Effect of Financial Management on Financial Sustainability of Sri Lankan Non-Governmental Organizations

Abdul Hameed Mohamed Azam

Department of Accountancy, Sri Lanka Institute of Advanced Technological Education, Batticaloa

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ABSTRACT

Non-Governmental Organizations (NGOs) in Sri Lanka play a vital role in development through poverty alleviation, educational support, women's empowerment, and disaster relief. However, their sustainability is increasingly challenged by donor fatigue, global economic shifts, and limited internal resources. This study examines how financial management practices influence the financial sustainability of Sri Lankan NGOs using a mixed-methods design. Drawing on Resource-Based Theory (RBT) and Saungweme's (2014) framework, the study evaluates four predictors: Sound Financial Management Practices, Income Diversification, Own Income Generation, and Donor Relationship Management. Quantitative data were collected via structured questionnaires from 250 NGOs and analyzed using descriptive statistics, Pearson correlation, and multiple regression in SPSS. Complementary qualitative insights were obtained from semi-structured interviews with 15 NGO managers and thematically analyzed. Findings show that Sound Financial Management Practices are the strongest predictor of sustainability ($\beta = 0.324$), followed by Donor Relationship Management ($\beta = 0.281$), while Income Diversification ($\beta = 0.267$) and Own Income Generation ($\beta = 0.215$) also have significant positive effects. NGOs struggle with income generation due to regulatory barriers and limited entrepreneurial capacity, yet financial stability is enhanced through donor partnerships, diversified funding, and transparent reporting. The study confirms that internal financial competencies are critical to organizational resilience and provides practical recommendations for NGO managers, donors, and policymakers. Future research is encouraged on sector-specific performance and the use of digital financial systems to improve transparency and control.

Keywords: Financial sustainability, NGO management, financial practices, income diversification, donor relationships

INTRODUCTION

Non-Governmental Organizations (NGOs) operate as fundamental service providers to deliver essential programs which include poverty alleviation, educational support, healthcare assistance and disaster relief efforts through regions where both state institutions and private companies demonstrate weak capabilities. Sri Lankan NGOs actively contribute to socio-economic gap filling and marginalized community outreach while supporting reconstruction and resilience development after conflicts. NGOs struggle to deliver their missions consistently due to uncertain financial resources.

Development stakeholders fear the long-term financial viability of NGOs because it involves their efficient and independent management of resources. Financial sustainability extends beyond donor funding acquisition to include the capability to produce revenue while handling funds wisely and sustaining operations through times of external fund change. The world faces two main challenges because donors have grown exhausted of funding NGOs and changing global political agendas together with economic disruption from events like COVID-19 and rising global inflation have forced them to cut or shift their funding support.

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The same trends exist in Sri Lanka. Numerous NGOs operating during the previous decade experienced major budget cuts together with grant termination and intensified competition for donor funds. The situation worsens because NGOs face internal problems including their inability to generate income and weak budgeting practices and poor internal controls and excessive reliance on project funding without sustainable planning. The essential role that NGOs play in national development receives limited research attention regarding their financial management practices and sustainability poverty reduction, educational support outcomes in Sri Lankan settings.

The Resource-Based Theory (RBT) provides the foundation for this study because it explains how organizational success depends on resource acquisition and management of valuable financial human and relational resources. The core internal competency of financial management functions as a key factor to boost NGO sustainability. Effective financial management entails strategic budgeting, income diversification, rigorous financial control, and transparent donor engagement.

The research of Saungweme (2014) and Omeri (2015) shows that four financial aspects play a substantial role in sustaining NGOs.

1. Sound Financial Management Practices refer to the combination of budgeting and accounting systems as well as internal audits.
2. The practice of income diversification helps NGOs avoid relying on a single donor or funding source.
3. The process of generating independent funds for NGOs includes service fees and social enterprises and investment opportunities.
4. NGOs must establish donor Relationship Management by creating enduring relationships built on mutual trust between funding organizations.

