



Financial Management Practices and Sustainability of NGOs in Pakistan

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ABSTRACT

Much is being heard of the kind of funds financial management plays in the maintenance and operation of non-governmental agencies (NGOs) in Pakistan which are giving special attention to the relief of disaster, development and social work, and are gaining momentum in Pakistan very fast. While they have a strong grip on the ground, most NGOs face issues of sustainability in Pakistan because of lack of proper financial controls, irregular budgeting, weak accountability and donor dependency. This is a research paper on empirical investigation of financial management practices (budgeting, internal control, financial reporting and audit compliance) on sustainability of NGO working in Pakistan. is positivist thesis and it can be said applying the theories of Resource Based View (RBV) and Stakeholder Theory, it is deductive axiological research using quantitative research type. The questionnaire was undertaken in a systematic manner targeting management officers and the finance experts of the 250 registered NGOs including the ones working on Disaster alleviation, Education, Healthcare etc. Purposive sampling was used to collect data which were then subjected to SPSS and AMOS. The techniques used to test the proposed relationships were descriptive statistics, reliability analysis, exploratory factor analysis, correlation, multiple regression and structural equation model (SEM). With regard to analysis, budgeting, internal controls and financial reporting showed a high and positive relationship to the sustainability of an NGO, while compliance was a strong predictor. Model fit was excellent (CFI = 0.94 and RMSEA = 0.05) indicating that the proposed constructs related to financial management are indeed strongly associated with sustainability outcomes. Financial transparency, too, was identified as a mediator between financial practices and sustainability, highlighting the importance of technical and ethical aspects. Results of the research benefit the theoretical literature and policy NGO management so far as it adds an objective correlation between financial management and sustainability. It ensures that good budgeting practices, integral internal controls and sanitation, frequent reports and careful audit procedures significantly increase the capacity of an NGO to survive, react and grow in difficult economic times. The study also provides an empirically supported framework of financial sustainability of financial sustainability measurement in NGO and some practical recommendations to the researchers, policy makers and international donors for boosting financial sustainability of development organizations in Pakistan.

However, the limitations of the cross-sectional design and the use of a purposive sampling design provide a foundation for future studies of this research that would include a longitudinal and cross country comparative design. The following details the thesis, which proposes the following measures to promote the long-term influence of NGOs and donor trust: executing a capacity-building model, implementing good financial governance policies and increasing investment in financial systems used in NGOs.

Introduction

In this rapidly changing socio-economic atmosphere, Non-governmental Organisations (NGOs) have played a vital role in the development of the country, especially in Pakistan. They are filling gaps in programs otherwise simply unavailable to the government, especially in remote rural areas, such as marginalised and vulnerable communities. The country of Pakistan is in a noteworthy category when it comes to NGO contributions to poverty alleviation, healthcare, education, women empowerment, disaster relief and rural development. They are crucial agents of social change, as they are able to come into contact with local communities, mobilize funding from international donors, and plan interventions based on the local context.

But one of the main problems NGOs are facing today, especially in Pakistan is “SUSTAINABILITY” in the organization. However, sustainability is not only the survival of an NGO, but its continuing to offer effective services, continue to hold stakeholder confidence throughout the years, and adapt appropriately to changes (Lewis & Kanji, 2009; Fowler, 2020). Sustainability has many facets including financial, operational and programmatic sustainability. Financial sustainability, operational sustainability, and programmatic sustainability all focus on finding viable and sustainable funding streams, good governance mechanisms, adequate human resources, and sound systems, and continuity and scalability of social programs, respectively, (Wolch, 1990; Agyemang et al., 2021).

A number of national crises including earthquakes in 2005 and floods in 2010 led to a flurry of mobilization of resources by the NGO sector in Pakistan, nationally and globally. As of today, there are more than 100,000 to 150,000 registered NGOs running various projects and initiatives in different sectors and Regions (PCP, 2023). However, many of these organisations struggle to continue functioning after the initial infill of funding from donors. However, these NGOs face threats to their sustainable future due to fluctuating sources of funding from donors, lack of funding by government, regulatory changes and lack of institutional funding (Khan & Ahmed, 2020).

Studies indicate that good NGO financial management is essential to maintain the sustainability of NGOs. Good financial management practices encompass budgeting, accounting and financial reporting, controls and auditing (Keating et al., 2005; Hyndman & McKillop, 2018). This practice promotes accountability, promotes donor trust, and helps to maximize the use of resources. However, such formal systems are lacking in the case of many NGOs, particularly smaller or community based NGOs in Pakistan. They typically use traditional methods of record keeping, lack certified accountants, and do not have audited statements (Iqbal et al., 2021; Akhtar & Sulaiman, 2022). Consequently, they often experience problems like bad cash flow, budget overages, mismanagement of funds and even fraud.

Not only does this compromise an NGO's reputation, but it also puts its survival at risk. Organizations who are unable to provide such donor reporting or report financial transparency lose access to future funding opportunities. Likewise, in the absence of appropriate internal control processes, there is the risk of corruption and inefficiency. Although in many instances NGOs are compelled to suspend projects, fire workers, and in some cases, close their offices completely not out of the need to be less effective, but simply due to the inability of their financial systems to address long-term project sustainability (Agyemang et al. 2021, Lewis 2001).

In the light of these difficulties, this study can be seen as being both timely and needed. Though the sector of NGOs in Pakistan has created a lot of interest, the existing researches till now have been more towards general governance or donor relationships rather than specifically financial domain that affects the sustainability of NGOs. Regarding financial management practices, a gap can be identified where a quantitative, evidence-based series of connections remains to connect financial management practices directly to organization sustainability. Thus the present study intends to explore the impact of budgeting, financial reporting, systems of internal control and audit compliance on ngos' sustainability in Pakistan.

Academic implications of this research story abound. It offers tangible lessons to NGOs on how to reinforce internal finance systems in order to integrate to sustainability goals. For donors it provides information fostered by data, and helps determine which few organizations to invest in for the long haul, that appear to be financially mature and transparent. It can provide regulators like SECP and FBR with insights that can be used in creating and designing more effective supervisory frameworks and advances to improve financial transparency.

Over the last few years, global development aid institutions have placed more emphasis than ever on accountability and dignity in regard to financial governance in development institutions. Grantors require adherence to the reporting, auditing, and transparency requirements before the grants are approved. In the same way, local philanthropic establishments in Pakistan are now acquiring to be more discerning, favoring the NGOs who manage to have a solid financial administration and vision.

To sum up, organisation's sustainability in Pakistan will be unending if one neglected to consider the financial management. Donor support, regulatory frameworks and other factors are important, but ultimately, an organisation's financial strength and governance mechanisms are what will decide its longevity. Hence, this research aimed to investigate that internal dimension, gathered empirical evidence and derived lessons to provide guidelines for the NGO sector in Pakistan to make it more stable, accountable and effective for the long term.

Research Objectives

The main purpose of this research is to explore the financial management that plays a role in sustainability of NGOs in Pakistan. This emphasis has come about because there is a growing appreciation that how well organizations – not just corporate organizations, but those in the nonprofit sector – do – can survive and thrive over time is tightly tied to the health of their internal financial systems. This has become more important than ever as the NGO sector in Pakistan becomes fiercely competitive and faces funding restrictions due to the increased demands of regulators and donors for transparency and accountability (Keating et al. 2005; Hyndman & McKillop 2018). The goal of the study is therefore twofold: to find out the extent to which financial management contributes to NGO sustainability and to explore how specific aspects (like internal control, budgeting, financial reporting and auditing) can work together with each other to affect the long-term sustainability of an NGO.

The first one is to understand the level of financial management practices of the NGOs in Pakistan. The financial practices and systems of the NGO sector in the country are also very diverse reflecting the various sizes, ranging from highly international and funded by outsiders to small community-based NGOs. Many small NGOs use rudimentary or manual accounting systems and larger NGO's use donor imposed reporting systems. To point out the strengths, weaknesses and gaps that affect sustainability outcomes requires a level of understanding of this diversity. The analysis of these variations will provide clues on financial capability and financial management culture differences between the various NGO types and at various scales.

The second goal is to determine what ones have the greatest impact on the sustainability of NGOs with regard to financial management. Financial management has a number of dimensions and this study identifies four: budget preparation, internal control mechanisms, financial reporting and compliance with audit requirements, to establish these sub-areas of financial management on which the "best" impact on maintaining organizational health is provided. Weak budgeting can result in inefficient or inappropriate residual use of resources, for example, and internal control weaknesses can create opportunities for organizations to be subject to fraud or misuse of resources. The research will help the academic field and practice to differentiate the relative importance of each element so that contribution can be made to academics and improve the practices in the context of Pakistani NGO (Mango, 2018; Agyemang et al., 2021).

The final goal is to identify the financial management to the 3 pillars of sustainability: financial, operational and programmatic. Financial sustainability means NGO's ability to collect and sustain funding over time; operational sustainability relates to sustaining staff, systems and governance; and programmatic sustainability relates to sustaining the quality, scope and continuity of services provided over time. The study wants to gain a multidimensional perspective of NGO resilience in Pakistan by exploring the interaction between these and financial management practices (Fowler 2020; Lewis 2001).

Last but not least, the study aims to elicit evidence-based recommendations for NGOs, policy makers and donors to encourage financial sustainability in finance for the sector. The recommendations will be based on empirical results and not a general observation and will give suggestions for enhancing financial governance, accountability, and planning for the long-term. The findings will be useful for policy makers and regulators, like the SECP and FBR, to design improved compliance frameworks and build up capacities. The research can give donors a set of solid standards to assess the financial viability of grantees. In summary, this study seeks to make a valuable contribution to the overall goal of improving the financial sustainability and the institutional resilience of NGOs in Pakistan, through aligning its purpose with the academic rigor and practical requirements.

Research Questions

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

- How are NGOs financial governance blockages fare in different NGOs of Pakistan size, mission and donor dependency?
- What is the impact of governance mechanisms including transparency, standards of accountability and board oversight on the financial sustainability of NGOs?

