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Financial Planning and Control Practices of Selected Non-Governmental Organizations : An Empirical Appraisal

* *Bharathi Karanth*

Abstract

Non-governmental organizations have an immense role in the achievement of Millennium Development Goals, an initiative of United Nations. It is especially true in the case of a developing country like India. The spread of NGO activities in the country is manifested in a number of spheres and in a wide spectrum of programs. The participation of the NGO sector has been impressive in welfare programs, development-oriented initiatives, empowering women and weaker sections, protecting the rights of marginalized segments, protecting the environment, spreading literacy and education, and so forth. Funds do flow into these non-governmental organizations both from the internal sources as well as from the external sources. However, efficient utilization of the funds and the accountability towards the different stakeholders are found to be the lowest among the NGOs. Non-governmental organizations need to have sound financial management practices, both at the organizational level and within social programs to accomplish the basic purpose for which they have been set up. This study sought to explore the financial priorities, financial planning, and control practices of non-governmental organizations in Dakshina Kannada and Uttara Kannada districts in the state of Karnataka. This study is explorative in nature. The study revealed that the transparency regarding the financial practices followed in the NGOs was not highly appreciable, but NGOs were aware and had a positive bent of mind towards implementing better financial practices in their operations.

Keywords: development NGOs, financial planning, accounting practices

JEL Classification: M1, M4, O110

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Effective and responsible financial management contributes towards accomplishing the mission of non-profit organizations in a number of significant ways, including financial policy setting, financial reporting and accountability, establishing liquidity policy, and guiding decisions to maintain that liquidity or rebuild it when depleted, strategic planning, evaluation of existing and new programs, marketing planning, fundraising, evaluating, budgeting and long run financial planning, debt and other liability management, operational expertise and strategic internal business consulting, empowerment through the sharing of information and harnessing of technology, catalyst for cultural change in the organization, increase in investment income, and preservation of investment assets (Hanken, Seidner, & Zietlow, 1998).

With a growing number of non-profit organizations focused on social services, the environment, education, and other unmet needs throughout society, the non-profit sector is increasingly central to the health and well-being of the society (Panth & Panth, 2006). There are a number of problems faced by the non profit organizations like inefficient management, lack of resources, capacity building, performance measurement, increasing overhead charges, resource mismanagement, and so forth. Until recent years, financial reporting by non-profit organizations was of relatively little interest to non-management board members and the general public. The

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accounting profession has either ignored the area entirely or has made excuses for inadequate reporting, often specifically excluding non-profits when accounting principles were promulgated (Racek, 1988).

The management and protection of financial resources must be a concern for all non-profit organizations, for without adequate financial resources, an organization is unable to achieve its mission and may not survive. The risks in financial management are any actions that contribute to the reduction in value or loss of any of the organization's financial assets. A financial loss can have a tremendous impact on a non-profit. The loss of money can create a cash flow crunch and force the organization to reduce its spending. The actions may include eliminating staff or reducing the hours worked plus adjusting the services offered to clients. Besides reduced services, the non-profit may experience negative publicity about the incident. The bad press can lead to a decrease in donations and the willingness of volunteers to work with the organization. Lastly, a financial loss can affect the reputations of the people involved. All these factors make it imperative for every non-profit organization to have proper financial controls in place (Narayan, 2005).

Literature Review

Soobaroyen and Sannassee (2007) found that the treasurers were less focused on priorities involving internal planning and control and were found to be using financial planning and control practices to a limited and seemingly unsophisticated extent. The objective of their study was to explore the financial priorities, financial planning, and control practices in locally-established voluntary organizations (LVOs) in a developing country context.

Herzlinger (1979) observed that we are assaulted daily with the news of the financial vulnerability of many of the nation's non-profit organizations (NPOs). The heart of the problem is internal and largely controllable. It lies in the neglect of the proper procedures for fiscal management, a neglect that is apparent in the behaviour of the NPO managers and in the absence of systems of sound fiscal management. On a technical level, organized, articulated, and integrated systems for planning, resource allocation, budgeting, and evaluation are usually absent. Hanken et al. (1998) observed that in today's world characterized by competition, financial management of a non-profit organization is just daunting as that of a for profit organization. Non profit managers should have the financial expertise which involves managing an organization's financial resources, establishing and revising financial policies, accounting, budgets, and financial reports, investing for the short and long term, and controlling and managing risk.

McCarthy (2007) noted that demand for financial accountability by non-profit organizations had dramatically increased. Lourdes and Pina (2003) made a comparative study of the accounting systems of four countries, that is, Canada, U.K., U.S.A, and Spain to evaluate the usefulness of financial and non financial information for accountability and management purposes in NPOs.

Context of the Study

This study has been conducted in the context of development NGOs of India operating in twin districts of Karnataka, namely Uttara Kannada and undivided Dakshina Kannada (comprising of Udupi and Dakshina Kannada). In most parlance, a non-governmental organization is almost synonymous with non-profit or voluntary organization. The typical forms of non - governmental organizations are advocacy NGOs, consultancy/research organizations, training/capacity building organizations, networking organizations, mother NGOs, grass root organizations, city based organizations, national organizations, international organizations, self-help groups, and religious NGOs.