The research investigates financial management effects on Sri Lankan NGOs' financial sustainability while making theoretical and practical contributions. This study uses Saungweme’s framework to create a model which it tests in Sri Lanka’s development sector to generate insights for NGO managers alongside policy makers and donors about sustainable financial approaches.

LITERATURE REVIEW

The review of existing literature evaluates financial sustainability principles and essential financial management aspects that affect NGO operational outcomes specifically in developing nations. Empirical research and theoretical models serve to place study variables within Sri Lanka's NGO sector.

Financial Sustainability of NGOs

Financial sustainability in NGOs describes the capability of NGOs to preserve their financial well-being together with their service delivery beyond donor-funded timeframes. The main purpose of NGOs is to deliver social services and public goods through external donor funding which differs from profit-focused organizations. The ability of NGOs to withstand funding shocks depends largely on their internal financial capacity according to Bowman (2011).

Matar and Eneizan (2018) explain that NGOs need to maintain financial sustainability by achieving equilibrium between resource mobilization and operational efficiency and organizational resilience. Building sustainable internal systems for financial management becomes crucial in Sri Lanka since the country heavily depends on donor funding. Muriithi and Wanyoike (2020) demonstrate that NGOs which actively handle their finances while establishing multiple funding sources demonstrate better prospects of surviving donor disruptions and economic challenges.

Financial sustainability goes beyond basic organizational survival according to recent studies because it enables an organization to make innovative changes and dedicate funds to permanent community benefits (Karki & Pradhan, 2021).

Sound Financial Management Practices

Sound Financial Management Practices (SFMP) consist of planning together with budgeting and also internal control and financial reporting and accountability systems. Strong financial governance practices at non-profit organizations allow donors to trust fund distributions while maintaining efficient resource utilization. Budgeting transparency along with reporting transparency builds organizations' legitimacy while creating trust toward stakeholders according to Adams and Simnett (2019).

The research from Dumanski and Szulc (2020) shows that NGOs commonly face weak internal control systems particularly when resources are limited. The implementation of structured accounting systems together with IFRS for SMEs compliance leads to higher project efficiency and decreased financial risks (Mutinda & Ngahu, 2016).

Digital financial systems and ERP platforms represent a new strategic planning and financial control dimension which Gunasekara et al. (2022) discuss in their study of South Asian NGOs.

Income Diversification

Organizations can reduce their funding dependence by developing various revenue streams from local donations and professional services and business activities. Ngoma & Wambua (2020) performed research in East Africa which demonstrated that NGOs with multiple funding sources encountered less service disruption and maintained stronger operational stability.

Sri Lankan NGOs maintain limited strategic freedom because they depend heavily on foreign funding. Organizations need to develop multiple income streams because this serves as a fundamental strategic necessity. Batti (2021) states that NGOs with multiple funding sources possess the ability to develop innovative programs that can expand their impact.

The implementation of diversification programs needs to stay true to the NGO's core mission to prevent "mission drift" according to Lewis and Kanji (2013).

Own Income Generation

The ability of NGOs to create unrestricted funding through their own self-generated activities such as training services, retail shops, rental income of their own properties, business income on their trading activities and fee-based programs defines own income generation. The approach gives NGOs financial independence which boosts their capacity to respond to unforeseen situations.

Munene and Njeru (2019) established that community-based organizations maintain long-term financial stability when they generate their own income sources. Tetteh and Asare (2020) argued that local fundraising together with earned income activities enhance both NGO sustainability and their relationships with stakeholders.

The ability of NGOs in developing countries including Sri Lanka to adopt this model remains limited because of tax regulations and public perception as well as their limited entrepreneurial capacity.

Donor Relationship Management

Donor Relationship Management **(DRM)** leads NGOs to develop continuing funder alliances through a system which emphasizes mutual worth and consistent reporting and open communication. The successful operation of NGOs depends on three essential elements which include continuing communication lines and timely reporting combined with evidence-based outcomes according to Carman (2018).

