GSJ: Volume 11, Issue 6, June 2023, Online: ISSN 2320-9186
www.globalscientificjournal.com

INVESTMENT DECISIONS AND FINANCIAL SUSTAINABILITY OF NONGOVERNMENTAL ORGANIZATIONS: A CASE OF FREE METHODIST CHURCH IN RWANDA IN GIKONDO SECTOR (2017-2021)

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ABSTRACT

Investment decisions for nonprofit making organizations do not necessarily follow the standard finance management practices that the profit-making organizations use. Further, most of the empirical research have concentrated primarily on profit-making organizations, and their insights are not necessarily applicable to nonprofit making organizations. The general objective of this study was to explore the effect investment decisions on financial sustainability of NGOs: Case of Free Methodist Church in Rwanda in Gikondo Sector. We used descriptive and analytical research designs. The population size was 56 and since the population was less than a hundred, then the entire 56 was used in this study. Hence, the census method was used. Data were collected from primary and secondary data sources using structured questionnaire, interview and documentary analysis. Pearson correlation analysis showed that capital budgeting (r=0.516, p=0.000), financing decisions (r=0.649, p=0.000) and fund allocation decisions (r=0.415, p=0.001) all had significant correlations since their p-values were less than 5%. The regression model showed that the R^2 was 0.760, indicating that 76% of the variations in financial sustainability of NGOs can be attributed to the effective capital budgeting, financing and fund allocation decisions that these organizations make. We therefore recommend that NGOs in Rwanda should adopt financial management practices akin to those of the profit-making organizations. They should invest in employing qualified professionals including accountants and finance managers. Further, NGOs should diversify their sources of income by having different donors. Moreso, they can achieve this through investing in income generating activities.

1.0 INTRODUCTION

1.1 Background of the study

Investment decisions in non-governmental organization may be perceived from different perspectives from the broad categories of their income generating. Mikołajczak, (2018) has classified revenue generating for NGOs in three categories, mainly grants from governments, donations from individuals and institutions and self-generated income. The author further explains these categories as follows. Donations from governments include all funds from government or government institutions given directly or indirectly. These may include subsidies, grants and contracting given with or without requirements for repayments. Governments may also offer indirect form of funding through provision of tax exemption for NGOs, in which case there is some tax savings for the organizations. Donations from private individuals or institutions are donation that are philanthropic that flow to the NGOs from volunteers. Lastly, NGOs may be able generate their own incomes through membership contributions, fees and charges for provision of services (Mikołajczak, 2018).

Different economic experts have perceived differently but somehow complementary the role of investing in the development of the economy of an organization. Virlics (2013) writing on the roles of investment in a country's economic development said that investments points to capital formation. This investments endeavor enhances production, employment and economic progress in a country. However, most of the literature on financial management and investment decisions have concentrated mostly on the profit-making organizations.

However, some authors have done studies investigating the investment decisions in nonprofit making organizations. For instance, the study by Adelino, Lewellen and Sundaram (2015) on nonprofit making organizations concentrated on nonprofit making hospitals with case study of the US Hospitals. This empirical study offers an insightful motivation for studying the relationship between investment decision and cash flows. Adelino, *et al*., (2015) evidenced that the reason for financial challenges in NGOs is that these organizations rely heavily on funding from external sources that are basically donations or philanthropic giving. These organizations do not primarily engage in profit making and therefore may not be able to generate self-sufficient fund in their operations. Hence, the NGOs may be more susceptible to financial instability depending on their sources of their fuds. The NGOs may not invest much resource on practicing financial management practices like their counterpart in the profit-making business. Hence, they may become vulnerable to the sourcing for funds, management and use of the funds as well as in their fund allocation decisions. This leaves the firms susceptible to financial instability especially when the source of their funding becomes dry or they have cost overruns against their budgets. Importantly then, these organizations should embrace the financing decisions and practices similar to those of the profit-making organizations in order to enhance financial sustainability (Adelino, *et al*., 2015).

Globally, NGOs across many countries have offered services that aim to improve the socioeconomic welfare of the citizens they serve. However, for these organizations to flourish and continue to offer their needed services, the need practice prudential investment decisions. For instance, according to a study conducted by Amagoh (2015), managers in the nonprofit making organizations have an imperative duty to safeguard the assets of the organizations. They act as stewards to foresee the funds availed to the organizations and to ensure that investment decisions they make, bring value for the money the donors have put. In this way, they should ensure that the NGOs are able to operate smoothly towards achieving their stated objectives, aligning the activities to the strategic goals of the organizations and ensuring that the availed funds are utilized optimally. One way to ensure that the NGOs are financially sustainable is through investing idle cash in different investment vehicles to earn return. Such investment vehicles available for the NGOs include investment in stock, bonds and other financial instruments. However, since all investments will have a degree of risk, the managers should be prudent in their investment decisions and adopt those investment policies akin to the ones for the profit-making organizations (Rothschild, 2012).

In Asia, Lisa, Padilla and Kristy (2012) did a study on nonprofit organizations and found that the main sources of funds for nongovernmental organizations include fundraising, donations and government grants. Due to this, these organizations may become overdependence on a particular fund to an extend of experiencing financing challenges. Hence, the nonprofit making organization may be more susceptible to financial unsustainability due to this dependency. Similarly, Amagoh and Kabdiyeva (2012) emphasize the significance of investment decision for the sustainability of NGOs in Kazakhsatan. Investment decisions are important factors to consider while investigating the financial sustainability of NGOs.