- How does financial governance helps sustainability of the operations, particularly in the context of strategic decision making, staff retention, and overall efficiency?
- How does effective financial governance support the sustainability of the programme, such as continuity, scalability and impact of NGO initiatives?
- How can NGOs intensify their financial governance practices to ensure sustainability and credibility of the practices amongst stakeholders?

The aim of answering these questions is to get an in-depth knowledge of the financial dynamics that affects the sustainability of NGOs in Pakistan. The study is descriptive, yet analytical, using a methods approach to draw conclusions from this topic that should be both contextually descriptive and contribute to any theoretical development in that area.

Research Hypothesis

This study is empirical in nature which is designed to study the link between financial management practices and sustainability of NGOs in Pakistan while drawing on the theoretical and empirical literature on nonprofit finance management. H1 hypothesizes that budgeting practices statistically significantly positively influences different dimensions of NGO sustainability – financial, operational, programmatic and overall, respectively, and H2, H3 and H4 are defined similarly. Proper budgeting is anticipated to contribute to better financial discipline and better alignment of resources and internal controls are anticipated to lead to a lower risk of fraud and a higher level of accountability. In a similar way, people trust the financial accounts and the decisions of the donors are better made, while following the audit standards improves financial integrity and the credibility of the organization. The data for this study will be taken by administering structured questionnaire to the financial managers, directors and members of the board members of NGOs registered with relevant Pakistani authorities ensuring their random sampling and include representatives of NGOs financial sector of the Country. These hypotheses will be validated empirically by using statistical techniques as multiple regression analysis and correlation analysis.

The quantitative method, following positivist paradigm, emphasizes on objectivity and generalizability to draw valid knowledge on the impact of sound financial management on sustainability of NGOs in Pakistan. The research focuses on the significance of including contextual factors such as size of the organisation, funding sources, governances that may affect the effectiveness of financial practice, extending beyond the scope of hypothesis testing, and look for impacts to unfold in distinct patterns in different operational contexts. For instance ORN considers whether there's something to be learned from a holistic approach to budgeting within donor-funded organisations or whether a greater influence lies in audit compliance within larger organisations. The study also has implications for academic scholarship and policy development, as it reflects its empirical analysis, which can be made available to NGOs, donors and regulators in the development of policies aimed at providing financial sustainability, accountability and resiliency for the non-profit sector in Pakistan.

Significance of the Study

The study has significance for the scholars of Pakistan, policy makers (both government and non-government) and activists of NGOs. One source important to provide social services such as basic social service especially in government's nonreach areas is those from NGOs. However for many reason they were incapable of maintaining themselves as this group was lacking in sound financial management systems internally. This study aims to emphasize the internal institutional problems such as governance, accountability, control processes, which are very important for attaining sustainability in an NGO and it also explores the impact of financial management upon the sustainability of NGO organizations. It orientates from restrictions beyond the locus of care such as donor-dependency and/or political interference towards consolidating internal systems.

In the academic sense, in general, this research has sought to fill the existing research void in the field of financial management of nonprofits in Pakistan. The existing research has taken governance and accountability as its line of inquiry, yet there has been little direct research to quantify the y-z relationship between financial management practices and NGO sustainability (Iqbal et al., 2021; Hyndman & McKillop, 2018). This study addresses this gap by developing an integrated model examining the interrelationships between budgeting, internal controls, and financial reporting/audit practices and their impact on financial, operational and programmatic sustainability. It therefore improves the methodological quality of NGO studies in Pakistan which have been mostly qualitative and descriptive.

In practice, the results could be of great use for NGO managers and practitioners who are more and more pressured by cash donors, regulators, and the public to be transparent. The study provides measurable and actionable ideas on which financial practices are most effective to foster sustainability. These results can assist NGOs in improving their budget control, financial reporting and finding more robust means to audit their budget. In particular, there are structured financial systems for small-

scale community organisations that can help utilize the limited resources they have, and provide even more trust and confidence from their donors.

The same study is important to the donor agencies and philanthropic organizations. Giving from donors has declined and growing attention has been directed towards the careful scrutiny of the process of giving and duesing of the NGOs, with any idea of expected financial strength and sense of institutional resilience and strength being preferred. This proposal of an empirical model has been proposed here in order to have a standardisation of assessment of financial position of NGOs which will help donors to make well-informed and transparent fund decisions and for NGOs to have better credibility and sustainable funding.

Moreover, it will work to the benefit of the regulatory authority, namely Securities and Exchange Commission of Pakistan (SECP), Economic Affairs Division (EAD) and Federal Board of Revenue (FBR). This information may be useful in guiding policy to institute appropriate regulation and training to support accountability and reduce unwarranted administrative complexities.

This study has an academic and practical impact on all. It increases knowledge on how to manage finances and provides a framework for NGOs, donors and policy makers to create greater financial sustainability, transparency, and social impact for an NGO moving forward.

Scope of the Study

The research objectives of the study are to explore the financial management practice of NGO and sustainability of NGO in Pakistan with the theme, geographical and organizational boundaries, methodologically.

At the financing business's side, it is about four of the key pillars, the four principles of financial management that are known internationally as the fundamentals of transparency and stability, in this context respectively under the headings: budgeting, internal control, financial reporting and compliance to audit requirements, (Keating et al., 2005; Mango, 2018). It also covers three main elements of sustainability – financial (generated and stabilised project resources), operational (project systems, staff, and processes), and programmatic (project continuity and impact). This will enable you to understand the entire picture of the contribution that appropriate financial management can make towards sustainability of the organisation over the long term.

Geographically, NGO support is found in all sectors of education, health, women empowerment, disaster relief and poverty alleviation both in urban and rural context of Pakistan. The NGO sector in Pakistan can be divided into two parts: big, which receive international funding and small which are established by the local community itself. Greater diversity in the sample provides greater level of representativeness in the results because of the greater variability in NGO situations with respect to funding and input.

Research is carried out on registered NGOs by the Pakistan Centre for Philanthropy (PCP), Pakistan's Economic Affairs Division (EAD) and Securities and Exchange Commission of Pakistan (SECP). This will reinforce a requirement for participating organisations to comply with a minimum of legal and administrative requirements to provide the quality of data collection. The study concentrates on both registered and non-registered NGOs, although it was not always easy to keep a consistent record of non-registered NGOs. All NGOs (registered and otherwise) were studied to reflect the changing financial practices as NGO's grow, and mature.

Scientifically the researcher used a quantitative approach to design the research, questionnaires used in distributing questionnaires to financial officers, executive and board members. Hypothesis testing and measurement of the effects of financial management on sustainability will be conducted using statistical tools like regression, and correlation analysis. This approach would be helpful to have generalizability and objective findings in Pakistan's wide range of NGOs but might miss the quality issues.

Overall, the study aims at simultaneously being both rigorous and practical, so that it provides an evidence-based insight into what constitutes effective financial management to improve the sustainability and resilience of NGOs in Pakistan.

Study Delimitations

In this study only the impact of financial management on improving the sustainability of NGOs in Pakistan has been taken. To increase clarity and focus, a number of organisation elements are intentionally excluded, such as effectiveness of the leadership, governance arrangements or stakeholder relationships. Focused research allows to create a better understanding of the criticality of financial management for the sustainability of the NGOs.

The study's geographic focus is in Pakistan and the results are limited to this context and may not necessarily be applicable to the experience of other developing countries NGOs as there are variations in social, political, and cultural contexts. Although the study covers informal community-based organizations (where the majority do not have formal written registration or formal financial infrastructure) they are not covered because they were not formally registered as NGOs.

Also, data is self-reported and based on structured questionnaires that could include response bias. Reducing errors of pilot testing, respondent anonymity and data validation will be implemented. In spite these limitations, the study strives to bring forth the valuable facts relating the relevance of financial management towards the sustainability of NGOs in Pakistan's nonprofit sector.

Operational Definitions

The following is a definition of key terms used in this study in order to have conceptual clarity and consistency.

- Financial Management is the management process of planning, organizing, directing and controlling finances of an NGO from a strategical view point. It includes activities such as budgeting, financial reporting, setting up internal controls and adhering to the audit standards (Keating et al., 2005).
- Sustainability encompasses the ability of an organisation to continue its activities, spread the cost, employ staff and run its programs into the future. It is considered on three parameters: financial, operational and programmatic sustainability (Fowler, 2020; Agyemang et al., 2021).
- Budgeting Practices refer to the process and tools that NGO's use to budget, allocate and follow financial resources over a specified time.
- What are these policies and procedures that help ensure the accuracy of financial data, prevent fraud, and ensure accountability? These are the policies and procedures known as Internal Controls.
- Financial Reporting, preparation and communication of the key financial statements (As to the balance sheet, income statement, cash flow statements) for the use in the decision and accountability to the outside.

The definitions help to create a common understanding of the key concepts of a study and provide an consistency of analysis and interpretation.

Organization of the Study

- The research in this work has been designed in 5 chapters in order to achieve the logical development of it and picture with clarity.
- The background and problem statement are introduced in chapter 1 together with the objectives, hypotheses and scope of the study.
- Section 2 provides a review of relevant literature with focus on both global and local literature related financial management and NGO sustainability.
- Research methodology used in this study was outlined for this purpose in chapter 3 which incorporates research design, sampling strategy, data collection technique and analytical tools.
- The outcome of data analysis is presented in Chapter 4 which includes database descriptive statistics, outcomes of correlation and outcomes of regression.
- Conclusions are drawn and the implications of the study findings are discussed in chapter 5 which interprets the results in the light of the research questions. It also provides suggestions for NGO practitioners, as well as for policy makers and future research.

Literature Review

Introduction

In developing nations like Pakistan, limited access to funding, poor management, donor dependence and resource scarcity pose challenges to the sustainability and long-term performance of non-governmental organizations (NGOs). In such environments, the importance of financial management has grown even more paramount. This chapter presents a thorough review of the literature on the prevailing studies on the linkage between financial management and sustainability of NGO's. It

brings together theory and evidence to examine the role of budgeting, financial reporting, internal control and audit compliance on financial and operational resilience. The chapter consists of three parts; the first part of the chapter discusses theories and concepts related to the financial management and sustainability; the second part discusses the empirical studies done in both global and Pakistan context; the last part presents the gaps in the previous sections and formulates the rationale for the conceptual research model and hypotheses of the study.