Donor exhaustion together with strict compliance requirements has caused donors in Sri Lanka to reduce their funding portfolios which forces local NGOs to review their donor engagement approaches. The research from

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Perera and De Silva (2021) shows that NGOs succeed in donor support through personalized communication and donor value-aligned proposals and co-created programs.

The management of relationships involves branding institutions and providing transparent impact reports through digital platforms and social media platforms according to Khatun & Islam (2023) in their study of South Asian NGOs.

Theoretical Review – Resource-Based Theory

The Resource-Based Theory **(RBT)** serves as the foundation for this study because it focuses on internal organizational resources to establish and maintain competitive advantages (Barney, 1991). The financial capabilities of NGOs operate as strategic resources which define their capacity to handle environmental threats while seizing new opportunities (Omeri, 2015).

Saungweme (2014) applied Resource-Based Theory to an NGO context through his work which identified financial management capabilities as essential resources for organizational survival and sustainability. This research adopts the theoretical framework to examine how Sri Lankan NGOs utilize their financial systems together with donor connections to build sustainable future operations.

METHODOLOGY

The research design incorporated mixed methodologies to understand fully how financial management influences the financial sustainability of Sri Lankan non-governmental organizations (NGOs). Using quantitative and qualitative research methods together allowed the researcher to verify results by triangulating findings while simultaneously capturing both numerical outcomes and situational characteristics.

Research Design

The research employed a mixed-method design according to Creswell & Plano Clark (2018) which integrated quantitative and qualitative data collection at the same time followed by separate analysis and final interpretation. The quantitative section tested statistical relationships between variables but the qualitative section focused on understanding how NGO managers experience financial management and sustainability.

The research design selected financial sustainability because it requires objective financial practices and subjective managerial insights to achieve full understanding.

Conceptual Framework and Hypotheses

The study was guided by a conceptual framework adapted from Saungweme (2014), integrating four key independent variables:

- Sound Financial Management Practices (SFMP)
- Income Diversification (ID)
- Own Income Generation (OIG)
- Donor Relationship Management (DRM)

The dependent variable was Financial Sustainability (FS).

Hypotheses:

- H1: SFMP has a significant effect on FS
- H2: ID has a significant effect on FS
- H3: OIG has a significant effect on FS
- H4: DRM has a significant effect on FS

Population and Sampling

The research population consisted of 672 currently active NGOs which were registered with the National Secretariat for Non-Governmental Organizations in Sri Lanka. A sample of 250 NGOs was chosen using Slovin's formula with 5% margin error through stratified random sampling that included all regions and sectors (Women empowerment, Education, Livelihood).

The qualitative segment included semi-structured interviews with 15 NGO managers who were selected based on their experience levels and organizational scales and their availability.

Data Collection Instruments

Quantitative Tool:

A structured questionnaire incorporating 5-point Likert scale items was employed to assess key aspects such as financial practices (including budgeting and control systems), types of income sources (restricted versus unrestricted), donor engagement mechanisms, and perceptions of financial sustainability. The instrument was adapted from previously validated scales developed by Omeri (2015) and Hendrickse (2012). To ensure clarity and reliability, the questionnaire was pilot-tested with 10 respondents, and the results demonstrated acceptable internal consistency, with Cronbach's alpha values exceeding 0.70.

Qualitative Tool:

A semi-structured interview guide was developed to explore key areas such as challenges in financial management, sustainability planning strategies, and practices related to donor expectations and relationships. The interviews were conducted in Tamil or Sinhala or English, depending on the participant's preference, and were recorded with informed consent. All interviews were transcribed verbatim to ensure the accuracy and integrity of the data for analysis.