A study by USAID shows that only 6.2% of NGOs in Sub-Saharan Africa could be considered as financially stable (USAID, 2010). Most of the NGOs may not be having other sources of funds other than from donations. Therefore, such organizations may not be able to use innovative approaches to create new sources of funds. when such organizations experience these funding challenges, they end up having difficulty in making investment decisions due to limited sources of funds. Consequently, the organizations will have challenges in capital budgeting decisions as well as in their fund allocation decisions (Sarkisova & Perakis, 2018). Further, the funds that the investors put in these organizations are not invested with expectation of having a return. Most of these funds are meant to make the NGOs operate smoothly and provide social services as per their mission. In this research, the focus was on the Free Methodist Church in Rwanda which emphasizes the investment decisions in order to enhance financial sustainability of NGOs in its mission of proclaiming the Gospel while at the same offering socioeconomic activities that are aimed at developing the community (Olayisade, 2017).

1.2 Problem statement

Non-Government Organization (NGOs) provide supporting services to the local communities they serve. They have a mission to serve especially in areas neglected by private sector including health, education, family-based issues and other areas with an aim to make every family afford and access the basic needs. They offer alternative source of community empowerment which is the work of the government especially where private investors shy from due to the unprofitability nature or due to the associated costs. Some authors like Amagoh (2015) have referred NGOs as the third sector due to their indispensable contribution to the building of a cohesive society. However, NGOs are not for-profit making activities but rely on external funding to carry out their mission. This reliance on donors, well-wishers and government grants may make the organizations be resource dependence to a degree that they are unable to operate smoothly. The main problem that affects the nongovernmental organizations usually arise because of their dependence on philanthropic sources of funds to finance their operations. Thereby, the organizations may be forced to do whatever donors may dictate to them because they need their support. On the other hand, the NGOs may be susceptible to financial instability based on the performance of their donors. If the donors opt not to fund their operations, then the NGOs suffer a lot in achieving sustainability. This has made the financial sustainability of NGOs to be a concern to the stakeholders due to global financial crises that reduce the donor cash inflows especially for developing countries. Profit-making organizations set aside huge resources to operate a separate finance department, employ finance managers and use modern-day financing decision practices. On their part, however, NGOs do not pay much attention to financial management practices in their operations. This increases their vulnerabilities to financial instability (Purity, 2015). In the case the Free Methodist Church in Rwanda (FMCR) which is religious based organization, it has a mission to proclaim the good news and provision of services that aim to develop the community. This research aimed at investigating the effect of investment decisions on the financial sustainability of nongovernmental organizations in Rwanda, taking a case of Free Methodist Church Gikondo Rwanda.

1.3 Objectives of the study.

The general objective of this research was to assess the effect of investment decisions on enhancing financial sustainability of NGOs, taking a case of the Free Methodist Church in Rwanda in Gikondo Sector. To achieve this, the following specific objectives were used:

i). To determine the effect of capital budgeting on financial sustainability of nongovernmental organizations.
ii). To assess the effect of financing decision on financial sustainability of nongovernmental organizations.

iii). To establish the relationship between fund allocation decisions and financial sustainability of nongovernmental organizations.

1.4 Research Hypotheses

H_{01}: There is no significant effect of capital budgeting on financial sustainability of nongovernmental organizations.

H_{02}: There is no significant effect of financing decision on financial sustainability of nongovernmental organizations.

H_{03}: There is no significant relationship between fund allocation decisions and on financial sustainability of nongovernmental organizations.

2.0 LITERATURE REVIEW

2.1 Theoretical literature

Bloodgood and Tremblay-Boire (2017) found out that NGOs that implement the budgetary control in their capital budgeting plans are likely to achieve their mission than those which do not. The authors further point out the use of capital budgeting in investment decision is crucial in arriving at working outcomes for the organizations. Therefore, it is imperative that managers working within the NGO setup should unequivocally utilize financial management practices that would see them promoting the self-sustainable projects. It is also important to note that the use of capital budgeting decisions helps the organizations to streamline their operations in a way that would smooth out the operations of the organization. More important is the salient features of capital budgeting that are need to ensure that all the performance of the financial managers that are intended to guide the organizations are followed.

The study conducted by Sammy (2015) that was concerned about the financial performance of NGOs in Kenya highlighted the importance of capital budgeting decisions in mitigating the socioeconomic challenges of a given project. In so doing, the mangers are able to align the project goals with those of the community while at the same time highlighting the expected returns from these projects. Moreover, the use of capital budgeting is expected to increase the performance of a project in financial and nonfinancial metrics. Further, Sammy (2015) concurs that efficient capital budgeting process will influence positively the performance of NGOs in Kenya. The budgeting process also facilitates the organization in sourcing for the funds as they are required and make optimal use of the same funds in order to achieve the organizational goals. It is also important to note that the use of capital budgeting methods can help the organizations in using the limited resource towards projects that have a promising cash flow that would cover the initial costs investments. More particular to the NGOs is the need to have budgetary control since most of the projects that the NGOs may undertake are aimed at benefiting a community without necessarily expecting equivalent cash flows.