As an entire sector, non-profits comprise of a broad array of organizations ; institutions ; agencies and collectives ; including charities, cooperatives, religious groups ; health, education, and social service providers ;

self-help and mutual aid groups ; social justice groups ; environmental, cultural, arts ; recreation, sports, and professional associations such as Chambers of Commerce. Their work may include delivering services ; advocating on behalf of community causes ; encouraging self-help ; facilitating international, community, and economic development ; advancing religious faith and practice or raising funds ; and providing financial support to other voluntary organizations (Bhargava & Kumar, 2006). This study is based on the development NGOs engaged in promoting the welfare of the society as a whole, while satisfying all the criteria laid out by PRIA for being termed as NGOs.

Objectives of the Study

- (1) To identify the financial and accounting practices implemented in the NGOs under study.
- (2) To analyze the perceptions of the treasurers of these NGOs relating to financial and accounting practices implemented in their organizations.

Methodology

This study falls under the category of qualitative exploratory research aimed at analyzing perceptions of the treasurers of non - governmental organizations about the financial practices followed in their NGOs. It is also a pilot exploratory study aimed at a larger research study. Geographical coverage of this study is limited to Coastal Karnataka, comprising of Udupi, Dakshina Kannada, and Uttara Kannada districts.

↳ **Sources of Data and Time Period of the Study :** The study makes use of both primary and secondary sources of data. Primary sources of data involved collecting the information from the respondent units by using a sampling survey method and telephonic interviews. Email questionnaire method was also used to collect the information from the respondents. A 5 - point Likert scale questionnaire was used to elicit the required information from the respondents. The secondary data were collected from the annual reports of the NGOs as well as the websites of the respondent units. This study is based on the database of NGOs of a number of sampling frames. On the basis of the sampling frames, the study concluded that there are around 50 development NGOs each in Uttar Kannada and Dakshina Kannada districts. This study encompasses a time frame of around three months. The data were collected during December 2014 - February 2015.

↳ **Sample Size and Sampling Methodology :** As it is a qualitative study, a sample of 30 NGOs, 15 each from the two districts (undivided South Canara and Uttara Kannada) engaged in development activities were selected through purposive non-probability sampling method.

↳ **Tools for Analysis :** The collected data were analyzed using statistical techniques like mean, standard deviation, and so forth, and the analyzed data has been presented in the form of statistical tables.

Analysis and Results

Of the total 30 questionnaires sent, only 14 questionnaires were completely filled up and returned. Hence, the response rate is around 47%. The response rate reveals that the majority of the NGOs were not interested in expressing their views about the financial practices followed in their organizations. For the purpose of the study, the questionnaire was divided into five sections. The first section was about the financial practices of the NGOs, the second section was about the accounting practices, the third section was about the budgeting practices, the

Table 1. Operational Experience of NGOs (in Years)

No. of NGOs	Years of Experience				Total
	0-9	10-19	20-29	30&above	
	2	1	5	6	14

Table 2. Annual Income/Turnover of the NGOs

Annual income/Turnover (₹)	No. of NGOs	Percentage (%)
Less than 1,00,000	0	0
1,00,000 to 5,00,000	1	7
5,00,000 -10,00,000	3	21
Above 10,00,000	10	72
Total	14	100

Table 3. Perceptions of the Treasurers About the Importance of Financial Objectives

S/N	Financial objectives	N = 14					Mean	SD
		1	2	3	4	5		
1.	To ensure financial stability for the association.	1 (7)	0 (0)	0 (0)	5 (36)	8 (57)	4.36	1.08
2.	To make the maximum surplus of income over expenditure.	3 (21)	3 (22)	6 (43)	0 (0)	2 (14)	2.64	1.28
3.	To have a positive cash balance in the association's bank account.	2 (14)	1 (7)	4 (29)	4 (29)	3 (21)	3.36	1.34
4.	To ensure all financial transactions are properly accounted for.	0 (0)	0 (0)	2 (14)	1 (07)	11 (79)	4.64	0.75
5.	To ensure all spending made does not exceed what was initially planned.	0 (0)	1 (7)	4 (29)	6 (43)	3 (21)	3.79	0.89
6.	To ensure that all members pay their dues.	0 (0)	1 (7)	4 (29)	4 (28)	5 (36)	3.93	0.99
7.	To ensure that the association has enough cash to settle its payments.	0 (0)	1 (7)	1 (7)	6 (43)	6 (43)	4.21	0.89
8.	To ensure that the executive committee is fully informed of the financial situation of the association.	0 (0)	0 (0)	3 (21)	3 (21)	8 (58)	4.36	0.84
9.	To ensure that members are fully informed of the financial situation of the association.	0 (0)	0 (0)	3 (21)	5 (36)	6 (43)	4.21	0.80
10.	To ensure that regulatory bodies (such as the Registrar) are fully informed of the financial situation of the association.	1 (7)	0 (0)	1 (07)	6 (43)	6 (43)	4.14	1.09
11.	To ensure that major donors are fully informed of the financial situation of the association.	1 (7)	1 (7)	4 (29)	2 (14)	6 (43)	3.75	1.31

* Codes: 1= Not Important, 2= Low Importance, 3= Moderate Importance, 4= Important, 5= Very Important

fourth section was about the reporting systems, and the final section was about the profile of the NGOs.