Data Analysis Techniques

Quantitative Analysis:

Data were entered into **SPSS v20** for cleaning and analysis. The following techniques were employed:

- **Descriptive statistics** (mean, SD, frequencies)
- **Pearson correlation** to assess relationships among variables
- **Multiple linear regression analysis** to determine the effect of independent variables on financial sustainability

The regression model used was:

$$\mathbf{FS = \beta_0 + \beta_1 SFMP + \beta_2 ID + \beta_3 OIG + \beta_4 DRM + \varepsilon}$$

Where:

- FS = Financial Sustainability
- SFMP = Sound Financial Management Practices
- ID = Income Diversification
- OIG = Own Income Generation
- DRM = Donor Relationship Management
- ε = Error term

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Qualitative Analysis:

Thematic analysis was applied using **Braun and Clarke's (2006)** method. Interview transcripts were coded manually, and emerging patterns were categorized into themes aligned with the quantitative variables. This provided contextual validation of survey findings and helped explain anomalies or nuances.

Ethical Considerations

Respondents were informed about the purpose of the study, assured of confidentiality and anonymity, and provided informed consent prior to participation. Data were stored securely and used solely for academic purposes.

Limitations of Methodology

The study acknowledges several limitations. The use of self-reported data may introduce social desirability bias, potentially affecting the accuracy of responses. Additionally, the cross-sectional design limits the ability to draw causal inferences between variables. Furthermore, financial data obtained from NGOs were not independently audited due to access restrictions, which may impact the objectivity and reliability of the financial information analyzed.

RESULTS

The study results obtained from quantitative and qualitative approaches are detailed in this section. The research starts with descriptive statistics about the sample then moves on to reliability testing and correlation analysis and multiple linear regression analysis to determine financial management practice effects on Sri Lankan NGO financial sustainability. The qualitative interview data is integrated with quantitative results to validate and enhance the quantitative results.

Descriptive Statistics

Descriptive statistics were computed to summarize the responses from the 250 Sri Lankan NGOs that participated in the study. Measures of central tendency (mean) and dispersion (standard deviation) were used to analyze the responses related to the five key constructs: Sound Financial Management Practices (SFMP), Income Diversification (ID), Own Income Generation (OIG), Donor Relationship Management (DRM), and Financial Sustainability (FS).

Sample Profile

- Among the 250 NGOs surveyed:
  - **60%** focused on **livelihood and rural development**
  - **20%** operated primarily in **education and child protection**
  - **10%** focused on **women empowerment and gender equality**
  - **10%** were engaged in **other areas**
- Annual operating budgets of the NGOs ranged from **LKR 2 million to LKR 50 million**.
- **65%** relied primarily on foreign donor funding.
- **20%** had a combination of donor and internally generated revenue.
- Only **15%** had regular local fundraising or income-generating models.

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Central Tendency and Dispersion of Study Variables

Construct	Mean	Standard Deviation	Interpretation
Sound Financial Management **(SFMP)**	3.78	0.64	High – Generally strong in budgeting and control
Income Diversification **(ID)**	3.54	0.71	Moderate – Multiple funding sources, but limited reach
Own Income Generation **(OIG)**	3.22	0.82	Low to Moderate – Weak internal fundraising capacity
Donor Relationship Management **(DRM)**	3.81	0.59	High – Strong donor communication and reporting
Financial Sustainability **(FS)**	3.68	0.67	Moderately High – Stable but susceptible to shocks

Note: Scale = 1 (Strongly Disagree) to 5 (Strongly Agree)

Interpretation of Constructs

- **Sound Financial Management Practices (M = 3.78; SD = 0.64)**: A majority of NGOs report mature financial processes including budgeting, audit trails, and segregation of duties. The small standard deviation indicates consistency in practice, although grassroots women empowerment organizations reported limited accounting staff and capacity.
- **Income Diversification (M = 3.54; SD = 0.71)**: This indicates that while NGOs attempt to work with multiple donors (government, UN agencies, private foundations), many still lack consistent multi-source funding strategies. Women-focused organizations reported a relatively narrow donor base, often reliant on issue-specific short-term funding.
- **Own Income Generation (M = 3.22; SD = 0.82)**: This was the **lowest mean** and had the **widest variability**, showing that self-financing capacity is still underdeveloped in most NGOs. Few organizations operate social enterprises or fee-for-service initiatives. This was particularly true among education and women empowerment NGOs that depend on grants for programming.
- **Donor Relationship Management (M = 3.81; SD = 0.59)**: This is one of the strongest areas. NGOs reported regular reporting, donor field visits, and adaptive programming based on feedback. Women empowerment organizations demonstrated strong donor engagement due to the popularity of gender equality themes in global funding.
- **Financial Sustainability (M = 3.68; SD = 0.67)**: While most organizations appear stable, sustainability remains uncertain without improved local revenue generation and stronger income diversification strategies. NGOs in the Eastern and Northern provinces were more vulnerable to funding cuts.