According to Escalera (2015), when NGOs are overly dependent on external donors and well-wishers for their funds, they end up having financial constraints. In addition, the inability to raise their own capital renders the NGOs to the mercies of the donors. This exposes the NGOs to financial unsustainability. In turn, this challenge makes It difficult for the NGOs to make sound financing decisions. The NGOs become constrained in their decisions in regard to short-term and long-term financing decisions. Hence, the more dependent the NGO is, the more financially vulnerable the organization is. This also translate to the challenges that will follow the NGOs in making financing decisions. The decisions to seek for new sources of funds should not compromise the existing sources of funds unless it is judged to be long term, reliable, sustainable for long period and bringing in better financial strength. It is therefore clear that the financing decisions that the management will make can break or build the nongovernmental organizations. It is imperative that the management make financing decisions that can help the organization become more financially stable.

As noted by Wolfgang *et al.*, (2016), every organization needs to make sound financing decisions in order to grow and to maintain their competition. For NGOs, the managers should make sound financing decisions that would ensure that there is smooth day-to-day operation. Since the finances are needed for the NGOs to operate, it means that the managers should be able to make those decisions that will ensure the funds are available when needed. Further, the NGOs will be able to function smoothly when they are able to offer the services as per their mission and objective. For instance, an NGO offering community-based project will be said to function smoothly if the funds are enough to run such a project. Moreover, for NGOs, the financing decision will represent a step towards improving the financial management practices within these organizations. They can aim to improve their financial stability by having efficient financial practices that will make them generate their own income rather than over depending on philanthropic donations (Wolfgang, *et al.,* 2016).

According to Tweedley (2018) different challenges experienced by donors and other providers of funds to nongovernmental organizations affect the funding decisions for these NGOs. For instance, due to financial challenges experienced by international and government donor agencies, most NGOs experience a sharp cut of funding in US and UK. In addition, these donors have placed more stringent measures on the NGOs to be more accountable with the funds they provide. Such trends have affected the NGOs fund allocation decision making. The private investors also demand value for the money they extend to the NGOs calling upon them to be more transparent and accountable more than ever (Tweedley, 2018).

According to Missoni and Alesani (2013), another important fund allocation practice that NGOs should embrace is budgetary control. This should be incorporate in the financial decision making for the NGO to ensure that there is efficient control of the funds. The preparation of financial budget can help the organization to assess its current financial status by comparing the available funds vis-à-vis the estimated expenditure. It is an important tool for planning for the future and as such facilitates NGOs in estimating their financial needs. Once the financial needs are identified, the management within the NGO should focus on how to acquire the finance making financing decisions that will favor the institution. In addition, budgeting is an important tool in setting strategic goals for an organization. This is because it helps the institution to focus on its financial capabilities other than setting unrealistic and unachievable goals. With efficient budgeting, an NGO can be able to gauge how much income it has or can potentially raise and plan on how much operational activities it is capable of sustaining. Over planning for activities when availability of the funds is insufficient makes the NGOs have financial constraints. This may also taint the image of the NGO as non-performing. Through budgeting, the financial officers can be able to set realistic and measurable goals (Gent, et al., 2015). For the profit-making organizations, may declare dividends out of the profits they make. In regards to NGOs, the use of funds generated reflects the decisions of these firms to retain their income for further investment. Therefore, the decision to plough back the income generated will help the NGOs to be more financial stable as they can access the use of the news funds for their smooth operation (Khan, et al., 2019).

According to Karanja and Karuti (2014), all forms of NGOs need to be financially sustainable if they are to deliver on their mission. Further, their financial sustainability is important for their long-term survival. It is through financial sustainability that NGOs can be able to convince the existing and future donors. However, the main challenge that the NGOs go through is how to achieve financial stability. It is important to note that the more and variety the sources of funds that an NGO maintains, the more likely it is to attain financial sustainability. In other words, NGOs can attain financial sustainability depending on their ability to diversify their sources of income and access new funds.

As discussed by Young (2017), NGOs are encouraged to have their own source of income generating activities. These self-generating activities can be a solace for the organizations in time that they are experiencing financial challenges. Moreover, the self-income generating activities can help the NGOs to become more and more self-reliant and reducing the dependence on donors is one sign of financial health. Furthermore, NGOs enjoy tax exemptions in many countries. For example, the income generating activities carried by NGOs may be exempted or taxed at lower rate in most countries. Hence, NGOs can be able to benefit in this regard. Nongovernmental organizations can achieve financial sustainability by diversifying their source of income and maintaining financial management practices that aim to improve the use and investment of the acquired funds. Organizations can benefit from investment that would drive their income levels to a point of financial stability. The NGOs should also be able to enter into the world of investing the funds they in order to increase their revenue basket. Generally, such endeavors would need the commitment by the management to take up tasks that can create or bring new sources of funds (Young, 2017).

2.2 Empirical Literature

Ron and Balraj (2012) investigate investment decisions applied by NGOs. The study discovered a clear positive relationship between Capital budgeting and financial sustainable NGOs. As noted further by Ron and Balraj (2012), capital budgeting is an important investment decision that is used by NGOs to gauge the viability of the long-term investment decisions they make. More specifically, the NGOs will be engaged in verifying whether the projects they are undertaking are bringing in enough cash flows as compare to the amount of investment the organization has. The traditional capital budgeting methods used by profit-making organizations, may also be used by NGOs to project whether their long-term investments will bear fruits in future or not. However, the main challenge for the NGOs is when such projects are community based and not expected to attract commensurate future incomes.