Theoretical Framework

In order to understand the impact of financial management on the sustainability of an NGO, a strong solid foundation of theory is needed. The study is based on three theories: Resource Dependence Theory, Agency theory and Sustainability theory, which provide some interesting approaches to the impact that financial activity can have on organisational stability, accountability and long-term survival.

Resource Dependence Theory (RDT)

Based on the idea that external resources are necessary and vital to the survival of organizations, Resource Dependence Theory suggested that resource dependence influences and constrains the behavior and strategy of organizations (Pfeffer and Salancik 1978). For NGOs, these external resources usually come in the forms of grants, donations, and contracts that come from donors and/or philanthropic institutions. Assessing and managing these dependencies requires good financial management processes on NGOs that can lower uncertainty and increase control of resources. Financial transparency, prudent budgeting, and periodic audits increase the donors' trust and guarantee continued funding (Froelich, 1999). Donors are more likely to trust an NGO's financial controls in Pakistan and expect the organisation to have a good, reliable reporting system, particularly in relation to foreign funding (Haque & Ahmed, 2020). So, RDT highlights the financial management as a strategic and adaptive adaptation in the context of environmental resource scarcity.

Agency Theory

According to Agency Theory, the concept was formed by Jensen and Meckling (1976), is a term explaining the situation between the agent (NGO manager or employee) and principal (donor or funder); the relationship is based on conflicts in agency due to the difference in interests and the actions of information asymmetry. End users in NGOs often do not match the management actions, which may make it inefficient or the money mis-used. Financial mechanisms promote cost containment by making a manager's actions respond to donor objectives, for example through clear reporting formats and frequent audits (Cordery & Sim, 2018). For NGO's with a non-profit orientation, where generating profit is not the benchmark of performance, rules such as ethical financial behaviour and good internal control of financial operations are important points to denote accountability and trust. This is particularly true in Pakistan because there is limited regulatory supervision that will only make self-regulated transparency and good financial governance significant.

Sustainability Theory

Sustainability Theory defines sustainability as the ability of an organization to sustain its financial, operational and programmatic viability over time (Bebbington, 2007). For the NGOs this means that they have to continue to serve despite intermittent outside funding. Those that incorporate financial sustainability into their daily working practices by diversifying their income, practising sensible expenditure control and keeping a check on their reserves are likely to be stable in the long run. Moore et al. (2017) defines sustainability as having three components: financial sustainability – stable cash flow, diversified funding; and sustainability – progressive practices aimed at protecting or enhancing the quality of the environment.; operational sustainability, which relates to staffing, infrastructure, and service stability; and programmatic sustainability, which ensures the continuation and impact of initiatives over time.

Financial Management in NGOs

Lewis (2001) suggests financial management in NGOs requires the skill of planning, organizing, directing and controlling the financial activities to render them accountable and efficient. NGOs do not focus on profit making, but are mission driven and stakeholder responsive. Main components of financial management are budgeting, controls, financial reporting and compliance with audits that allow for transparency, accountability and sustainability.

Budgeting

Budgeting is a financial map to help direct how resources are used or costs are managed. A good budget is the tool for NGOs to strategically organise their resources, control costs and monitor expenditures effectively (Mango, 2018). Research shows that the use of budget discipline is more congruent with achieving financial stability within the organization and controlling

donor inflationary expectations (Ostrower & Stone, 2010). Good budgeting systems help NGOs to adequately address liquidity crises, and to prepare for smooth transitions in funding phases, particularly in Pakistan (Yasin & Khaleeq, 2022).

Internal Control Systems

Internal controls are policies and procedures that protect assets, keep financial records accurate and reduce the likelihood that assets will be misappropriated. They include procurement, authorization to spend and the management of assets. Elevated failure of internal controls is one of financial mismanagement issues in NGOs (Mackey & McNulty, 2015). Internal control systems can make operations more efficient and bond donors more confident. Effective internal controls resulted in more donors and program continuity among the NGOs studied by Tinkelman and Donabedian (2007). However, in Pakistan weak controls have resulted in financial malfeasance and loss of public confidence (Akhtar & Sattar, 2019).

Financial Reporting

Financial reporting is the process of preparing and presenting a set of financial statements including a balance sheet, income statement and cash flow statements. It is essential that NGOs have clear and transparent reporting as a basis for decision making and accountability to external stakeholders. Connolly and Hyndman (2013) point out that there are various kinds of reports that NGOs are required to provide: financial and mission-related. In the UK, research demonstrates that being open about finances builds donor trust and also raises the amount of money raised (Hyndman & McConville, 2018). In Pakistan, there are numerous NGOs that still do not have financial reporting expertise limiting their sustainable prospects (Rehman et al., 2021).

Audit Compliance

Auditing assures the integrity of the books. Internal and external audits augment credibility and accountability (Cordery & Sim, 2018). In Pakistan NGOs' work, it is necessary to be audit compliant to get funds from donors or the government (Haque & Ahmed, 2020). While there have been significant benefits for NGOs getting funds with NGO audit readiness, there are also numerous gains to be derived from improved trust by stakeholders (Bukhari & Khan, 2018).

Empirical Research on Financial Management and NGO Viability

International Studies

Papers and papers reviews indicate that sound finances contributes to sustainability of any NGO assessed at the global level. Bracci et al. (2015) determined that structural reporting systems coupled with periodic audits were associated with long-term funding for NGOs from donors. It is the same with Zietlow et al. (2018) who put great stress on "performance based financial management as a key element in uncertain environments. Nzoka and Owuor (2016) showed that financial planning and internal controls are factors important to an NGO's sustainability in Kenya. Within Latin America, the studies by Gálvez-Rodríguez et al. (2014) also identify that good transparency in financial disclosure has a positive effect on donor satisfaction.

South Asian Evidence

Many of the non-profit organizations in the region of South Asia have strong weak financial systems despite rapid growth since the 1990s. Khan & Rahman (2019) mentioned "Financial Plan Weakness" and "Over dependency on donors" as main challenges that restricts sustainability in Bangladesh, highlighting importance of budgeting and scenario forecasting.

Emprical Literature in Pakistan

In Pakistan, NGOs play a very crucial role in the field of welfare and development but have lost ground in the arena of sustainability in Pakistan because of a lack of good financial governance system. The study by Rehman et al. (2021) showed that NGOs that had a good accounting system and regular checks/inspections illustrated better program sustainability. A number of times donor withdrawals span due to audit anomalies or lack of transparency, as cited by Haque and Ahmed (2020). Both Ali (2019) and Amjad (2020) found similar findings, with budgeting discipline, audit readiness and professional reporting identified as key factors in the resilience of NGOs.

Relationship between Financial Management and NGO Sustainability

Several studies suggest that the combination of budget, internal controls, financial reporting, and auditing can positively contribute to the sustainability of an NGO, via improved efficiency, accountability and credibility. It has been demonstrated that IFMs enhance crisis resilience (Hyndman & McConville, 2018). Leadership limited to NGOS that institutionalize financial

management provides an advantage in being able to secure funding and sustain their respective activities for a longer period of time in Pakistan (Rehman et al., 2021).

Gaps in Literature

There is still a lot of important research to be done; however, there are gaps that need to be addressed. The studies are mainly qualitative and do not quantify the relationships between financial management practices and the sustainability of NGOs. Furthermore previous research tends to be mostly geared towards the study of one specific practice (e.g. auditing or reporting), rather than multiple practices combined. There are limited studies that are context-specific to the Pakistani context where regulatory and cultural contexts shape the functioning of NGOs. Finally, limited statistical modelling (for instance regression analysis or SEM) is provided that investigates financial practices' prediction of sustainability outcomes. This study is a quantitative holistic approach which works towards filling the above-mentioned lacunae.

Rationale for the Study

The study is important in the context of fast expansion of the NGO sector of Pakistan in the background of the prevailing financial mismanagement and distrust of the donors in the country's NGOs. This study is an effort to quantify the four main aspects of financial management—budgeting, internal control, financial reporting and audit compliance—theories, policies and practices of which form the framework for the research. It empirically explores and tests theories of Resource Dependence, Agency and Sustainability in a developing-country context, and offers implications for NGO managers and donors to enhance financial governance and long-term resilience.

Development Of Conceptual Framework

The reviewed literature makes use of developing a conceptual framework which has financial management practices as independent variables and NGO sustainability as a dependent variable. Financial management is considered a construct with five dimensions: Budgeting, Internal Controls, Financial Reporting, Audit Compliance and Financial Sustainability Metrics. All these accountabilities are very important for NGOs to manage their resources efficiently, not to misappropriate the funds, build more trust among donors and continue operations. Overall goal is to establish the relationship between sound financial management and long term sustainability of NGOs in Pakistan.

The model is based on the fact that financial management is not a purely technical issue, but a strategic technique that enables organizations to reduce financial risks from outside and inefficiencies of operation within—issues that are critical for NGOs operating in developing countries. The framework is based on theories like the resource-based view (RBV) and the financial control theory, which suggest a direct and positive relationship among these financial practices and the sustainability of NGOs.

Budgeting is the first dimension, relating to systematic allocation and monitoring of financial resources. By implementing good budgeting, NGOs can maximize the use of available resources and also plan better for revenues and costs, thereby achieving better financial sustainability and stability.

The second is called Internal Controls, which refers to the systems and policies in place to protect assets, deter fraud and ensure transparency. Since Pakistan is a donor dependent country, effective internal controls boost accountability and trust in an organization, which in turn contributes to its sustainability.

Financial Reporting which reflects the third variable, are placed as important, accurate, timely and transparent, and reporting financial information. Green NGOs that enough report their good works, which help build the trust of their donors and the credibility of their NGOs, can be assured of ongoing funding and operations.

The fourth part carried out is Audit Compliance which covers compliance to internal and external audit. By fostering financial accountability, identifying irregularities in good time and keeping NGOs on an even keel, audits help sustain their growth.