Cross-sectional Observations

- **Large NGOs** (budgets > LKR 25 million) consistently scored higher in SFMP and DRM, suggesting a positive correlation between scale and financial system maturity.
- **Women empowerment NGOs**, while excelling in donor engagement, were among the lowest in own income generation, indicating a need for entrepreneurial development and sustainable funding models.
- **Recently established NGOs (<5 years)** scored lower across most constructs, reinforcing the importance of institutional maturity.

Implications of Descriptive Findings

The descriptive analysis shows that NGOs in Sri Lanka, including women-focused organizations, are relatively strong in financial reporting and donor management but **lack resilience mechanisms** such as income diversification and unrestricted revenue. This exposes them to sustainability risks, especially in the face of funding volatility and shifting donor priorities.

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Specific implications include:

- **Capacity building** in strategic financial management for women-led NGOs.
- Encouraging the use of **social enterprises and vocational programs** to generate internal income.
- Institutionalizing **multi-year budgeting and donor pipeline planning** for all sectors.

These insights provide a foundation for the regression analysis that follows and help identify targeted interventions to enhance financial sustainability across different types of NGOs.

Reliability Testing

The internal consistency of the questionnaire items was assessed using **Cronbach's alpha**:

Construct	**No. of Items**	**Cronbach's Alpha**
Sound Financial Management	5	0.83
Income Diversification	4	0.79
Own Income Generation	3	0.76
Donor Relationship Management	4	0.81
Financial Sustainability	5	0.85

The survey instrument reliability assessment used Cronbach's Alpha as a statistical measure to determine how consistently related items were within each construct. The five constructs Sound Financial Management Practices, Income Diversification, Own Income Generation, Donor Relationship Management, and Financial Sustainability exhibited Cronbach's Alpha values greater than 0.70 which demonstrates strong to acceptable reliability levels (Hair et al., 2018). The Financial Sustainability construct demonstrated the highest reliability level with $\alpha = 0.85$ which indicates that its items maintain consistent measurement of their intended concept. The measurement instrument showed acceptable internal consistency with a minimum threshold established for Own Income Generation ($\alpha = 0.76$). The results confirm that the measurement instrument maintains its reliability strength thus enabling researchers to use the collected responses with confidence for statistical analysis.

Pearson Correlation Analysis

A Pearson correlation analysis was conducted to explore the linear relationships among variables:

Variables	**FS**	**SFMP**	**ID**	**OIG**	**DRM**
Financial Sustainability **(FS)**	1	0.674**	0.591**	0.559**	0.633**
Sound Financial Management Practice **(SFMP)**		1	0.553**	0.471**	0.602**
Income Diversification **(ID)**			1	0.469**	0.519**
Own Income Generation **(OIG)**				1	0.486**
Donor Relationship Management **(DRM)**					1

The statistical analysis using Pearson correlation demonstrated significant positive relationships between financial sustainability and its four independent variables at a level of 0.01 significance. Reliable Sound Financial Management Practice and effective Donor Relationship Management emerge as the most tightly connected elements with financial sustainability measurements ($r = 0.674$ and $r = 0.633$ respectively). The associations between the fundamental indicators Income Diversification ($r = 0.591$) and Own Income Generation ($r = 0.559$) proved strong to moderately significant because they support organizations in reducing funding source dependence and developing independent revenue streams. All correlation coefficients demonstrate Resource-Based Theory predictions by showing that internal capabilities directly affect organizational resilience. The analysis showed no multicollinearity because no independent variable pair produced correlations above 0.80 thus enabling researchers to use all constructs in their regression evaluation.