Adjei, *et al.,* (2020) in their research conducted in Ghana investigated the financial sustainability of NGOs. Their research was based on the variables such as financial management practices, health donor relationship, cloud accounting, diversification of income and strategies for self-income generating activities. Their research utilized 56 NGOs as the sample and data collected using structured questionnaires. As per their findings, the authors highlighted that most NGOs in Ghana are donor dependent which increases their susceptibility to financial challenges. Moreover, they lack sufficient self-income generating activities, do not have enough income diversification strategies and may suffer financial instability due to this. Therefore, these NGOs are expose financial challenges and may have difficulties in making investment decisions that are sound and that can propel the organizations to financial stability. On the other hand, the findings revealed that financial sustainability may be achieved if the NGOs use sound financial management practices, are able to diversify their incomes and create a good donor relationship.

Milka, *et al.*, (2015) investigate the effect of financing decisions to Financial sustainable NGOs. Accordingly, the authors believe that organizations can only achieve financial sustainability if their sound financial management practices that will lead to viable and reliable investment decisions. They therefore proposed that the use of financing decisions can lead to increased business viability in terms of performance and achievement of goals. According to the findings in their research, Milka, *et al.,* (2015) showed that financing decisions help organizations create economic value and value for money for all the activities they undertake. More specifically, the use of financing decisions within the nongovernmental organizations enables the NGOs to stay afloat even in financial challenging times. The NGOs should not be passively waiting assistance from donors. They should be able to engage in constructive activities that propel them to financial sustainability.

Lisa *et al.*, (2012) investigate the effect of financial decisions to financial sustainable NGOs, according to the report of financial sustainability for nonprofit organizations discovered that NGOs play significant roles for low-income and high-need populations. Due to their significant roles, therefore, NGOs should strive to remain sustainable for a foreseeable future to ensure that the intended beneficiaries continuously enjoy the benefits of their projects. However, the authors in their research revealed that this is only possible if they can be dynamic in their processes. Hence, the NGOs should engage in sound financial decision-making processes that aim to propel the organizations to financial sustainability. In more particular circumstances, the management should use strategic plans to build sustainable programs, long lasting donor relationships and collaborative partnership with all key stakeholders. These would increase the chances for the NGOs to remain financially sustainable for a long period of time.

According to Andreas and Alexander (2019), corporate sustainability is a prevailing concept that covers all aspects of human and societal life including economic, environmental and social, and is discussed more than ever before. As the adverse effects of climate change have become more evident in recent years and ethical considerations have been more highlighted, the societal pressure on firms in implementing sustainability into their operations has increased. In addition to this, sustainability becomes important for firms as particular investors are showing clear signs that they take issue with firms that do not regard sustainability criteria. Correspondingly, many firms have adhered to these demands and changed their business models to contribute more to sustainable development. In connection to this, a trend can be seen in the distribution between tangible and intangible assets of firms, which has been changing as reputation has become more important. Today the composition of firms' values has reversed from being comprised of 85% tangible assets, 40 years ago, to being comprised of 85% intangible assets (Andreas & Alexander, 2019).

An empirical study conducted by Ebenezer, Musah and Ahmed (2020) investigated determinants of the financial sustainability of NGOs in Ghana. The authors note that financing of NGOs has been constrained globally due the financial crisis. This saw the reduction of donor funds for most NGOs. The researchers focused on the following main variables that determine the sustainability of the operation of NGOs. Namely, financial management practices, use of Enterprise Resource Planning (ERP), healthy donor relationship, income diversification and efficient decision making. Data was collected using questionnaire from a sample of 56 NGOs and analyzed using different statistical tools. The study found that NGOs in Ghana heavily depend on donor funding with minimal income diversification, thereby limiting their operations to the availability of donor funds. In addition, the regression analysis gave an R^2 of 0.678 showing that the factors investigated affect NGOs sustainability by 67.8%. Income diversification, sound financial management and ability to generate own income were statistically significant, hence affecting the NGOs funding decisions and their subsequent operation.

For the profit-making organizations, may declare dividends out of the profits they make. In regards to NGOs, the use of funds generated reflects the decisions of these firms to retain their income for further investment. According to Andreas and Alexander (2019), organizations will always try to balance dividends with the amount of income they wish to retain for reserving or for investment in projects. For NGOs, the decisions to share out the proceeds to the owners also reflect the dividend decision that these organizations must make. In accordance to this, the income retained should be used to help the organizations to grow financially as well as increase the financial sustainability of these organizations.

2.4 Theoretical Framework

Resource Dependency Theory

Resource Dependency Theory (RDT) as proposed by Pfeffer and Salancik (1978) holds that organizations are resource-insufficient. They therefore seek to acquire and maintain the resources they need from external environment. The theory proposes that due to constrained resources, organizations will seek to cover this limitation from various sources outside the organization. These resources may be availed to the organization at extra costs or conditions that may not necessarily align to the organization's mission. For NGOs which are heavily dependent on external providers of funds and other resources, the availability of such resources is therefore a necessary factor to consider in their financing decision making.

The theory further proposes that organizations cannot survive entirely by themselves. They need to have inter-organization relations in order to secure other resources that may not be available within. This implies that organizations should look outside their environment to enable them access some crucial resources. The RDT also proposes that organization behavior is affected by the resource dependence. It states that the providers of the resources may provide such resources and ask to have an influence or control over the operations of the organization. This might be the case where the donors dictate on what the NGO should do. In such circumstance, the resource dependence on NGOs makes them vulnerable to the decisions of the providers (Lewis, 2014; Balboa, 2018).