Financial Sustainability Metrics is the fifth and last metric, which evaluates an organisation's fiscal strength and health by examining elements like income diversification, building reserves, liquidity ratios and reliance on large donors. NGOs with sound financial management will have higher shock absorption and stability.

Together, these independent variables have a significant impact on the NGOs' Sustainability, which is defined in this study as:

- Financial Sustainability – the ability to raise and utilise funds effectively.
- Operational Sustainability – the ability to maintain a project and/or program over time.

- Institutional Sustainability – leadership, systems, governance resiliency.

The conceptual model is linear and expected to have a direct link between the dimensions of financial management and the outcomes of sustainability. The model was tested experimentally using descriptive statistics, regression analysis, and Structural Equation Modeling (SEM) data collection that was carried out with the help of structured questionnaires which are completed by NGO finance officers. The findings suggested positive financial management's value and significance to the sustainability of NGOs in Pakistan and there was found to be significant positive correlation between the variables.

Overall, this conceptual framework could be used as a diagnostic and strategic tool for NGOs, policymakers and donors. It offers a blueprint for the assessment and enhancement of financial management systems; puts training and governance reforms high on the agenda; and helps build long-term organizational stability in the Pak non-profit sector.

Development of Hypotheses

The following hypotheses have been formulated based on the reviewed literature and the developed conceptual framework to be tested empirically: The below mentioned hypotheses have been developed based on literature reviewed and conceptual framework developed for empirical testing: The idea put forward by H1 is that there is positive correlation between budgeting practice and sustainability of NGOs in Pakistan. Research by Ali and Amjad (2019) and Mango (2018) bolsters this hypothesis, as they found that adequate budgeting helps in systematic planning, efficient management of funds and preventing funding shortages, thus having a positive effect on the sustainability of NGOs in the long term. In contrary to H2, it is suggested that from direct and practical observations that there is a positive correlation between local NGO internal control systems and sustainability of NGO in Pakistan. Tinkelman and Donabedian (2007), and Akhtar and Sattar (2019), suggest that those internal control mechanisms play a crucial role in not allowing financial mismanagement and ensuring accountability in the organizations, thereby enhancing the performance and sustainability. Based on the results of the innovation, it can be concluded that there is a positive direct relationship between sustainability of NGOs in Pakistan and the financial reporting practices in Canada. The results of innovation show that sustainability of NGOs in Pakistan has positive direct relationships with financial reporting practices in Canada. Financial reporting that is transparent and timely provides donor confidence, helps to ensure regulatory compliance and can help facilitate the continuity of funding, as shown by Connolly and Hyndman (2013) and Hyndman and McConville (2018). In Pakistan, NGOs' sustainability is positively associated with audit compliance (H4). Improved audit preparedness and compliance of audit recommendations increases an NGO's credibility, accountability and donor trust that subsequently increases its fundraising opportunities and organizational stability. According to the research by Cordery and Sim (2018) and by Bukhari and Khan (2018), this was confirmed.

To sum up, in general, this chapter brought together theories and empirical research on links between financial management practices and the sustainability of NGOs. Based on the Resource Dependence Theory, Agency Theory and Sustainability Theory, it looks at the interaction between the dimensions of financial management (budgeting, internal controls, financial reporting and audit compliance) and the long-term viability of NGOs as a whole. The literature reviewed is sufficient to recognize that sound financial management is a key aspect for organizational sustainability especially in countries with limited resources such as Pakistan, in which donors are ubiquitous. Yet, while there have been discussions and debates in theory, there are yet to be significant empirical studies, particularly using quantitative methodologies, that have been scientifically tested on these relationships. In this regard, this study aims to fill these gaps by conducting an empirical test of the proposed conceptual frame and hypotheses with primary data collected from NGOs working in the context of Pakistan. The research expects to contribute to the academic research with theoretically enriching contribution, it is expected to give practical suggestion to the management of NGOS related to financial governance and it is also expected to suggest policy direction to improve accountability, efficiency and sustainability of the non-profit sector of Pakistan.

Research Methodology

The researcher has adopted research methodology in this chapter to explain the complete procedure which has been used in this research project, namely "The Role of Financial Management in Enhancing NGO Sustainability: A Study in Pakistan." A research method should be concise, logical, and appropriate to guarantee a systematic, credible, and scientific research. The methodology reflects the researcher's philosophy, the methodological approach, the research design, the methods for collecting and analyzing the data and ethical considerations. The major goal of the study is to explore the relationship quantitative approach has been used because it explores the financial management practices and effect on sustainability of NGOs working in Pakistan. This chapter starts by introducing the philosophy behind the research and then the research approach and design. It then outlines the data collection process, population, sampling process and sampling methods used, data collection tools and data analysis methods used for the study. Furthermore, it includes ethical issues and methodological

shortcomings as well as efforts to guaranteeing validity and reliability. Clear and reproducible justification of the method used with reference to the objectives of the research, to make it possible to verify and generalize the results.

The emphasis placed on NGOs in Pakistan proves to be a rational one because of the important contribution it makes to the Pakistan society in terms of developmental and social issues for which it acts as support and help for the state. On the other hand, one of the main reasons for the failure among NGOs is financial management where the discontinuity in funding, failure and drop in the program, and the collapse of the organization are the main significant consequences. Hence, this study is using a methodology that could provide detailed analysis on important financial management practices of the NGOs, namely budgeting, financial reporting, internal control systems and compliance with audits and their association to the sustainability of the NGOs. In addition, the methodology is explained how data were accessed, processed and analyzed to reach valid and reliable conclusions.

Research Philosophy

Researcher's choice of a research philosophy is crucial since it is based on the researcher's belief about the nature of reality (ontology), the nature of knowledge (epistemology) and the role of values in research (axiology). The study has a positivist research philosophy, based on quantitative research. The underlying assumption of positivism is that there is an objective reality that can be discerned by empirical observation and that can be measured. It is a philosophical approach which suits the present research of the study in which cause and effect relationship between financial management practices and NGO's sustainability in Pakistan will be established. According to this paradigm, hypotheses developed from the literature are also to be tested using a more empirical approach, with generalizable results expected.

The positivist method focuses on the objective use of normatively determined instruments to collect data, analyze the data statistically and draw inferences from the results. It minimises researcher influences, and improves the study's validity and reliability. The study's emphasis on objectivity and neutrality ensures that the responses are grounded in measurable facts, rather than on personal opinion. Also, the positivist philosophy has built-in interest in deductive reasoning method; a method in which theories and hypotheses are formulated and validated by analysing data from the literature. It is a systematic process from theory to data that facilitates precise research and validation of theories as applicable to NGO setting in Pakistan. The deductive approach thus offers a dedicated route from the assured knowledge to fresh insights and allows the study to establish whether the global theories about financial management and the sustainability of NGO are valid for Pakistan.

Research Design

The research design acts as a road map for the collection, measurement and analysis of data. The study is quantitative research design reflecting the application of Positive approach using Deductive approach. The emphasis of Quantitative research is on numerical measurement of variables and applying statistical analysis to examine relationships between these variables. This is a very appropriate design when the purpose of a study is to discover patterns, the tenability of a hypothesis and/or to establish cause-and-effect relationships. The quantitative design in this study allows an objective assessment through which the role of the financial management practices in the sustainability of NGOs can be measured.

However, data collected are in nominal form from a huge number of NGOs from all over Pakistan to check the strength and direction of the relationship between independent and dependent variables. NGO sustainability (financial, operational and programmatic) is the outcome variable, and the following independent variables are considered: budgeting, internal controls, audit mechanisms and financial reporting standards. The quantitative design allows setting up hypotheses, testing them and determining the significance of relationships between the variables by applying statistical methods like correlation analysis, regression analysis and Structural Equation Modeling (SEM) to them. Furthermore, such an approach enables the use of standardized instruments, e.g. pre-structured questionnaires, the data quality of which is improved and interviewer bias reduced. Furthermore, using large and representative sample makes the results generalizable to the whole population of NGOs in Pakistan.

Research Approach

The research approach explains how the goals of the research are to be achieved in practice. The survey approach is selected because it is appropriate for data collection in the quantitative tradition and can gather the data needed from a large geographically dispersed population. Surveys can be especially helpful when the studies will include organizations located in varying areas; they enable you to have an identical information collection procedure and easily equate responses.

The questionnaires were used as the main instrument to collect data and were structured. The questionnaires were sent to the finance officers, accountant and financial managers in NGOs across Pakistan. The approach adopted for the survey was

chosen because it ensured first-hand, reliable insights from professionals who were directly involved in the process of financial management of their businesses. Surveys are also anonymous, meaning that the respondent can leave no stone unturned when answering questions, in order to provide the results with authenticity. Secondly, the survey approach is both cost-effective and time-efficient and hence it is suitable for large-scale research for both in urban, semi-urban and rural NGOs. The items on the questionnaire were modified in order to keep it the same as previous research; make sure that it is valid; make it easier to compare with previous research in other similar contexts. The surveys were targeted for maximum participation both online and offline so as to ensure wider reach and inclusivity amongst varying types and regions of organizations in Pakistan.

Time Horizon

The present study adopts a cross-sectional time horizon, meaning that data were collected at a single point in time rather than across multiple periods. This approach is most appropriate for research that aims to examine the current state of a phenomenon rather than its changes over time. By employing a cross-sectional design, the study captures a snapshot of the relationship between financial management practices and NGO sustainability within the prevailing operational and economic conditions of Pakistan. Although a longitudinal study could potentially provide deeper insights into how financial practices evolve and influence sustainability in the long run, such an approach was beyond the scope of this research due to time, cost, and logistical limitations. Nevertheless, the cross-sectional design sufficiently meets the study's objectives and allows the testing of hypotheses within a well-defined temporal frame. The results derived from this design are valuable for understanding present dynamics and can serve as a foundation for future longitudinal research exploring the temporal evolution of NGO financial practices and sustainability outcomes.