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Multiple Linear Regression Analysis

To test the hypotheses and assess the predictive effect of financial management variables on financial sustainability, a multiple linear regression analysis was conducted. The model summary is as follows:

Model Summary				
Model	R	R^2	Adjusted R^2	Std. Error
1	0.813	0.661	0.647	0.375

The model summary demonstrates that the four independent variables together with Sound Financial Management, Income Diversification, Own Income Generation and Donor Relationship Management show an R-value of 0.813 which indicates a robust correlation with Financial Sustainability. These four predictors account for 66.1% of financial sustainability variations in Sri Lankan NGOs which social science research classifies as statistically significant. The model demonstrates reliability through its Adjusted R^2 value of 0.647 because it controls for sample size and predictor numbers thus indicating its applicability to the full NGO population. The Standard Error of Estimate (0.375) shows a small value which means the predicted financial sustainability values closely align with actual observed values. The statistical evaluation of the regression model shows that internal financial management capabilities together with relationship strategies play a substantial role in determining NGO financial health.

ANOVA Table					
Source	**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
Regression	49.222	4	12.306	85.476	0.000**
Residual	25.176	175	0.144		
Total	74.398	179			

($p < 0.01$): The model is statistically significant.

The ANOVA (Analysis of Variance) table determines if the entire regression model effectively fits the provided data. The model demonstrates statistical significance because its F-value of 85.476 reaches a 0.000 significance level which shows at least one independent variable affects financial sustainability. The substantial size of the regression sum of squares at 49.222 demonstrates that the model explains more variation than unexplained residual variation which amounts to 25.176. The group of predictors in the model effectively explains financial sustainability variations across NGOs.

Coefficients Table					
Predictor	B (Unstandardized)	Std. Error	Beta (ß)	t	Sig.
Constant	0.462	0.201	–	2.297	0.023
Sound Financial Management	0.319	0.059	0.324	5.407	0.000**
Income Diversification	0.275	0.064	0.267	4.297	0.000**
Own Income Generation	0.244	0.072	0.215	3.389	0.001**
Donor Relationship Management	0.288	0.063	0.281	4.571	0.000**

($p < 0.01$): All four predictors have a positive and significant effect on financial sustainability.

The coefficients table demonstrates that financial sustainability receives positive and statistically significant contributions from each independent variable because all p-values remain below 0.01. Sound Financial Management Practices demonstrates the highest standardized effect ($\beta = 0.324$) confirming it as the strongest predictor of NGO sustainability. This underscores the need for NGOs to strengthen budgeting, internal control, and audit systems as a foundation for long-term stability. Donor Relationship Management ranks second ($\beta = 0.281$) while Income Diversification ($\beta = 0.267$) and Own Income Generation ($\beta = 0.215$) follow in third place among the meaningful contributors. The unstandardized coefficient values confirm financial sustainability grows steadily when each predictor factor increases by one unit while demonstrating the strategic importance of enhancing NGO financial systems and revenue diversification in Sri Lanka.

In nutshell, the research outcomes confirm the core concepts of the Resource-Based Theory (RBT) because organizational longevity depends on effective management of distinctive internal resources. The capabilities of NGOs for financial success encompass strong financial planning together with internal control systems and income generation methods and donor relationship management. Financially sustainable NGOs use their core capabilities to handle environmental changes and continue providing services without relying on external fund sources. The study demonstrates that NGOs achieve sustainable operations through improved financial system management and donor stakeholder relationship development. Non-government organizations which devote resources toward building internal abilities will become stronger when facing funding uncertainty and are capable of expanding their programs for enhanced impact. The NGO sector in Sri Lanka needs to treat financial and relationship competency development as its primary strategic investment.

