

**FUNDING AND PERFORMANCE OF LOCAL NON-GOVERNMENTAL ORGANIZATIONS: A CASE OF  
INSPIRE EDUCATE AND EMPOWER RWANDA**

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**ABSTRACT**

Local non-governmental organizations do important development work that requires a lot of money and the ability to get that money to where it needs to go. This study looked at how funding affects the effectiveness of regional non-governmental organizations in Rwanda. The particular aims were to investigate the effect of fundraising on the performance of Inspire Educate and Empower Rwanda, evaluate the effect of fund allocation on the performance of Inspire Educate and Empower Rwanda, and assess the effect of fund control on the performance of Inspire Educate and Empower Rwanda. The study used resource dependence theory. Mixed cross sectional and descriptive survey designs were applied with mixed methods of qualitative and quantitative analysis. The target population was composed of the staff of Inspire, Educate, and Empower Rwanda, totaling 220. The Yamane formula of 1967 was used to arrive at a sample of 142. The probability technique of simple random is used to select the sample. Data is collected by using a questionnaire and interview schedule. The data was analyzed with inferential and descriptive statistics, and all the ethical issues were adhered to. The results indicate a model summary on fund control, fundraising, fund allocation, and the performance of LNGOs. With an R-value of 0.827, an R-squared of 0.684, and an adjusted R-squared of 0.677, we can assume that Inspire Educate Empower Rwanda was able to manage, raise, and distribute its financial resources with a 67.7% success rate. The analysis of variance between the independent and dependent variables reveals a significant p value (0.05), indicating that regression was significant as fund control, fundraising, and fund allocation are good predictors of the performance of LNGOs. Hereby, the researcher goes with an alternative hypothesis while the null hypothesis is rejected. Inspire Educate and Empower Rwanda should conduct regular audits, which are essential for effective fund control. Conduct internal audits to ensure compliance with financial policies and identify areas for improvement.

**Key words:** Fundraising, Funds allocation, Funds control and Performance

## **INTRODUCTION**

The significant development work that local NGOs conduct necessitates the availability of finances and the efficient and effective mobilization of financial resources (UNDP, 2018). Local non-governmental organizations (NGOs) need more stable and secure funding because they are so important in providing basic social services like health, education, and water, as well as creating organizational structures for development proposals to meet community needs. However, local NGOs working in the development sector still lack a solid financial foundation. As a result, many organizations fail to make ends meet after only a few years of operation, which has severe consequences for those who are interested with or employed by such organizations (Amy & Daniela, 2020).

The challenge for local NGOs in Rwanda, as well as most developing nations, is to establish themselves as a significant force for promoting development and enhancing the living standards of the populace. Therefore, finding funding is essential to the continued existence and growth of regional NGOs. This is due to the fact that for local NGOs to properly implement their programs and activities, they need a sizable quantity of money and other resources. Without a doubt, one of the elements that influenced and contributed to the sector's expansion was the availability of funding for NGOs (RGB, 2019).

However, despite having promising beginnings, the majority of local NGOs fail globally due to funding issues. The danger of developing nations' reliance on foreign resources was made abundantly obvious by how the global financial and economic crisis affected them. Financial dependence on foreign donors has the effect of causing local NGOs to cease operations while initiatives that were established during their time of operation eventually fail once donors stop providing financial support. This study's goal was to find out how funding affected the effectiveness of local voluntary organizations functioning in Rwanda.

Previously mentioned researches did not concentrate on the effect of fundraising, funds allocation and funds control on performance in Rwanda particularly in Inspire Educate and Empower Rwanda. In this regard, the present research sought to bridge information gaps.

### **Objectives of the Study**

#### **General Objective**

The purpose of this study was to investigate the influence of funding on the performance of local Non-Governmental Organizations (NGOs) in the country.

#### **Specific objectives**

The specific objectives which guide this research were as follow:

- i. To investigate the effect of fundraising on performance of Inspire Educate and Empower Rwanda.
- ii. To evaluate the effect of funds allocation on performance of Inspire Educate and Empower Rwanda.
- iii. To assess the effect of funds control on performance of Inspire Educate and Empower Rwanda.

#### **Research hypotheses**

Ho1: Fundraising has no significance effect on performance of Inspire Educate and Empower Rwanda.

Ho2: Funds allocation has no significance effect on performance of Inspire Educate and Empower Rwanda.

Ho3: Funds control has no significance effect on performance of programs offered by Inspire Educate Empower Rwanda.

## LITERATURE REVIEW

This section has a summary, a conceptual foundation, a conceptual framework, a critical analysis, a list of research gaps, and a theoretical and empirical literature evaluation.