The RDT theory is relevant in this research where the we investigated the effect of financing decisions on the operational performance of nongovernmental organizations in Rwanda. Since these organizations rely heavily on funding from donations, grants and goodwill of external providers, they may in turn become overreliance on these funds. Thereby, making the organizations dependent on the donors. This in turn may inhibit the autonomy of the organizations to an extent that they become resource dependence too much such that they may be unable to make independent decisions. The dependency on these resource providers may render the institutions to undertake activities or programs at the whims of the donors. As a matter of fact, most donors want to see that the funds and the resources they provide are directed towards a certain objective. They may even have their own agenda or views on what is more important for the NGOs to consider. They may therefore dictate on what is the most pressing needs that the NGOs should do, which may not necessarily align with the priorities as set by the NGOs.

Financial Sustainability theory

According to Bolivar, *et al.,* (2019) financial sustainability is about enabling companies to cover their operating costs without much difficulties. The financial sustainability theory therefore proposes that organizations will be considered as financially sustainable if they can meet their immediate and future financial obligations without constraining a lot. The theory further holds that organizations that are financially sustainable will be able to make decisions that will increase their sustainability levels and are likely to achieve their objectives. For NGOs, financial sustainability is seen to be an important determinant for these organizations to continue attracting funds from donors. This theory is important in this research as it relates on how well the organizations can improve their financial sustainability. NGOs will be able to increase their financial sustainability by reducing their levels of dependency on donors through strategies that can increase income diversification having financial management practices and including investment decisions in their strategi planning.

2.5 Conceptual framework

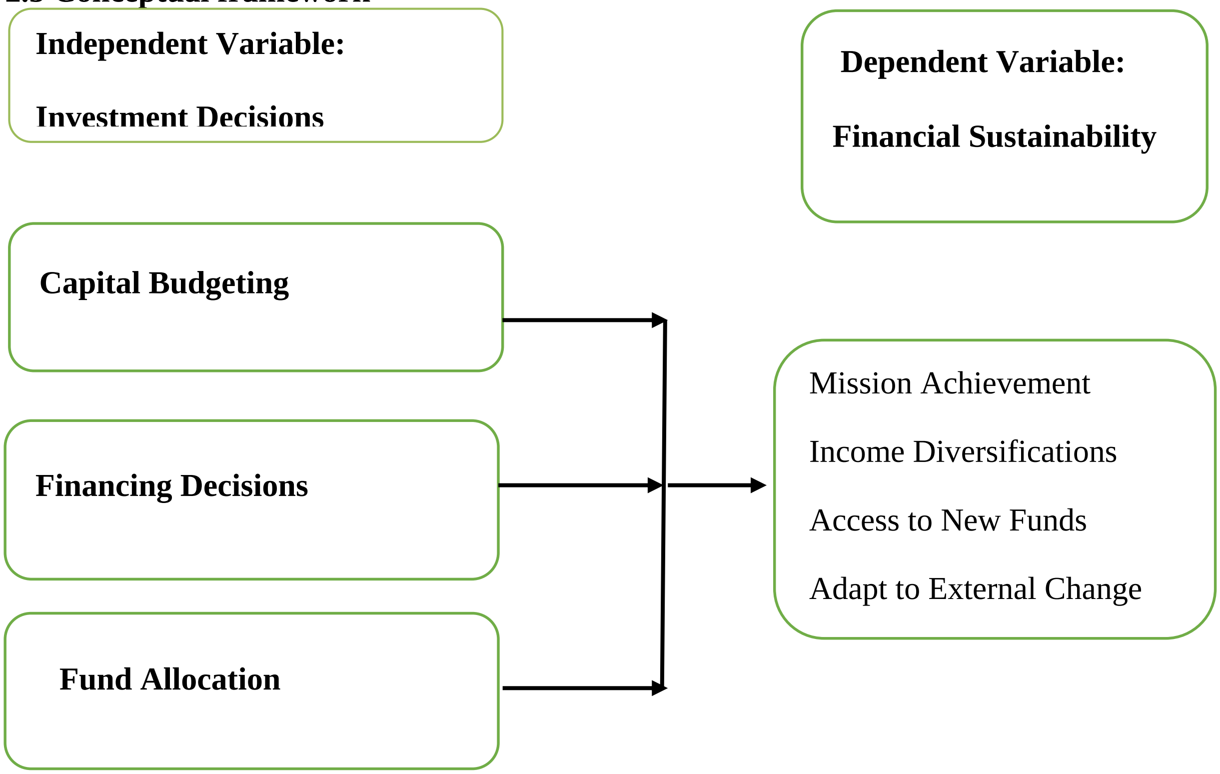

Figure 1: Conceptual framework

From Figure 1, the conceptual framework illustrates the linkage between independent variable and dependent variable where investment decisions are independent and financial sustainability of NGOs is dependent variable. The investment decisions include three sub-variables or indicators namely, capital budgeting decisions financing decisions and fund allocation decisions. The research proposed that the use of capital budgeting decisions, financing decisions and fund allocation decisions in NGOs will enhance their financial sustainability by enabling the NGOs achieve their mission, diversify their incomes, access to new funds and operate smoothly and be able to adapt to external changes. Therefore, the indicators of financial sustainability of NGOs in this research included mission achievement, diversify income, access new funds and adapting to external change.