Qualitative Reflections on NGO Financial Practices

The research gained important contextual understanding through the interviews with 15 NGO managers which supported the quantitative study results. Numerous participants observed the lack of qualified financial staff at their NGO because they depended mainly on temporary project accountants rather than building a dedicated finance team with strategic capabilities. The insufficient organizational structure creates difficulties for maintaining precise financial records especially during times when organizations handle projects funded by multiple donors with distinct reporting standards. The managers identified donor compliance requirements as a major difficulty because their organizations have inadequate documentation and no unified accounting platform. Organizations displayed increased focus on income-producing initiatives for sustainable growth although these programs face barriers from restrictive regulations and confusing tax rules and insufficient expert knowledge about launching feasible social businesses. Managers noted that attempts to start income-generating activities often raise concerns about legal status, VAT rules, and donor restrictions, which hinder innovation in self-financing. Organizations which maintain open donor conversations through their reports about effects and their financial records and feedback conferences keep their donors more loyal and keep their funding streams continuous. Donor networks provided unsolicited support and extended funding cycles and granted repeat grants to these organizations. Comparative interviews show that donors today choose NGOs whose accomplishments prove alongside their financial transparency and capability to develop sustainable plans. The qualitative evidence confirms that building financial governance capabilities and developing supportive policy frameworks represents essential requirements for NGO income diversification success in Sri Lanka.

Triangulation of Findings: Bridging Quantitative Trends and Practitioner Narratives

Both qualitative and quantitative data strands converge highly in the research which shows strong mutual support between different research approaches. The interviews validated the quantitative findings by confirming **Sound Financial Management Practices** as the strongest driver of Financial Sustainability because managers pointed out the lack of skilled financial personnel and inadequate documentation and their dependency on project-based accountants. The practical matters that challenge NGOs to establish solid financial controls help explain why SFMP scores differ between organizations.

The second most important predictor from regression analysis known as **Donor Relationship Management** received confirmation from interview responses. The managers highlighted frequent communication, timely feedback, and transparent reporting as key factors for donor trust and continued support - thus validating the high mean score and significant regression coefficient from DRM.

The qualitative data revealed explanations for the lower scores obtained in the Own Income Generation measure. The data demonstrated weak performance in internal fundraising but the interviewees explained this

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with regulatory barriers and unclear tax treatment and limited business capacity which supports the statistical findings of this dimension. Both data sets demonstrated Income Diversification as a theme but survey participants displayed average levels of donor diversification and managers outlined their attempts to secure more funding sources along with their difficulties in obtaining local humanitarian and CSR funding and government support particularly for women-focused and grassroots NGOs.

The qualitative results enhanced the quantitative outcomes through explanations of variable behaviors which revealed operational and structural along with policy-level barriers to statistical patterns. The convergence between quantitative and qualitative findings strengthens the reliability of this study by offering a complete comprehension of factors which affect NGO financial sustainability in Sri Lanka.

CONCLUSION

Internal financial management capabilities determine the long-term financial viability of Sri Lankan NGOs. Empirical data from quantitative along with qualitative research proves that financial planning together with income diversity and self-income generation with donor relationship management provide NGOs with strategic capabilities to retain their long-term stability. Organizations operating in complex grant-seeking circumstances should establish financial education programs for staff while building rigorous internal audit procedures and fundamental financial systems to prove their integrity and clearness. NGOs must achieve financial independence through various funding methods which involve developing ties with multiple donors as well as employing local sources of funding and community fundraising alongside service fee-based approaches. Non-government organizations non-governmental organizations should build enduring donor relationships through transparent financial reporting, sharing progress updates, and co-developing strategies with funders

Research should conduct long-term studies about how financial reforms together with strategic planning initiatives affect NGO sustainability throughout subsequent time periods. These studies would reveal donor expectation changes and financial patterns and organizational adaptability details. A sectional analysis of financial performances within education programs and livelihood programs and initiatives targeted for women could reveal distinctive issues that each thematic area presents differently. Enterprise Resource Planning (ERP) systems along with digital financial technologies show great promise to improve real-time financial tracking since they become crucial for both monitoring and donor reporting needs. Future research needs to establish a connection between academic theory and practical applications through model development for enhancing NGO financial sustainability in developing countries like Sri Lanka.

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