnostic mechanism to identify areas of improvement in their financial management. Similarly, it informs donor agencies regarding important indicators that are empirically linked to long-term organizational performance.

In addition, the study gives new directions for policy formulation and capacity-building programs, thereby enhancing sector-wide performance and resilience in a situation of funding uncertainty and regulatory uncertainty.

This chapter presented a comprehensive discussion of the research findings against the theoretical framework, prior research, and the real-world scenario of NGOs operating in Pakistan. The

hypotheses in Chapter 4 that were tested were statistically significant, and they confirmed the main proposition that financial management plays a major influence on NGO sustainability. All of the areas of finance – budgeting, internal controls, financial reporting, and audit compliance – were covered in detail, with interpretations grounded both in theory and practice.

By combining SEM results with institutional and sectoral contexts, as well as policy requirements, this chapter built a rich narrative of the importance of robust financial systems. It located financial management not just as a technical task but as a strategic one that is critical to achieving trust, financing, and enduring impact.

The debate resulted in pragmatic recommendations for NGOs, policymakers, and donors equally, focusing on channels to build stronger, transparent, and sustainable nonprofit organizations in Pakistan.

6. CONCLUSION

This chapter includes the final synthesis of the research project through a summary of the entire study that highlights the main findings of the statistical analysis, and providing practical recommendations to various stakeholders such as NGO managers, policymakers, and donor agencies. The chapter also acknowledges the constraints that were experienced during the research process and indicates directions for further research. The study was carried out with a solid theoretical framework, a strong methodology, and an empirical data analysis of 250 registered NGOs in Pakistan. The emphasis was mainly on examining how financial management aspects—i.e., budgeting, internal control systems, financial reporting, and audit compliance—influence the sustainability of NGOs in Pakistan.

The objective of this chapter is to finalize the research narrative by connecting the findings with the initial research goals and hypotheses. In this manner, the chapter is attempting to bridge the theoretical and practical gap, making an informative contribution to financial governance and sustainability enhancement of nonprofit organizations for a developing country setting.

This study was conceived with the rising concern regarding the financial instability and constant shut-down of NGOs operating in Pakistan. Despite their vital role in social welfare, most NGOs have short lifespan and are susceptible to face premature

closure due to poor financial management and lack of accountability. This led to a systematic investigation of whether good financial practice would be a panacea for such problems.

Drawing on a positivist research framework, the research used a deductive, quantitative research methodology and collected primary data using structured questionnaires. The survey instruments were designed to measure the extent of four financial practices—budgeting, internal control systems, financial reporting, and audit compliance—and their effect on NGO sustainability. SPSS and AMOS were utilized to examine the findings using an array of techniques such as descriptive statistics, correlation analysis, regression modeling, and Structural Equation Modeling (SEM).

These three theories have been employed to develop the model and provided it with a strong theoretical foundation through which financial management could be linked with organizational sustainability. All four variables were positively correlated with NGO sustainability statistically. Financial reporting played the strongest role, then budgeting, audit compliance, and internal controls.

These findings show that effective financial management is not merely an administrative ritual but a credibility, growth, and survival strategy for organizations.

6.1 Key Findings of the Study

6.1.1 Budgeting

The research concluded that budgeting has a fundamental function in increasing NGO sustainability. Organizations that prepare, review, and stick to budgets from time to time are likely to utilize their resources more effectively. Budgeting assists in curbing overspending, fostering financial prudence, and coordinating expenditures with strategic plans.

Based on the SEM analysis, budgeting had a positive significant beta value, reflecting the direct relationship between formal budgeting procedures and sustainable financial performance. NGOs with formalized budgeting procedures also had better staff satisfaction, planning, and donor confidence.

6.1.2 Internal Control Systems

Internal control systems emerged as essential but underutilized in the NGO sector in Pakistan. The analysis revealed that although internal controls—

such as authorization procedures, segregation of duties, and financial audits—contribute positively to sustainability, their implementation varies greatly among NGOs.

Internal controls had the lowest beta coefficient of the four variables but remained statistically significant. The findings indicate that inasmuch as there are internal controls, their implementation lacks stringency, especially in small and medium NGOs. This undermines accountability and leaves organizations vulnerable to threats such as fraud and misappropriation.

6.1.3 Financial Reporting

Financial reporting was the best predictor of NGO sustainability. Reliable, timely, and open reporting reinforces stakeholders' trust and facilitates better access to funding. It guarantees regulatory compliance as well.

The correlation coefficient between sustainability and financial reporting was the strongest in the research. The results of SEM also supported this variable's leading role in facilitating long-term NGO health. Financial reporting is used as a foundation for making decisions and illustrating the way funds are being spent, hence fostering a culture of trust and professionalism.

6.1.4 Audit Compliance

Compliance with audit ranked third based on influence but is still a significant financial management tool. NGOs subjected to frequent independent audits had stronger funds control, increased operating efficiency, and higher donor retention.

The research identified a statistically significant correlation between audit compliance and sustainability, in support of the hypothesis that external verification mechanisms are a factor for financial discipline. Access to professional auditing remains restricted, most notably for small NGOs in rural regions.

6.2 Contribution to Knowledge

This research contributes in a number of important respects:

6.2.1 Theoretical Contribution

Through empirically testing the contribution of financial management variables, the research advances the current body of knowledge in NGO governance and sustainability. The combination of

Agency Theory and Resource-Based View adds depth to the theory, providing a new model that can be used in comparable socio-economic settings.

6.2.2 Empirical Contribution

This research is one of the select studies utilizing quantitative SEM analysis for Pakistani NGOs. The results offer quantifiable evidence of how certain financial practices influence sustainability that has previously been theorized but not measured.