3.0 RESEARCH METHODOLOGY

3.1 Research Design

According to Majid (2018), research design is considered as the procedure that cuts out the main step that a researcher is going to follow in carrying out research. The researcher must therefore select a suitable research design before embarking in research writing. For the purposes of achieving the objectives in this study, we adopted descriptive and analytical research designs.

3.2 Target Population and Sample Design

In this research the study population was 56 staff and leaders at Free Methodist Church in Rwanda in Gikondo Sector. Since the target population size was less than 100, all the 56 staff were used in this study.

3.3 Data Collection Methods

We relied mostly on primary data collected from the staffs and leaders of FMCR at Gikondo using structured questionnaire and interview. The questionnaire was divided into three sections. Section A dealt with collecting information about the respondents' background, section B collected information about the respondents' views in regards to the research objectives. The question statements are formulated in a Likert scale of 5=strongly agree, 4=agree 3=not sure, 2=disagree and 1=strongly disagree. Hence, this section was subdivided into three sections as per the research objectives. The third section C gathered information about the dependent variable, that is financial sustainability of the NGOs.

In addition, interview was used to gather more information. Key informants were identified during the time the questionnaires were being distributed to give supplementary information. The interviews were conducted based on the availability of the key informants and conducted at their workplace in a time arranged a priori.

The data collected were presented and analyzed using both descriptive and inferential statistics. The descriptive statistics showed the percentages, mean and standard deviation while the inferential statistics involved correlation analysis and regression analysis. For this purpose, the Pearson's correlation analysis was used to determine the level of relationship among the study variables. The regression model on the other hand was formulated as follows:

$$y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \varepsilon$$

Where y (dependent variable) = investment decisions

$\beta_0 = constant$

$\beta_1, \beta_2, \beta_3 = regression\ coefficients\ for\ x_1, x_2, x_3\ respectively$

x_1, x_2, x_3 (independent variables) =capital budgeting, financing decisions and fund allocation decisions respectively.

3.5 Ethical Consideration

When conducting this study, ethical considerations were observed by following the guidelines below. We first sought authorization letters from the institutes concerned and used them as an assurance to the respondents that the research's primary goal/purpose was solely academic, and that they should feel free to answer the questions. Furthermore, respondents were not to give their names when responding to the questionnaire in order to protect the data collected. We also reassured the respondents that their responses would be kept private and confidential and would not be shared with any other third party.

4.0 RESEARCH FINDINGS AND DISCUSSIONS

4.1 Key Findings

This section presents the main empirical findings. The three main areas of concern were to investigate the effect of capital budgeting decisions financing decisions and fund allocation decisions on sustainability of NGOs in Rwanda. We used Pearson and multiple regression analyses to achieve these objectives.

Table 1: Correlation Analysis between Investment Decisions and financial Sustainability

Variable	Statistics	Sustainability	Capital Budgeting	Financing Decisions	Fund Allocation
Sustainability	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	56			
Capital Budgeting	Pearson Correlation	.516**	1		
	Sig. (2-tailed)	.000			
	N	56	56		

Financing Decisions	Pearson Correlation	.649**	.218	1	
	Sig. (2-tailed)	.000	.107		
	N	56	56	56	
Fund Allocation	Pearson Correlation	.425**	-.064	.025	1
	Sig. (2-tailed)	.001	.638	.856	
	N	56	56	56	56

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Primary data, (2023)

In this research, three key indicators were identified to help address the investment decisions by NGOs and their effect on the financial sustainability of these organizations. The three indicator variables included capital budgeting, financing decisions and fund allocation decisions. Pearson correlation analysis was used to measure the strength, direction and the significance of the relationship among the variables. As shown in Table 1, all the correlations between the three indicator variables were found to be positively and significantly related to the financial sustainability of NGOs. For capital budgeting, the correlation coefficient (r=0.516, p=0.000) showed that the relationship was positive and statistically significant since the p-value was less than 5%. However, the relationship was moderate. For the financing decisions, the correlation coefficient (r=0.649, p=0.000) showed that the relationship was positive and significant since the p-value was also less than 5%. Lastly, a low positive and significant relationship (r=0.415, p=0.001) exists between fund allocation decisions and financial sustainability of NGOs in Rwanda. These results indicated that capital budgeting, financing decisions and fund allocation decisions are all statistically significant to the financial sustainability of NGOs in Rwanda. They play a significant role in creating financially sustainable organizations, and consequently help build these organizations to the level that they can achieve their community development goal in a more financially viable way.

Further, the we used multiple regression analysis to do further analysis of the effect of investment decisions on the financial sustainability of nongovernmental organizations in Rwanda. This analysis also helped to test the hypotheses formulated in this research.

Table 2: Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.872[a]	.760	.747	.10227

a. Predictors: (Constant), Capital Budgeting, Financing Decisions, Fund Allocation

Source: Primary data, (2023)

The summary results of the regression model displayed in Table 2 showed that investment decisions, which included capital budgeting, financing decisions and fund allocation decisions, play a key role in the financial sustainability of nongovernmental organizations in Rwanda. The report R^2 was 0.760, indicating that 76% of the variations in financial sustainability of NGOs can be attributed to the effective capital budgeting, financing and fund allocation decisions that these organizations make. In addition, this contributing effect was found to be high level of contribution indicating the significant role that investment decisions have on the financial sustainability of the organizations. The findings concurred with the findings by Ebenezer, *et al*., (2020) whose regression analysis gave an R^2 of 0.678 showing that the financial management factors investigated affect NGOs sustainability by 67.8%.