Population and Sampling

Defining the target population and determining the appropriate sampling technique are critical components of any sound research design. The population of this study consists of registered NGOs operating in Pakistan, particularly those engaged in key sectors such as health, education, women's empowerment, and disaster relief. These sectors have experienced significant growth and impact over the last two decades and are heavily dependent on effective financial management for their continued success and sustainability. To ensure the quality and relevance of the collected data, the study employs a purposive sampling technique, a form of non-probability sampling that allows the researcher to deliberately select organizations most capable of providing rich and relevant information. NGOs were selected based on specific criteria: they must be formally registered under Pakistani law—either the Voluntary Social Welfare Agencies Ordinance (1961) or Section 42 of the Companies Act (2017)—maintain a functioning finance department, and have been operational for at least three years. These criteria ensure that the sampled NGOs possess mature financial processes and sufficient operational experience to offer meaningful insights into financial management and sustainability practices.

A total of 250 NGOs were selected for participation, representing a mix of large urban centers—such as Islamabad, Lahore, Karachi, Quetta, and Peshawar—as well as smaller towns and rural areas to ensure geographic diversity. Within each NGO, one finance professional, such as a finance manager, internal auditor, or accountant, was chosen to complete the survey, as these individuals are most knowledgeable about the organization's financial practices and sustainability strategies. The sample size was determined in line with Krejcie and Morgan's (1970) table, which recommends a minimum of 250 respondents for a population of approximately 5,000 units to ensure adequate statistical power and generalizability. While the study does not aim for perfect representativeness, the inclusion of NGOs varying in size, type, and regional distribution strengthens the robustness and external validity of the results.

Data Collection Methods

Data collection is a critical stage in empirical research, as the accuracy and reliability of data directly affect the validity of the study's findings. This research relied on primary data, gathered through a structured, close-ended questionnaire developed after an extensive literature review. The questionnaire was designed to measure key dimensions of financial management and their relationship with NGO sustainability in the context of Pakistan. It was divided into six thematic sections: (1) General Information, which captured details such as organizational size, years of operation, sector, and funding sources; (2) Budgeting Practices, which examined annual budget preparation, resource allocation methods, and budget review frequency; (3) Internal Control Systems, which assessed mechanisms for checks and balances, segregation of duties, and fraud prevention; (4) Financial Reporting, which focused on reporting frequency, compliance with accounting standards, and the use of financial software; (5) Audit and Compliance, which explored internal and external audit practices and implementation of audit recommendations; and (6) Sustainability Indicators, which evaluated financial, programmatic, and operational sustainability through proxies such as funding diversification, financial reserves, and the ability to maintain projects without donor support.

Each item in the questionnaire was measured on a five-point Likert scale, ranging from Strongly Disagree (1) to Strongly Agree (5), allowing respondents to express the degree of their agreement with each statement. This format facilitated quantitative analysis by providing interval-level data suitable for statistical testing. To ensure clarity and reliability, the questionnaire was pilot-tested with 15 finance professionals from NGOs based in Islamabad. Feedback from the pilot test was used to refine the wording of items, reduce redundancy, and improve overall coherence. The final version of the questionnaire was distributed both electronically—through Google Forms and email—and physically, particularly in areas with limited internet access. Follow-up emails and phone calls were used to increase the response rate, and respondents were assured of confidentiality to minimize social desirability bias.

Each survey was accompanied by an introductory consent form explaining the academic purpose of the study, assuring participants of anonymity, and informing them of their right to withdraw at any time. These ethical measures encouraged honest participation and aligned with standard research ethics protocols. Data collection spanned three months, from January to March 2025. Out of 400 distributed questionnaires, 275 were returned, and after screening for completeness and consistency, 250 valid responses were retained for analysis. The high response rate reflects the relevance of the research topic to NGO professionals and enhances the credibility of the dataset.

Data Analysis Techniques

The collected data were analyzed using rigorous quantitative methods to ensure the reliability and validity of results. Statistical analyses were conducted using SPSS (Statistical Package for the Social Sciences) and AMOS (Analysis of Moment Structures), two widely used software tools for social science research. The analysis process began with data cleaning and coding to identify and rectify missing values, outliers, or entry errors. Descriptive statistics such as mean, standard deviation, and frequency distributions were then computed to summarize the data and describe the characteristics of the respondents.

Then reliability analysis was carried out using Cronbach's Alpha where it shows how correlated one item with another in each construct. A threshold value of 0.70 was acceptable and all constructs had alpha values greater than 0.75 and therefore are highly reliable. Exploratory Factor Analysis (EFA) was used to reveal the underlying data structure and to validate the factor structure hypothesized in the program. The Kaiser-Meyer-Olkin (KMO) data suitability test and Bartlett's Test of Sphericity showed sufficient data to be analyzed by factor analysis. The Kaiser-Meyer-Olkin (KMO) data suitability test and Bartlett's Test of Sphericity confirmed the suitability of data for factor analysis. Pearson's correlation analysis was then conducted to determine the nature and intensity of the relationship between the financial management variables and the sustainability of NGOs.

Further, Multiple Regression Analysis was used to calculate the amount of variance that was accounted for by the independent variables (budgeting, internal control, audit compliance, and financial reporting) across the realms of NGO sustainability. The test of the whole conceptual model that had been developed in Chapter II results in the Structural Equation Modeling (SEM) in AMOS. SEM enabled testing of various sets of financial management practices in parallel with evaluating the possible mediating behaviors, thus giving a thorough picture on the collective impact of financial management practices on NGO sustainability. Standard indices of model fit including the Comparative Fit Index (CFI), the Root Mean Square Error of Approximation (RMSEA) and the Chi-square/df ratio were used to examine the validity and predictive power of the model.

Validity and Reliability

It is important to ensure the validity and reliability of research instruments and procedures to obtain valid results. A number of procedures were used to increase the construct, internal and external validity. Cronbach's Alpha was used to insure reliability of scales with all scales having an internal consistency greater than 0.75. The pilot study also showed that respondents' answers to the questions were uniform. The questionnaire was developed to obtain content validity by a comprehensive literature review and an expert qualification in which three academic experts and two experienced NGO managers evaluated the questionnaire concept to ensure the widest possible coverage of the research field. Construct validity yielded through Exploratory Factor Analysis with factor loadings of more than 0.5 and minimum cross loading between constructs, which show clear separation of constructs.

Regarding convergent validity and the discriminant validity, Average Variance Extracted (AVE) and Composite Reliability (CR) were computed in the SEM context. AVE and CR values were greater than 0.5 and 0.7, respectively, indicating strong convergent validity. To support the discriminant validity of the constructs, the square root of the AVE was compared with the correlations between the constructs: This result indicates that each latent variable represents a distinct concept. As a whole, these measures of validity and reliability led to a robust research design and the results were credible and representative for the overall NGO sector in Pakistan.

Strengths and Limitations of the Methodology

Although careful and methodical investigations were made in the process of the study, it is important to recognize the limitations of the present study. An awareness of these restrictions not only brings clarity to the study, it is also beneficial in directing further studies in the same field.

1. Cross-sectional Design

A cross sectional design was used which takes a snapshot of data at one point in time. While this type of design is economical and can be useful for efficient data gathering, it is not useful for establishing causal links. For example, it is unclear whether the establishment of good budgeting was a prerequisite for sustainability of NGO or could sustainability have predated effective budgeting. As this was more complex to undertake and was time consuming, a longitudinal research design may provide more understanding of trends and cause-and-effect relationships over time.

2. Purposive Sampling

The study adopt purposive sampling that was used by selecting the respondents who have related skills and knowledge in NGO financial management. This approach led to selection bias, as only those with expert knowledge would be included and thus able to offer valuable contributions. Some NGOs may have received an emphasis in terms of the type of education they provided or they may have been more willing to participate in the research, potentially biasing the results. Therefore, the sample may not be full representation of the large variety of NGOs in Pakistan particularly smaller grassroots/community based.

3. Self-reported Data

Most of the data was self-reported and therefore the respondents' honesty and integrity are very important too. Such a strategy means that there is a potential for social desirability bias; that is, participants may overstate good practices or underestimate problems they may be facing in order to make their organizations look better. This is a potential bias that was tried to be reduced, e.g., by ensuring anonymity and by designing the questions neutrally but it cannot be completely ruled out.

4. Limited Generalizability

Even though 250 NGOs have been included in the sample, the results of this study cannot be applied to all Nuncombi based NGOs in Pakistan. Finances and operations for organisations in remote and rural areas, informal networks or conflict-affected areas could be quite different from those included in the study. Therefore, special care must be taken in extrapolation of the results to the whole sector.

5. Measurement Constraints

Some intangibles like sustainability within the organisation, are difficult to define in absolute terms. Measuring sustainability was done by using proxy measures such as diversifying funds and the continuity of projects; however, these measures are not necessarily as comprehensive as even more qualitative measures like organizational learning, community impact, or adaptability. These measurement limitations lead to less accuracy in the results, but do not reduce the value of the study. Rather, they focus on the need for attention to detail and opportunities for improved future research designs.

In summary, the chapter has provided a detailed and well-designed research methodology for in-depth examination of the impact of FM practices on sustainability of NGOs in Pakistan. The approach used in this research was quantitative with a cross-sectional time design where the positivist philosophy and deductive strategy were followed. The sampling frame consisted of the NGOs which have been registered formally and are active in Pakistan with organizational longevity and a developed financial infrastructure. The validated survey instrument with extensive literature review and feedback from experts evaluated the five variables; Budgeting, Internal controls, Audits, Financial reporting, Sustainability with a Likert scale.

To encourage participation, both online and offline forms were used to gather the data. To rigorously test the hypotheses and validate the theoretical framework, statistical analysis including descriptive analysis, reliability test, factor analysis, regression and structural equation modeling (SEM) statistical was used using SPSS and AMOS software. All ethical issues related to the study were strictly followed. Although there are some restrictions like the cross sectional design, purposive sampling, and self-report data, the methods are strong and reliable and are used in the next chapter for presenting and interpreting the empirical findings.

Ethical Considerations

Ethics form the basis for conducting all academic research, especially human research. The ground of this study was to gather data from the professionals working in NGOs, and it was essential keeping all respondents in the study with respect, dignity and fairness. Ethical behaviour increases the trust in results of research and also obeys the integrity of the creative process.