### **Fundraising and performance**

The majority of the research provided suggested that funding affects how well non-governmental organizations perform. Semboja and Therkildsen's study on local non-governmental organizations in East Africa, which was quoted in Barr 2005, was brought up as an example. It revealed that a large portion of the funding for local non-governmental organizations came from outside donors. International donors' contributions to the funding of regional NGO's are also emphasized by Barr (2015). In addition, Englert and Helmig (2018) identified three industries from which non-governmental organizations can get funding. They are the public sector, the government, and the private sector. Resources from each of these sectors may come from both foreign and local sources (i.e. domestic or municipal public and private donors).

Non-governmental organizations receive a variety of sorts of subsidies from the public sector (Non-Government Organizations). Government support comes in many different forms, both direct and indirect. According to Lotsmart (2017) governments provide one-third of the funding for non-governmental organizations in a variety of ways, including subsidies, grants, and contracts. Tax exemptions are comparable to government subsidies.

Only one-third of non-profit organizations, according to the authors' analysis of self-generated income, possess a business that generates a profit that is used to fund non-profit operations. Barr (2015) found a significant concentration of enterprises, with a small number of non-governmental organizations accounting for the majority of them. According to the authors, the most prevalent types of businesses operated by Ugandan non-governmental organizations include agricultural, dining establishments, and retail stores. For small Non-Governmental Organizations (NGO), business revenues, beneficiary fees, and other income are more significant sources of income than for large NGO.

According to Gazley and Guo (2020), In the long run, it will hurt an organization if they lose financing that they relied on from outside sources. So, if a group only gets money from outside sources, it will have a hard time paying for some of its own good projects. Because of their heavy reliance on outside funding, local non-governmental organizations find it challenging to achieve their declared goals. Fernand (2016) makes a further case that local NGO's experience some kind of restraint while receiving external funding. Since losing funding would have serious repercussions for both the activities and the paid staff, it appears that the largest problem for local non-governmental organizations is to consider the needs of their funders. Self-control is something that should be carefully examined because it emerges more frequently than one would imagine, according to Non-Governmental Organization. Contractual agreements frequently have limitations or restrictions that are detrimental to them. These kinds of limitations frequently affect the effective development of proposals and occasionally the organizational structures of local non-governmental organizations, leading to financing shortages and wage payment delays.

### **Effect of funds allocation on the performance**

According to Issa (2015), the structural adjustment programs launched by international financial institutions and development organizations like the World Bank and International Monetary Fund led to the growth of non-governmental organizations in Africa in the 1980s and 1990s. During this time, non-governmental organizations (NGOs) expanded to take over the work of the state that was cutting back after being convinced to stop offering social services to its citizens. Issa (2015) adduces that large monies have been set aside by bilateral and international organisations with the goal of reducing social aspects of adjustment. During this time, there was a sharp increase in the number of

international NGO's working in Africa. The majority of local non-governmental organizations got their start by offering essential social amenities like water and sanitation facilities, which are highly anticipated by the beneficiaries and by the relevant government agencies. Governments and communities look on non-governmental organizations to help address development gaps and provide essential social services.