Table 3: Analysis of Variance (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.726	3	.575	55.002	.000[b]
	Residual	.544	52	.010		
	Total	2.270	55			

a. Dependent Variable: Sustainability

b. Predictors: (Constant), Capital Budgeting, Financing Decisions, Fund Allocation

Source: Primary data, (2023)

Table 3 shows further analysis of the variance to determine whether the regression analysis was statistically significant. As shown in the table, the regression model (F=55.002, p=0.000) was statistically significant since the p-value was less than 5%. This indicated that the investment decisions significantly influence the financial viability of the nongovernmental organizations in Rwanda. More specifically, the capital budgeting, the financing and the fund allocation decisions that these organizations take will have an effect on their financial sustainability. This is an important result to consider since the NGOs long-term sustainability is important for them to continue to provide services to the community.

Table 4: Regression Coefficient Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.015	.383		-.039	.969
	Capital Budgeting	.312	.051	.425	6.096	.000
	Financing Decisions	.337	.043	.546	7.842	.000
	Fund Allocation	.360	.056	.439	6.449	.000

a. Dependent Variable: Sustainability

Source: Primary data, (2023)

Table 4 relates to the analysis of each and every regression coefficient for the three indicator variables, namely, capital budgeting, financing decisions and fund allocation decisions. This analysis also helped to test the hypotheses earlier formulated in this study by using the results of the t-statistics and the p-values obtained for each of the indicator variables. The first null hypothesis was formulated as below:

H_{01}: There is no significant effect of capital budgeting on financial sustainability of nongovernmental organizations.

Table 4 shows that the regression coefficient ($\beta_1 = 0.425$) for capital budgeting was statistically significant ($t = 6.096, p = 0.000$) since the p-value was less than 5%. This means that the null hypothesis was rejected at 5% level of significance implying that capital budgeting has a statistical significance on the financial sustainability of NGOs in Rwanda. In addition, the regression coefficient was positive, implying that one unit increase in capital budgeting would lead to improvement of the financial sustainability of the NGOs in Rwanda by 0.425 units. Hence, the contributing effect of capital budgeting is positive and significant to the financial sustainability of NGOs in Rwanda.

The second null hypothesis was concerned about the financing decisions and was stated as follows:

H_{02}: There is no significant effect of financing decision on financial sustainability of nongovernmental organizations.

Table 4 shows the regression coefficient ($\beta_2 = 0.546$) for financing decisions which was statistically significant ($t = 6.449, p = 0.000$) since the p-value was less than 5%. This means that the null hypothesis was rejected at 5% level of significance implying that financing decisions have a statistical significance on the financial sustainability of NGOs in Rwanda. Furthermore, the regression coefficient was positive, implying that one unit increase in financing decisions would lead to improvement of the financial sustainability of the NGOs in Rwanda by 0.546 units. Hence, the contributing effect of financing decisions is positive and significant to the financial sustainability of NGOs in Rwanda.

The third null hypothesis was concerned about the fund allocation decisions and was stated as follows:

H_{03}: There is no significant relationship between fund allocation decisions and financial sustainability of nongovernmental organizations.

Table 4 shows the regression coefficient ($\beta_2 = 0.439$) for fund allocation decisions which was statistically significant ($t = 7.842, p = 0.000$) since the p-value was less than 5%. This means that the null hypothesis was rejected at 5% level of significance implying that fund allocation decisions have a statistical significance on the financial sustainability of NGOs in Rwanda. Furthermore, the regression coefficient was positive, implying that one unit increase in fund allocation decisions would lead to improvement of the financial sustainability of the NGOs in Rwanda by 0.439 units. Hence, the contributing effect of fund allocation decisions was also positive and significant to the financial sustainability of NGOs in Rwanda.

Table 5: Summary of the Hypotheses and Decisions

Hypotheses	**Variable**	**Beta Coefficient**	**t-statistics**	**p-value**	**Decision**	**R^2**
H_{01}	Capital Budgeting	0.425	6.096	0.000	Rejected	
H_{02}	Financing Decisions	0.546	7.842	0.000	Rejected	**0.76**
H_{03}	Fund Allocation Decisions	0.439	6.449	0.000	Rejected	

Source: Primary data, (2023)

Table 5 shows the summary for the tests conducted for the three null hypotheses earlier formulated. The statistical tests conducted using the regression analysis of the coefficients showed that all the three null hypotheses were rejected at 5% level of significance. In addition, the contributing effect of the three indicator variables was 76% to the financial sustainability of NGOs in Rwanda.

4.2 Discussion of the Key Findings

This study was undertaken with an objective to investigate the effect of investment decisions on the financial sustainability of nongovernmental organizations in Rwanda, taking a case of Free Methodist Church in Rwanda, Gikondo. We identified three key areas of investigation, namely, the capital budgeting, the financing decisions and fund allocation decisions. We argued that the use of these three investment approaches would help the organizations to achieve financial sustainability and be able to operate smoothly without undue disruption of their day-to-day activities. However, this research was motivated by the existing gap in the use of sound financial management practices among the nongovernmental organizations. Unlike the profit-making organizations, NGOs lag behind in adopting accounting and financial practices in their operation. This leads to a lot of opaqueness in their sources of fund, their use of funds, their investment of the fund and in their accounting for all these. These challenges have resulted to unsustainability of the NGOs, especially as the donors withdraw. Again, the donors and other stakeholders in the recent years. More than ever before, donors and other stakeholders have demanded accountability in the NGOs. This has ignited the need for adopting sound financial management practices for the organizations to continue to attract the donors as well as remain financially sustainable.