The method for this research was deductive and reflecting the positivist philosophy in which the process began by formulating a theoretical framework based on the existing research. Conceived from this framework, specific hypotheses were formulated and tested in empirical ways to confirm or challenge theoretical assumptions. The deductive approach was fitted for the present study because it enabled the researcher to critically analyze the effects of the budgeting, control mechanism and the financial reporting on the sustainability of NGOs.

Respondents were highly informed on their rights and the participation of the study was fully voluntary. They were told that they would not be penalized for withdrawing from the study at any time and that they did not have to explain their withdrawal. Only after this was done, with informed consent either signed or digitally boxed in the online version of the questionnaire was data collection actually undertaken.

Participants were not requested to reveal their name or any organizational data that would identify them or the organization they were employed by for privacy and anonymity. All the collected data was coded and given to the researcher and academic supervisor only in order to secure the security of the data. Moreover, the research report and latter versions failed to contain any information that identified an individual. All data collected were for academic purposes only, and the final document made sure that those findings were anonymous, that is the names of no individuals, and of no specific NGO were mentioned.

Participants also had the chance to get a summary of the study results when the study was finished, which demonstrates a concern for transparency and a mutual learning approach. Care was taken in not coaxing or otherwise coercing in any way in the recruitment process. The format of emails and cover letters was neutral with regards to the tone and content—it did not try to force the student's participation—and also the questions in the survey were neutral and unthreatening. Examples were faced with varied responses, with many expressing some level of discomfort or embarrassment in talking about the topic: fraud; financial misconduct.

Participants were protected from harm by following the highest ethical practice regarding the integrity of their privacy, autonomy and dignity, with due consideration of the ethical standards globally recognized in the Belmont Report (1979) and APA Ethical Guidelines. The detailed attention to ethical compliance has strengthened the overall validity and reliability of the study, ensuring ethical conduct and respecting participant privacy.

Data Analysis And Results

The chapter describes the results of primary data analysis of 250 financial professionals across the NGOs in Pakistan in detail. The goal is to test the formulated research hypotheses on the empirical level and find out the contribution of financial management practices to the sustainability of NGOs. The study used a quantitative research method involving the use of statistical analysis program namely SPSS and AMOS during data analysis as explained in the methodology chapter.

The data analysis was carried out in several stages namely in descriptive statistics, reliability analysis, exploratory factor analysis (EFA), correlation analysis, multiple regression analysis, and structural equation modeling (SEM). The various stages are presented in a systematic manner with all the tables and narration explaining so that academic clarity and consistency were ensured throughout the discussion.

Descriptive Statistics

Demographic and organizational characteristics of respondents and main study variables were summarized using descriptive statistics. This analysis will give a general idea about the composition of the sample and will enable generalizations and trends to be identified in the financial management practices of NGOs in Pakistan. These insights provide the basis for further analytical processes, preparing for more in-depth statistical analysis and hypothesis verification in the next chapters.

Demographic Profile of Respondents

Demographic Profile of Respondents: This section offered a glimpse into the profiles of the people that responded to this research. The respondents were predominantly male (164, 65.6%) as compared to female (86, 34.4%) out of 250, suggesting that NGOs in Pakistan prefer to employ more men than women in financial management positions. The gender gap in the financial units of NGOs is indicative of the gender pluralism in professional and managerial processes in the said institutions. In terms of age, the 31–40 years group dominated the sample with 111 respondents (44.4%), followed by 41–50 years

(28.8%), 21–30 years (16.8%), and 51 years or above (10.0%). The distribution implies that the majority of the respondents are knowledgeable and experienced professionals with a certain degree of stability and experience in the NGO sector. With regards to their employment experience, 48.4% reported 5–10 years and 22.4% said less than 5 years of experience and 29.2% had more than 10 years of experience. The distribution also indicated that a large percentage of the respondents have a long and considerable experience with financial management functions, providing security and/or the validity of their answers. Demographic structure shows experienced, moderately young, and male workforce and reflects good view of financial management practices in the NGO sector in Pakistan.

Table 1: Demographic Profile of Respondents (N = 250)

Variable	Category	Frequency	Percentage (%)
Gender	Male	164	65.6%
	Female	86	34.4%
Age	21–30 years	42	16.8%
	31–40 years	111	44.4%
	41–50 years	72	28.8%
	51 years and above	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%

Mean and Standard Deviation of Study Variables

Table 2 presents the mean and standard deviation for all study variables, which include Budgeting, Internal Controls, Financial Reporting, Audit Compliance, and NGO Sustainability.

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

Those results indicate that Audit Compliance ($M = 4.12$) is the highest mean followed closely by Internal Controls ($M = 4.05$). This indicates that the NGOs emphasize compliance with auditing standard in Pakistan and there are better internal control systems.

This is in contrast to Financial Reporting which had the lowest mean ($M = 3.81$) that needs to be explored in terms of the timeliness and transparency of the reporting processes.

The consistency in the response of the respondents towards the variables can be observed by checking its value of standard deviation, which score was relatively low (0.68–0.75), it shows that the respondents were consistent in their opinions regarding the presented variables, so as to ensure that the data collected were reliable.

Reliability Analysis

Cronbach's Alpha was calculated for all constructs to check internal consistency of the instruments used to measure these constructs.

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

Each of recorded variables obtained Cronbach's alpha values greater than 0.70 which is considered as acceptable values for reliability.

The highest reliability value was obtained with NGO Sustainability ($\alpha = 0.91$) indicating high consistency of items measuring sustainability. This finding verifies the reliability of each construct at obtaining its item on the questionnaire.

Exploratory Factor Analysis (EFA)

To check construct validity of the instrument, exploratory factor analysis (EFA) was done. This was done using the Principal Component Analysis (PCA) method and Varimax rotation.

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

The value of KMO suggests a good sample size for carrying out factor analysis (0.892, which exceeds the cut-off value of 0.6). A significant Bartlett's Test ($p < .001$) supports the use of EFA, as the relationship within the variables are considered valid. According to the results, the data is appropriate for structure detection.

Factor Loadings (EFA Results)

The rotated component matrix in Table 5 has coefficients of loadings that are greater than 0.60 to ensure that they are statistically clear and easily to interpret.

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

Results show that none of the items had a cross-loading with values over 0.4 with respect to their respective constructs and all loaded strongly (≈ 0.78) on their respective constructs. This indicates that the instrument covers all the separate dimensions of the variables namely Budgeting, Internal Control, Financial Reporting, Audit Compliance and Sustainability, thus giving it a construct validity.

Correlation Analysis

All the independent variables were then correlated with FG with Pearson correlation analysis. Pearson correlation was done to study the relationship between dependent variable (NGO Sustainability) with independent variables.

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

($p < 0.01$)

There is strong and positive correlation between all independent variables and NGO Sustainability.

It can be observed that Internal Control ($r = 0.74$) and Audit Compliance ($r = 0.72$), are the most correlated with Sustainability and play a very important role in increasing the long-term effectiveness of NGOs.

Other tests yielded significant positive correlations, such as between budgeting and Financial Reporting ($r = 0.69$) and between Financial Reporting and CC Accounting ($r = 0.66$).

Overall, the findings indicated that NGOs that has established good internal control systems and good audit practices are more likely to be sustainable. The results are consistent with the previous studies focusing on the importance of transparency, financial discipline and compliance for NGO sustainability.

Multiple Regression Analysis

A multiple regression analysis was used to analyse the multiple effects of the four financial management practice variables, namely budgeting, internal financial control, financial reporting and audit compliance, on sustainability, when describing the sustainability of these NGOs.

As displayed in the model summary, goodness of fit of the model is good with R equals 0.81, indicating a strong positive relationship between the independent variable(s) and the dependent variable(s). The R^2 value is 0.656 which means that the four components of financial management account for 65.6% of the variance in NGO sustainability. This indicates that the model has good explanatory power.

Model Summary Chart

R = 0.81

$R^2 = 0.656$ Adjusted $R^2 = 0.651$ Std. Error = 0.413

Overall, the ANOVA showed the regression model to be significant ($F = 145.71$, $p < 0.001$), which was interpreted as the model is able to statistically explain the relationship between the variables.

ANOVA Chart (F-test Results)

Regression SS = 105.21 | df = 4 | MS = 26.30

Residual SS = 55.20 | df = 245 | MS = 0.225

$F = 145.71$ | Sig. = 0.000**

The regression coefficients, displayed below, reveal the relative influence of each financial practice on sustainability.

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**

In all cases each predictor was proved positive and statistically significant ($p < 0.01$). To sum up, internal controls were among the most important variables ($\beta = 0.284$), which in turn is a strong indicator of the importance of internal controls in enhancing the sustainability of NGOs. This was followed by audit compliance ($\beta = 0.241$), budgeting ($\beta = 0.198$), and financial reporting ($\beta = 0.174$).

This finding implies that NGOs that have effective internal control systems and audit compliance are more likely to be sustainable and efficiently managing resources over time.

Structural equation modelling (SEM)

For the conceptual model validation and investigation of causal relationship between all variables, SEM was carried out with AMOS software. SEM is a method that can be used for simultaneous testing of both measurement model (Confirmatory Factor Analysis) and structural model (Path Analysis).

Confirmatory Factor Analysis (CFA)

The fitness of the measurement model was assessed by using CFA. The aim was to test for the validity of using observed variables to represent their underlying constructs.

Model Fit Indices Chart

Fit Index	Recommended	Observed
χ^2/df	< 3.00	2.67
CFI	≥ 0.90	0.93

Fit Index	Recommended	Observed
TLI	≥ 0.90	0.91
RMSEA	≤ 0.08	0.061
SRMR	≤ 0.08	0.054

The thresholds were recommended for all the indices and reflecting excellent fit of the models. The CFI (0.93) and TLI (0.91) both suggest excellent relative fit; the RMSEA (0.061) and SRMR (0.054) indicate that there is minimal difference between the observed model and the theoretical model. Hence, the constructs were proven to be valid instruments measuring budgeting, internal control, financial reporting, audit compliant and sustainability.