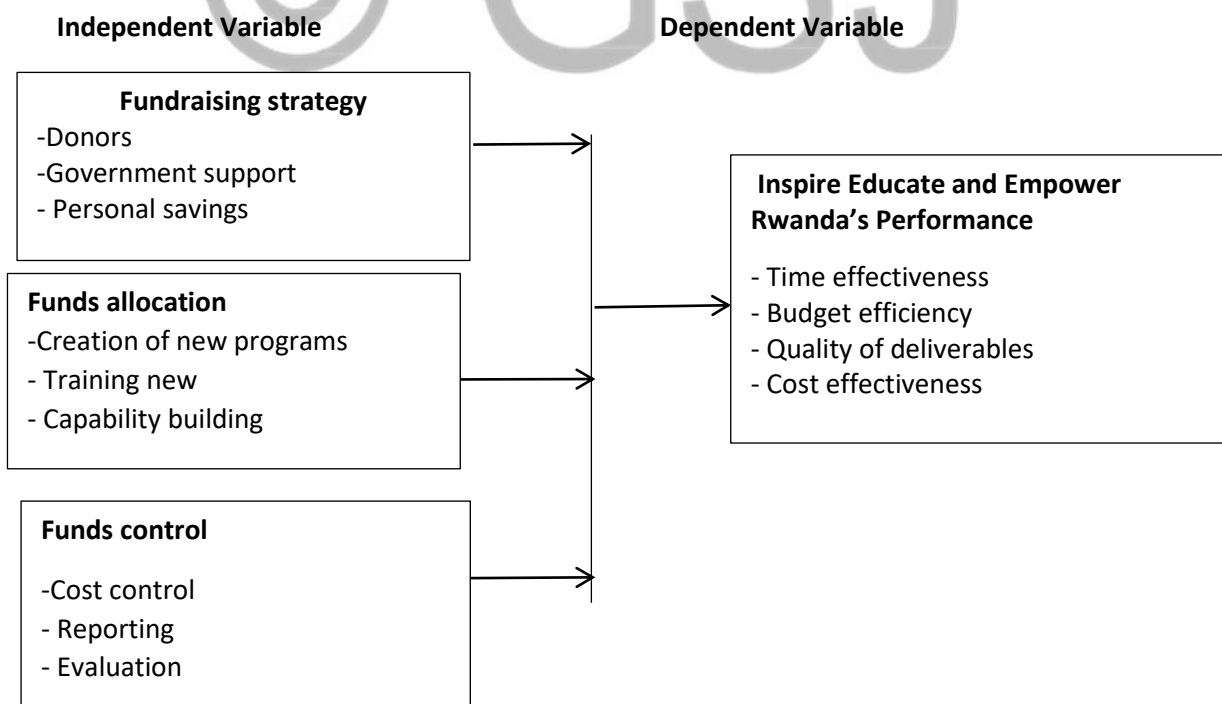
Nevertheless, sponsors (international NGO's, multilateral organizations, and bilateral organizations) only wish to support local NGO's engaged in development work that adheres to the right-based approach. The majority of regional non-governmental organizations rely on outside funding to manage their development initiatives. They were compelled to reduce costs as a result of the switch from the Need-Based to the Right-Based Approach of Development, which required stopping some of their activities, terminating some employees, and selling some of their property (Sisay 2014).

**Effects of funds control on the performance**

One of the most important factors for the success of NGO projects is that they are finished on time. Over the past few decades, many academics have suggested different ways for NGOs to improve their performance when it comes to meeting deadlines. If you want to finish a task on time, you need to take the necessary measures to make it last longer than expected (Alhassan & Ahmed, 2020). To keep losses as low as possible, it's important to use a number of ways to get better. One of the most important things to think about in order to minimize time overruns is proper preparation and consumer reception. And if the root reasons are found, time overruns may be avoided or kept under control, as Benedict (2020) argues. Without exception, no payment should be made to freelancers whose skillset is below average. It is recommended that contractors invest more time and energy into developing and implementing efficient scheduling and planning processes.

**Conceptual framework**

Figure below show the relationship between the key variables under investigations, and each of the two is comprised with perspective indicator.



**Figure 2.1 Conceptual framework**

**Source: Researcher (2023)**

## RESEARCH METHODOLOGY

Research design, target population, sample design, data collection methods, data collection instruments, data instrument administration, and ethical considerations are all included in the section of this study, which is devoted to research methodology.

### Research design

According to Onen and Oso (2016), a research design is an organized strategy created to investigate a scientific issue. Johnson (2017) further defined design as the connection between research topics and methodologies. The researcher described it simply as a framework designed to find solutions to study hypotheses. This study used a mixed-methods research strategy in this regard. While doing research, a mixed-method approach is used in which primary and secondary data sources are used.

### Target population

All of the organization's stakeholders, Inspire Educate and Empower Rwanda was the study's target group. This means that the beneficiaries, partners, and employees of Inspire Educate and Empower Rwanda considered the study's target audience. Referring to the available data as published by Inspire Educate and Empower Rwanda; this study is targeting 220 people including 35 employees, 5 partners and 180 beneficiaries.

### Sample size determination

DeCarlo (2021) described sampling as the method used to choose the participants who took part in the study. The Yamane 1967 formula for determining sample size used in this investigation to address these issues. According to Yamane (1967), researcher should divide the overall population by one, add the target population, then multiply the result by the square of the margin of error to obtain a representative sample size (Yamane, 1967). The formula was described as  $n=N/(1+N(e^2)) =$  This was therefore giving us  $n= (1+220*(0.05)^2) = 220/ (1+(220*0.0025)) = 220/ (1+0.55) =$   $n= 220/1.55= 142$ . Thus  $n= 142$  respondents.

Whereas: **N**: represent target population,  
**n**: represent sample size  
**e<sup>2</sup>**: is the square of marginal error.

### Data collection instruments

The research tools for this study were questionnaire and an interviewing script. Staff and beneficiaries received the questionnaire, and representatives of the partner institutions received the interview guide in addition to the questionnaire. The information gleaned during the interview would supplement that obtained from the questionnaires. Due to their busy schedules and different obligations, this group of respondents were considered a good fit for the interview guide.