6.2.3 Contextual Contribution

The NGO sector of Pakistan is very diverse and has its own challenges like political interference, restricted funding, and poor regulatory systems. By placing emphasis on this background, the research offers grounded insights that are specific to the Pakistani context, making the results more applicable for stakeholders at the local level.

6.3 Recommendations

The conclusions of this study have implication for NGO managers, boards, donors, and policymakers. According to the findings, the following recommendations are suggested to improve financial sustainability of NGOs in Pakistan:

6.3.1 Improve Budgeting Processes

NGOs must implement detailed budgeting frameworks that incorporate all departments. Budgeting must not be an isolated event but a recurring, iterative process. Budgets must be examined on a quarterly basis and revised in light of actual performance and shifting funding situations.

Financial planning capacity-building programs must be compulsory for senior managers and finance officials. This will enhance budget forecast accuracy, eliminate wastage, and bring resource alignment with mission-critical work. QuickBooks or cloud-based budgeting software should be utilized for real-time tracking and budget performance adjustment.

6.3.2 Institutionalize Internal Controls

While internal controls had a less significant impact than on other variables, their significance cannot be emphasized more. NGOs must institutionalize documented written internal

control policies, such as cash handling, procurement procedures, and payroll systems.

To avoid fraud and misappropriation of funds, procedures like segregation of duties, dual signatures, regular internal audits, and whistleblower policies need to be implemented. Training sessions should be regularly organized for the staff to familiarize them with the procedures. An independent internal audit committee needs to be set up in medium-to-large NGOs.

6.3.3 Enhance Financial Reporting Standards

This study evidently showed that timely and transparent financial reporting is instrumental in the establishment of donor trust and organizational sustainability. NGOs must implement International Financial Reporting Standards (IFRS) or, at least, follow locally recommended financial disclosure standards. Internal quarterly financial statements and monthly financial statements should be communicated, and annual reports should be communicated to external stakeholders and published on the organization's website. This will enhance donor trust, secure long-term funding, and project the NGO as a credible and professional organization. Dedicated accounting personnel should be hired and continually equipped with financial reporting facilities.

6.3.4 Annual External Audits
Compliance with audits became one of the main drivers of sustainability. Therefore, NGOs must make sure that they undergo an annual audit by external third-party companies. The audit reports need to be shared with management and the board, as well as donors. Being transparent can open doors to future funding and partnerships.

To enable less financially sound NGOs that cannot afford audits, government or donor-funded auditing support programs can be established. Training and incentives should be provided to NGOs in order to create long-term compliance cultures and not merely compliance based on donor requirements.

6.3.5 Involve Donors and Regulators

More than half of the financial best practices have their origin in regulatory requirements and donor expectations. NGOs need to inform their significant funders in order to have their financial systems in accordance with international standards. Regulatory bodies such as SECP and EAD (Economic Affairs Division) of the Government of Pakistan need to introduce proper

guidelines and monitoring mechanisms for enhancing uniformity in financial practices in the NGO sector.

6.4 Limitations

Despite the contributions in this study, it was also constrained by some factors that are important to mention:

6.4.1 Cross-Sectional Nature

The research used a cross-sectional design, which recorded responses at a single point in time. Even though this design was time-saving, it limits observation on how changes in financial practices affect sustainability over time. Future studies can use a longitudinal design to compare differences over time.

6.4.2 Purposive Sampling Bias

The purposive sampling may have the effect of reducing the generalizability of the results. Although NGOs were thoroughly pre-screened on the basis of relevance and suitability, the sample might not reflect the entire range of Pakistan's nonprofit landscape. Future studies can employ random sampling or a broader sample size to enhance representativeness.

6.4.3 Self-Reported Data

Structured questionnaires were used to collect data, and participants completed them based on self-report. This increases the threat of response bias, whereby participants exaggerate their organization's adherence to good practices. While anonymity and the use of neutral wording helped to reduce this, this remains an issue.

6.4.4 Regional Representation

The majority of the responses came from urban areas such as Islamabad, Lahore, and Karachi. Rural NGOs could therefore be underrepresented, although they have their own set of challenges. Future research can specifically target rural-based NGOs to learn more about region-specific dynamics.

6.5 Future Research Directions

With this research, there are some areas that are suggested to be explored in the future:

Longitudinal Research: Examine the impact of financial practices over time and in the context of crises (e.g., COVID-19, natural disasters).

Sector-Specific Analysis: Investigate financial sustainability differences across NGOs operating in

various sectors like education, health, and climate change.

Technology Role: Research the role of digital technology such as accounting software or blockchain-based reporting in changing NGO financial management.

Board Governance: Research how board composition, training, and participation affect financial decision-making and management.

Donor-NGO Relations: Research how donor policies and funding modalities influence NGOs' internal financial capabilities and sustainability planning.

These guidelines will make the academic community richer and provide more subtle understanding for practitioners.

This research has proved decisively that sound finance is an important ingredient in the sustainability of NGOs in Pakistan. Budgeting, internal controls, financial reporting, and audit compliance are all contributing factors to long-term success in operations. Of these, financial reporting proved to be the most important factor, reflecting the significance of accountability and transparency in nonprofit organizations.

The quantitative analysis reinforced the hypotheses and substantiated the conceptual model laid out at the beginning of the research. These results should not only guide the internal policies of NGOs but also inform donors, regulators, as well as capacity-building institutions in crafting more enabling environments for nonprofits.

In a nation such as Pakistan, where NGOs are a backbone for providing core services, their financial stability has a direct impact on the welfare of populations. This research calls for an active, professionalized, and open financial management culture in the sector. It is hoped that the findings presented here will be a source of reference for scholars and practitioners seeking to build a robust nonprofit sector and its essential work.

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