In this study, the findings have shown the need for sound investment decisions which are need for the survival of the NGOs. The research has particularly reemphasized the need for the use of financial management practices within the nongovernmental organizations, including capital budgeting, financing decisions and fund allocation decisions. Further, the use of financial and budgetary control plays significant role in ensuring that the NGOs remain sustainable for a longer period of time. It also ensures that these organizations are able to operate smoothly, achieve their mission and provide the needed community support services continuously without financial disruptions.

Further, the study has shown that the use of capital budgeting in investment decision is crucial in arriving at working outcomes for the organizations. The use of capital budgeting decisions helps the organizations to streamline their operations in a way that would smooth out their operations. These organizations do have a social and humanitarian obligations to serve the citizens, and therefore their sustainability is of interest to many stakeholders. These organizations get their fundings majorly from voluntary donations and are therefore mandated to be accountable in their investment decisions. The findings concur with those of previous authors like Ron and Balraj (2012) and Adjei, *et al.,* (2020) who found that capital budgeting has significant influence on the sustainability of nongovernmental organizations.

The donors are keen to see how the funds they donated are utilized and whether the NGOS are maintaining their sanctity as humanitarian organizations. Using sound financial management practices can facilitate the organization in sourcing for the funds as they are required and make optimal use of the same funds in order and hence be able to achieve the organizational goals. However, these organizations are dependent on external funding to an extent that they cannot do much unless the donors are still availing the funds. This makes the organizations become financially vulnerable to the whims of their donors. These findings concur with earlier findings from Lisa *et al.,* (2012) and from Milka, *et al.,* (2015) who investigate the effect of financing decisions to Financial sustainable NGOs. The NGOs will be able to function smoothly when they are able to offer the services as per their mission and objective without constant interruptions due to lack of resources or funds. When the organizations are able to identify their financial needs, the management within the NGOs should focus on how to acquire the finance making financing decisions that will favor the institution. NGOs can attain financial sustainability depending on their ability to diversify their sources of income and access sufficient funds to support their operations. The findings are in agreement with previous studies like form Andreas and Alexander (2019) who clearly showed that the use of fund allocation management enable the NGOs to be more economically viable. In addition, Ebenezer, *et al.,* (2020) had shown the need for NGOs to have financial management practices akin to those of profit-making organizations.

4.3 Conclusions

The findings haves shown that NGOs can only achieve financial sustainability if their sound financial management practices that will lead to viable and reliable investment decisions. They can do this by using financing decisions, capital budgeting and fund allocation decisions that would favor them to acquire funds, maintain and utilize the funds efficiently. More specifically, the use of financing decisions within the nongovernmental organizations enables the NGOs to stay afloat even in financial challenging times. Hence, the NGOs should engage in sound financial decision-making processes that aim to propel the organizations to financial sustainability. Financial sustainability becomes an important area of concern for firms as particular investors are showing clear signs that they take issue with firms that do not regard sustainability criteria.

As per their findings, the authors highlighted that most NGOs are donor dependent which increases their susceptibility to financial challenges. Moreover, they lack sufficient self-income generating activities, do not have enough income diversification strategies and may suffer financial instability due to this. Therefore, these NGOs are expose to financial challenges and may have difficulties in making investment decisions that are sound and that can propel the organizations to financial stability. On the other hand, the findings revealed that financial sustainability may be achieved if the NGOs use sound financial management practices, are able to diversify their incomes and create a good donor relationship.

4.4 Recommendations

The findings have shown the importance of investment decisions in creating financially sustainable nongovernmental organizations in Rwanda. The study has also pointed the danger of donor overdependence for these organizations, especially on one source of funds. Therefore, we recommend that NGOs in Rwanda should adopt financial management practices akin to those of the profit-making organizations. They should invest in employing qualified professionals including accountants and finance managers. In addition, they should also set aside separate finance department run independently just like other full operating departments. Further, NGOs should diversify their sources of income by having different donors. Moreso, they can achieve this through investing in income generating activities. We also recommend that the government and policy makers should be at the front to offer guiding regulations to make the NGOs more financial sustainable. Different accounting and financing principles should be formulated that guide these nongovernmental organizations which can help them to streamline their operations as well as using financially sound mechanisms to remain sustainable. However, care must be taken to ensure that the NGOs do not divert from their humanitarian approach and become commercial entities.

4.5 Suggestions for Further Studies

This research was concerted around the investment decisions and their effect on the financial sustainability of nongovernmental organizations. The research was limited in time coverage content scope and geographical coverage. It was also limited in the research approach and methodology, where descriptive and correlational research designs were used. In terms of content, future research can be carried out to investigate the effect of financial management practices on the sustainability of NGOs in Rwanda. In terms of methodology, future research can be carried out using a comparative research approach to compare nongovernmental organizations that adhere to financial management practices with those that barely use them. This could help to accentuate the effect of financial management practices for these NGOs and other non-profit making organizations. In addition, further research could be done to measure the viability of investment approaches that NGOs use vis-à-vis the traditional investment appraisal methods used in finance.

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