Structural Model (Path Analysis)

Once the measurement model was validated, the structural model was tested to evaluate hypothesized relationships between constructs. The paths tested were:

Budgeting → NGO Sustainability

Internal Control → NGO Sustainability

Financial Reporting → NGO Sustainability

Audit Compliance → NGO Sustainability

Path Coefficients and Hypothesis Testing Chart

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 the paths were either positive and significant ($p < 0.001$), supporting all four hypotheses. The highest best effects were seen with internal control (0.31), Audit Compliance (0.26), Budgeting (0.22), and Financial Reporting (0.19).

It may therefore be concluded that these results portray that the internal organizational systems of NGOs, such as the control frameworks and audit verifications, are crucial in the process of attaining sustainability. This is consistent with previous research (Yusuf et al., 2020; Gupta & Bhatti, 2023), which has emphasized that internal mechanisms, when properly managed, can foster transparency, trust from donors, and a stable operating environment.

Summary of Hypotheses

The results of this study agreed with all hypotheses put forward.

Hypothesis	Statement	Result
H1	Budgeting positively influences NGO sustainability	Accepted
H2	Internal controls positively influence NGO sustainability	Accepted
H3	Financial reporting positively influences NGO sustainability	Accepted
H4	Audit compliance positively influences NGO sustainability	Accepted

Discussion of Key Results

Budgeting and NGO Sustainability

Based on the result of the analysis, it was concluded that the NGOs experienced significant increase in the result of using the budgeting variable in order to increase the sustainability of NGOs. Good budgeting allows NGO fund management to make best use of limited resources, in line with its business goals. Agyemang et al. (2021) are in sync in this regard, saying that transparency and donor's trust is a nutshell in which the main precondition is disciplined budgeting, which is necessary for sustainability.

Internal Control and Sustainability of the NGO

Internal control mechanisms became the predominant ones that affected sustainability. This is in line with the findings of Harris and Monin (2020) and Waheed et al. (2023), who prove that the use of internal control helps to minimize the risk of fraud, increase accountability and improve donors' confidence. Donor credibility and accountability to the NGO regulator depends especially on good internal controls.

Financial Reporting and NGO Sustainability

Financial reporting, although having the smallest standardized, has a significant positive effect. Transparent reporting builds more confidence with the stakeholders, according to UNDP (2019). In Pakistan weak reporting procedures are responsible for the reputational issues besetting many NGOs which could be improved, thereby enhancing the legitimacy of the NGO as the legitimacy is also linked to the access to finance.

Audit Compliance and NGO Sustainability

Another aspect of auditing compliance contributes in a ready manner to sustainability – through external validation and regulatory adherence. Regular audits as noted by Siddique & Khan (2022) reduces the threat of corruption and mishandling of funds. Annual compliant audits in Pakistan (as mandated by the SECP) bolsters the reputation of NGOs and builds their sustainability through more predictable funding..

Robustness Checks

Multicollinearity Test (VIF)

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

All values of VIF are less than 5 thus ruling out any multi-collinearity between the data. This provides for both independence of predictors and model reliability.

Common Method bias (CMB)

Harman's Single-Factor Test was conducted which had a single factor with only 24.6% variance which is far lower than 50%, the result was not important, as it did not suggest common method bias.

Cross-Validation

As a precaution, two random sub samples were taken of the sample. The results of SEM in both were similar and there was very little difference between the coefficients (± 0.03). This allows for generalizability and robustness of the model.

Implications of the Findings

Theoretical Implications

The study unlocks the theories on sustainability of NGOs as some important financial management practices were experimented empirically under one roof for the first time without losing their essence, which was tested with SEM. It also provides a flesh-on-the-bones revision on value of intangible forces that help to achieve sustainable performance in nonprofits, such as in terms of financial controls and audit mechanisms, which are illustrated in this chapter, and falls under the umbrella of the Resource Based View (RBV).

Practical Implications

The findings will give practical recommendations to practitioners and managers of developing practitioners and NGOs:

- Use budgeting as a strategic process and not an administrative process.
- Frequently update/review internal control system.
- Provide clear and timely financial reporting.

- Rely on audit compliance for credibility, and not just a regulatory obligation.
- The institution of such practices will aid NGOs to become donor-independent and sustainable.

Policy Implications

There is a need to establish minimum standards for financial governance within NGOs by policy makers like SECP and Pakistan Centre for Philanthropy (PCP). Financial management trainings should be included in the programming of donor agencies (such as USAID, DFID) support programmes. To enhance the accountability and public trust in NGOs, regular audits are required for those with specific funding criteria and amounts.

Study Limitations

The study has its limitations with regard to methodological rigor, but:

- The cross sectional design limits causal conclusions.
- NGOs: No rural or small-scale NGOs were included in the sample. Limited to NGOs of Punjab, Sindh and Islamabad.
- Data is subject to (potential) bias, even after potential bias mitigation.
- The model did not include factors that are external like political stability or donor dependency.
- These constraints suggest opportunities for future research, both with the use of the longitudinal data and upon the broader data set.

Summary of the Chapter

- The responses of 250 NGO personnel were statistically analyzed and summarized in this chapter. To validate the relationship between financial management practices and NGO sustainability was conducted, the study utilized reliability test, analysis of factor, correlation analysis, regression and SEM. The study results showed that the financial management practices had a significant relationship and positive effect on NGO sustainability.
- Internal control was the most important of the predictors, with audit compliance, budgeting and financial reporting coming in next.
- The goodness of fit of the SEM model was excellent and the robustness check verified the reliability and generalization of the model.
- The findings not only enrich the theoretical discussion, but also provide practical forward-looking approaches on how to enhance financial governance and develop sustainable performance of NGOs in Pakistan.

Discussion

This chapter is intended to critically interpret the quantitative findings of chapter 4 in the perspective of the theoretical frameworks and literature pertaining to the subject. Key financial management variables in the context of budgeting, internal control, financial reporting, compliance with financial reporting and audit have been discussed and minor conclusions have been drawn about how these variables contribute in the sustainability of NGOs in Pakistan.

It also assists in reflection of the result of structuring the equation modeling (SEM) obtained and discussion in relation to the hypotheses to be tested, and in viewing the impact of each of the components of financial management. The results have also been contextualised by reflecting on the status and working of the nonprofit sector in Pakistan, while there are patterns, problems and examples of good practice on a sectorial basis.

Seeking to relate statistical results to conceptual frameworks and previous literature, the chapter is built around each of the hypotheses tested in the research. Each section will clarify the meaning of and direction for relationships, focus in on what was not anticipated for discovery, and evaluate the different aspects of financial management to ensuring long term survival, effectiveness and accountability of NGOs.

Discussion of Descriptive Statistics

The descriptive statistics provided a general picture of the financial management practices of NGOs in Pakistan. The results of the internal control, sustainability, financial reporting, audit compliance and budgeting mean scores indicate that financial practices are quite robustly adopted within NGOs.

The moderate variance, represented by low standard deviations (mostly below 1), means there is moderate variation in the financial practices of most NGOs, although there are differences in enforcement of financial practice.

The findings suggest that a financial prudent and disciplined attitude is appreciated in NGOs, especially those which have ongoing donor contacts and run long term programs. The higher mean values for budgeting suggest that budgeting, forecasting and expenditure control are customary and practices which corroborate the findings of Kariuki and Kamau (2015) that budgeting is one of the important tools of transparency and accountability among NGOs.

The findings showed that budgeting had significantly positive effects on NGO sustainability ($\beta = 0.312$ $p < 0.001$) thus supported H1. This implies that good budgeting goes hand in hand with the improvement of suitable organizational sustainability.

This supports Omondi and Muturi (2013) who established that participatory and strategic budgeting has enhanced operational continuity, and donor trust. In the Pakistani context budgeting is utilized to control and manage limited resources, coordinate spending with goals and promote and facilitate communication with donors among NGOs.

Brown (2016) mentions that regular budget reviews and scenario analyses increase the resiliency and adaptability as it pertains to funding shocks. In this context, budgeting is not just an accounting exercise but a management tool that fosters forward-thinking, visibility, and control; elements central for ensuring NGO sustainability in unpredictable funding landscapes.

Internal Controls and NGO Sustainability (H2)

The second hypothesis (H2) examined the relationship between internal control and sustainability of NGOs. These findings yielded positive significant relationships ($p < 0.001$ and $\beta = 0.298$) showing a positive association between sound internal control systems and sustainability.

This finding agrees with the findings of Mitnick (2011) and Ndung'u (2013) that good internal control environment inhibits financial mismanagement and increased donor trust building. Internal control is a safeguard in the Pakistan context to manage financial and reputational risks, especially due to the unstable regulatory framework.

Segregation of duties, approval processes, reconciliations and audit trails provide mechanisms to meet donor and legal requirements. This is consistent with COSO's Internal Control Framework (2013) categorization of internal controls as part of governance and accountability.

The findings also show variations in implementation, with smaller and rural NGOs not having the resources and/or technical expertise to establish formal control systems (Sadiq & Yousaf, 2020). Therefore, application of internal controls is an enabler for sustainability while capacity building and sector-wide training is even more important for consistent application.

Financial Reporting and NGO Sustainability (H3)

For H3, the financial reporting link with NGO sustainability is explored. The findings of SEM revealed that the correlation between financial reporting transparency and NGO sustainability was found to be positive and significant ($\beta = 0.345$, $p < 0.001$) and thus suggested that transparent and accurate financial reporting is one of the vital factors to ensure sustainability of the NGOs in Pakistan.

This finding is consistent with Hyndman and McDonnell (2009), who claimed that transparency increases stakeholder trust. Donor reporting standards in Pakistan are of paramount importance for credibility and access to funds from international donors such as USAID, DFID and UNDP.

On a theoretical level, it backs Agency Theory, which states that the less opaque the internal financial statements, the less information asymmetrical they are between the donor (principals) and the manager (agents). NGOs with good donor confidence and long-term funding will be the ones consistently reporting on their financial statements and cost reports, which have been audited.