The adopted model presented as follow:

The model used in the study is stipulated below:

$$Y= \alpha+\beta_1X_1+\beta_2X_2+ \beta_3X_3+\epsilon$$

Where:

Y= Performance of Non-Government Organization's

$\alpha$ = Constant Term

$X_1$ = Fundraising

$X_2$ = Funds allocation

$X_3$ = Funds control

$\beta$ = Beta Coefficient,

After data analysis process, tables, figures and textual models used to present the findings.

## FINDINGS AND DISCUSSIONS

**Table 1: Model Summary**

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1     | .827 <sup>a</sup> | .684     | .677              | 8.30166                    |

a. Predictors: (Constant), Funds control, Fundraising, Funds allocation

Source: Field data (2023)

The results in Table 1 indicate model summary on Funds control, Fundraising, Funds allocation and Performance of LNGOs. The value of R was 0.827, the R Square was 0.684, and the adjusted R Square of 0.677 means that the performance of Inspire Educate Empower Rwanda by funds control, fundraising and funds allocation at 67.7%. The findings are in agreement with According to Pawel (2019) stated that funding is necessary to improve the performance of non-governmental organizations. The action of sponsoring involves allocating funds to support a requirement, a program, or a project. This can be in the form of time or effort from a company or organization, though it is most frequently in the form of money.

**Table 2: ANOVA<sup>a</sup>**

| Model |            | Sum of Squares | df  | Mean Square | F      | Sig.              |
|-------|------------|----------------|-----|-------------|--------|-------------------|
| 1     | Regression | 20583.090      | 3   | 6861.030    | 99.554 | .000 <sup>b</sup> |
|       | Residual   | 9510.628       | 138 | 68.918      |        |                   |
|       | Total      | 30093.718      | 141 |             |        |                   |

a. Dependent Variable: Performance of LNGOs

b. Predictors: (Constant), Funds control, Fundraising, Funds allocation

Source: Field data (2023)

Table 2 displays the results of an ANOVA on the relationship between the independent and dependent variables, showing a statistically significant regression (F = 99,554, p = 0.000 less than 0.05) as funds control, fundraising, funds allocation are good predictors of performance of LNGOs. Hereby, the researcher goes with an alternative hypothesis while the null hypothesis is rejected.

**Table 3: Coefficients<sup>a</sup>**

| Model |                  | Unstandardized Coefficients |            | Standardized         | t     | Sig. |
|-------|------------------|-----------------------------|------------|----------------------|-------|------|
|       |                  | B                           | Std. Error | Coefficients<br>Beta |       |      |
| 1     | (Constant)       | 7.026                       | 2.959      |                      | 2.375 | .019 |
|       | Fundraising      | 1.064                       | .290       | .256                 | 3.674 | .000 |
|       | Funds allocation | 1.231                       | .242       | .379                 | 5.080 | .000 |
|       | Funds control    | .945                        | .266       | .287                 | 3.560 | .001 |

a. Dependent Variable: Performance of LNGOs

Source: Field data (2023)

The model used in the study is stipulated below:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

Where:

Y= Performance of Non-Government Organization's

$\alpha$ = Constant Term

$X_1$ = Fundraising

$X_2$ = Funds allocation

$X_3$ = Funds control

$\beta$ = Beta Coefficient,

A look at Table 3 for the regression equation reveals that no matter what other factors are at play, the performance of LNGOs will always be dependent on a constant factor of 7.026. The other factors take into account that Inspire Educate Empower Rwanda's performance will improve by a factor of 1.064 for every unit increase in funding. When one more unit is given to Inspire, Educate, and Empower Rwanda, the organization's output goes up by 1.231%. IEE If financial control goes up by one unit, Rwanda's output will go up by 0.945 times.

### Conclusion

The goal of this research was to look at how financing affects the functioning of local Non-Governmental Organizations (NGOs) in the country. As a result, the researcher rejected the premise that fundraising had no influence on the success of Inspire, Educate, and Empower Rwanda.

The second hypothesis, that fund distribution has no influence on the success of Inspire, Educate, and Empower Rwanda, was rejected. The study provides evidence that the way funds are distributed within Inspire, Educate, and Empower Rwanda significantly affects its success.

The researcher also rejected the third hypothesis, which indicated that fund control has no influence on the performance of the programs given by Inspire Educate Empower Rwanda. The rejection of the hypothesis suggests that maintaining accountability and transparency in fund control processes is crucial.

### Recommendations

IEE Rwanda is recommended to leverage social media. Social media is an effective tool for reaching a wide audience and can help build a community around a cause. Use social media platforms to share updates on fundraising efforts and engage with donors.

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