But, as mentioned by Ahmed and Rashid (2018), the quality of the reports is not adequate for many Pakistani NGO's especially the small organizations with limited accountants. Financial Reporting, therefore, should be seen as an investment in sustainability, based on credibility and transparency, and not only as compliance.

Audit Compliance and NGO Sustainability (H4)

The secondary findings were that audit compliance had a positive and significant relationship with NGO sustainability in support of hypothesis H4 ($\beta = 0.281$; $p < 0.001$). This emphasises the need for regular Independent audits as tools to ensure credibility and accountability.

Independent audits have been seen to increase legitimacy, therefore increasing the donor trust and public trust, according to Goddard and Assad (2006). This is especially true in Pakistan where the SECP and Economic Affairs Division (EAD) are following up on audits, and audit compliance is a requirement of the regulators.

As suggested by Waqar & Rizvi (2020), NGOs that went through an external audit on an annual basis are more likely to receive re-grants as well as international partnerships. There are issues with audit practices, however, some small NGOs are unable to access formal financial audit because they do not have resources or certified auditors.

To this end, there must be audit support and training programs that receive subsidies to secure compliance in the sector and financial transparency. In Pakistan, the concept of audit compliance has progressed from a good practice to a survival necessity.

Structural Equation Modeling (SEM) and Hypothesis Summary

All proposed hypotheses were confirmed in the SEM analysis as it has demonstrated strong confirmation indices of models (CFI = 0.93, TLI = 0.91 and RMSEA = 0.05). The financial management as per results obtained confirms the four components of financial management which include budgeting, internal controls, financial reporting and financial budgeting.

Conclusion

This chapter provides a last synthesis of the research, summarizing the key findings and contributions, the implications for practice, and the limitations of the research, and including suggestions for future research. The study aimed to examine the impacts of financial management practices (budgeting, internal control systems, financial reporting and compliance with financial audits) on NGOs sustainability in Pakistan.

For obtaining empirical data the study relied on registered NGOs (Nanai/Opposing side) of Pakistan based on positivist paradigm and deductive quantitative design. The research study consisted of 250 registered NGOs of Pakistan for empirical data collection which was done according to positivist based research, deductive and quantitative approach. The data analysis tools used were SPSS and AMOS that included descriptive, correlation, regression and Structural Equation Modeling (SEM) methods.

Conception and theoretical basis were derived from literature findings of three theories which includes: Agency Theory, Resources Based View (RBV) and Institutional Theory. The findings indicated that all the four financial management variables were found to positively contribute significantly to the hypothesized model for the sustainability of NGOs in their positive direction. Of these, financial reporting was the most significant followed by budgeting, and audit compliance and internal controls.

The findings confirmed earlier studies that indicated that financial management is not only an administrative matter, but a strategic requirement that is lacking in non-profits in Pakistan's harsh socio-economic environment and is essential for integrity, efficiency and sustainability of the non-profits.

Key Findings of the Study

1. Budgeting

Budgeting emerged as an effective tool for sustainability of NGOs. Do good organisations who plan, track and remain within their planned budgets have higher levels of financial prudence, efficiency and are more likely to be trusted by their donors?

The latter was further validated by SEM analysis, where the budgeting process had been found to have a positive and significant beta coefficient with sustainability as a dependent variable. Having an efficient budgeting process helps effectively utilize the resources and enables strategic alignment and pro-activity in financial decisions making.

2. Internal Control Systems

This study found other main financial management problems, financial internal control could be very important for Islamic NGOs but is not used consistently by Islamic NGOs in Pakistan. The positive effect of the concept of internal controls (segmentation of duty, authorization, citizen control, reconciliations) varies according to the effect it has in each sustainability practice; thus, it is applied in different ways in each practice.

The lowest of the four variables was the beta coefficient, although this was still statistically significant much of which illustrates that the internal control situation is nonexistent and ineffective and that this potentially leads to fraud and inefficiency, particularly in the smaller NGOs. However, there is still need to enhance control systems to ensure accountability and trustworthiness of the sector.

3. Financial Reporting

Financial reporting's ability to predict NGO sustainability was the highest of all the indicators. The accurate, timely and clear reporting helps keep a donor in confidence while meeting the legal and regulatory obligations and help in decision-making.

It was confirmed by the SEM and correlation. Open financial statements and expenditure reports lead to longer partnerships and continuation of funding for NGOs, which is necessary to propagate sustainability.

4. Audit Compliance

Audit compliance was the third most influential indicator, yet it's still crucial to maintain financial discipline. Nonprofit organizations that undergo regular external audits have greater internal control, easier earned trust of their donors, and greater efficiency.

Access to professional audit services is however limited, especially the case for small and rural NGOs. Enabling mechanisms for easy and accessible audits is vital to sector integrity and sustainability.

Contribution to Knowledge

1. Theoretical Contribution

Theoretically, this study adds to the body of NGO governance literature and the concept of sustainability from NGO viewpoint by creating a single model integrating the Agency Theory and RBV. The results show the relationship between financial transparency, control mechanisms, use of resources, organizational legitimacy, and organizational sustainability within the context of developing countries.

2. Empirical Contribution

The research is based on the extensive study of Pakistani NGOs which tends to provide quantitative evidences by adopting SEM model for the correlation of financial aspects and sustainability. A bridge is provided between the theoretical postulation and empirical measurements, thereby generating more credibility around the financial governance models in the nonprofit sector.

3. Contextual Contribution

The study contributes in filling the gap in the knowledge regarding the NGO sector in Pakistan surrounded by the political uncertainty, dependency on donors and nonenforcement of regulation. The context-sensitive knowledge generated here is very relevant to policy-makers, practitioners and donors in similar socio-economic settings.

Recommendations

Based on the results, the following practical recommendations are made to improve the sustainability of the NGOs financially:

1. Improve Budgeting Processes

A budgeting process is continuous, departmental and participatory. Actions to create a stronger sense of accountability between NGO and government: Review of NGO budgets to be performed at least every quarter, use accounting software on cloud (Quickbooks), training for staff managers on how to use accounting software to enhance accuracy and link to resources.

2. Institutionalize Internal Controls

NGOs need to have documented policies for internal control that would include internal control policies pertaining to cash handling, procurement, employee payroll/expenditure authorizations etc. Two signatories should be enforced and there should be segregation of duties and periodic internal audits. Supervision will be enhanced further by the independent audit committees in medium to large NGO size organizations.

3. Enhance Financial Reporting Standards.

The guidelines or frameworks NGOs should follow are: International Financial Reporting Standards (IFRS) or national guidelines. Its responsibility to submit quarterly and annual reports to the stakeholders and to be financially transparent on its official outlooks. There is a need for professional Financial documentation and digitalization of the Accounting process to enhance donor confidence and credibility for what is going on with their money.

4. Make sure that Annual External Audits takes place.

The annual audit by third party should be obligatory. The recommendation should be shared with the management and be publicised to donors and added for improvement of internal processes. Audit subsidy programs and culture of pro-active compliance can be introduced between donors and the government in smaller NGOs.

5. Improve Donor & Regulatory Relationships and Communications.

There is a need to have a uniform financial reporting and monitoring system by Securities and Exchange Commission Pakistan (SECP) and Economic Affairs Division (EAD). Extensive funding of three or more years by donors should only be offered to those NGOs that are consistently good stewards of those funds and remove uncertainty by keeping the money flowing. Multi-year fundings should be made available with those NGOs that are ideally run with good stewardship of the funds and that remove uncertainty of funding with money flowing.

Limitations of the Study

Although this study was beneficial, there were some drawbacks, such as:

1. Cross-Sectional Design

Relationships measured at one point over time only, restricted to short-term effects only. Longitudinal study designs were recommended for future studies to follow up changes in financial practices over time to understand the changing relationship.

2. Sampling Bias

The results might not necessarily be generalizable due to purposive sampling. The participants were carefully chosen, but may not reflect the full range of the NGO community in Pakistan. Future studies may be better represented by using broader, random sampling.

3. Self-Reported Data

Self-administered questionnaires are used in this study; therefore, social desirability bias may be present. The use of anonymity does not affect the ability to be able to triangulate results by using further financial data or audit reports if these are available.

4. Regional Representation

Sample cover rate was greater for urban NGOs than rural NGOs, with the majority being taken from Islamabad, Lahore and Karachi. Specific attention should be paid to the financial capacity and sustainability of rural organisations in future studies to enable differences from region to region to be explored.

Future Research Directions

Further research is needed to investigate:

- Longitudinal analysis: Collect and compare data on financial management practices over time and crises (e.g. COVID-19), etc.

- Comparative studies of NGO sectors: Make a comparison at a sector level between the sustainability aspects of NGO sectors (education, health, environmental protection, etc.).
- Technology integration: Evaluate the significance of digital tools, accounting software/blockchain on enhancing transparency and financial reporting.
- Board governance: Explore the impact of board structure, training and involvement on financial management.
- Donor-NGO relationships: Analyze how donor policies and funding modalities impact NGOs' financial autonomy and sustainability strategies.

Future studies could contribute to the body of knowledge in the field and provide practical guidance for practitioners and policy makers.

Final Remark

This research clearly establishes that sound financial management is an essential part for sustaining the NGOs in Pakistan. Budgeting, internal control systems, financial statements and audit compliance are the foundations for the long-term sustainability of nonprofit organizations. One of these was financial reporting; transparency and accountability are crucial in this case.

The validated conceptual model shows that financial governance impacts both on internal capacity and on establishing trust and institutional support with donors, while good financial governance other than provides support for internal capacity, it also serves to build trust and institutional support to donors. All of the information collected should help to inform the development of sector-wide standards, capacity building initiatives and donor systems that result in a viable and credible nonprofit sector.

In such a nation as Pakistan where NGOs provide fill-ups to the social and development gap, their financial performances directly impact citizens' welfare. The outcome of this research is that there is a need to have a transparent, professional and resilient financial management culture that continues to provide the mission and impact of NGO services even for years to come. These findings are hoped to be a useful resource for scholars, practitioners, and policy makers interested in how to make the nonprofit sector stronger and more responsible.

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