(1) Brief Background Information of the NGOs : Most of the NGOs were engaged in charity for the welfare of women and/or children, community development and poverty alleviation, health promotion and awareness of health issues, villages/town social associations, associations supporting individuals with special needs. One NGO was also involved in promotion of religious or cultural activities.

Major sources of income for these NGOs were identified to be (a) donations from the temple trusts, (b) foreign funding agencies, (c) donations from individuals, (d) community contributions, (e) government funding/grants, (f) member subscriptions, (g) fund raising events, (h) corporate sponsorships, (I) income from investments, and so

forth. Of the 14 NGOs considered for the study, 11 NGOs were registered under the Societies Registration Act of 1960, while three NGOs were registered under the Trust Act. Eleven NGOs operated in both urban and rural areas, while three NGOs operated only in urban areas. Thirteen NGOs were independent organizations, while only one of the NGOs had the affiliation status. Six out of 14 NGOs were housed in own buildings, while seven NGOs used the rented buildings. One of the NGOs had both - own and rented buildings for carrying out its operations.

The Table 1 shows that most of the NGOs under study had considerable experience in their respective areas of operation. From the Table 2, it is clear that 72% of the NGOs under study had an annual income or turnover of more than ₹ 10 lakhs while 21% of them had an income of ₹ 5 lakhs to ₹ 10 lakhs, and 7% had an income ranging between ₹ 1 lakh to ₹ 5 lakhs. None of the NGOs under study had a turnover of less than ₹ 1 lakh.

(2) Financial Objectives : The Table 3 depicts the perception of the treasurers about the importance of financial objectives. Of all the 11 statements administered to the respondents, with respect to the financial objective of ensuring that all the financial transactions were properly accounted for, 11 (79%) respondents considered it to be very important, two (14%) respondents considered it to be of moderate importance, while one (7%) respondent considered it to be of low importance. This financial objective has received the highest mean of 4.64, indicating that it was 'important' for the majority of the NGOs under study.

It is observed that eight respondents (57%) considered the objective of ensuring financial stability of the association as very important, five (36%) respondents rated it as 'important,' while one (7%) respondent rated it as 'not important'. This objective received a mean of 4.36, indicating that majority of the respondents viewed it as 'important'. Similarly, it is observed that of the 14 respondents, eight (58%) viewed the objective of ensuring that the executive committee is fully informed of the financial situation of the association as 'very important,' while three (21%) rated it as 'important,' and three (21%) rated it to be of 'moderate importance'. This statement received a mean of 4.36, indicating that it was treated as important by majority of the NGOs under study.

The financial objectives like - the association has enough cash to settle its payments (mean = 4.21), members are fully informed of the financial situation of the association (mean = 4.21), complete information is given to the regulatory bodies about the financial situation (mean = 4.14) were also rated as 'important' by majority of the NGOs under study. The objectives like having a positive cash balance in the association's bank account (mean = 3.36), ensuring that the spending made does not exceed what was initially planned (mean = 3.79), complete information to the major donors of the association (mean = 3.75), ensuring that members pay their dues in time (mean=3.93) were rated to be 'moderate importance'. However, it has been noted that of all the financial objectives, the objective of ensuring maximum surplus over expenditure (mean=2.64) was rated to be of 'low importance'.

From the Table 3, it can be seen that the objective of having a surplus over expenditure was viewed as very important only by 14% of the respondents, indicating that the financial executives held the view that the non-profit organizations are not meant to make profits. Compelling the members to pay their dues also received lower priority, with only 36% giving it higher importance. Except the objective of ensuring that all financial transactions are properly accounted for, it is observed that rest of the financial objectives were not taken seriously by the NGOs under study.

(3) Accounting Practices/ Techniques : The Table 4 gives an idea about the extent of financial practices adopted by the NGOs. Thirteen respondents constituting 93% of the sampling units rated the accounting practice of providing a supporting document for every expenditure transaction of the current financial year as 'always,' specifying that it was the most prevalent practice, while one (7%) respondent treated this practice of being implemented 'most of the times'. This practice received the highest mean of 4.93, indicating that it was followed 'most of the times' by the respondents under study.

It is also observed that rest of the accounting practices like stock recording and control system for items owned

Table 4. Extent of Accounting Practices Adopted in the NGOs

S/N	Accounting Practice/Techniques	N = 14					Mean	SD
		1	2	3	4	5		
1.	A supporting document (bill or invoice) is available for every expenditure transaction for the current financial year.	0 (0)	0 (0)	0 (0)	1 (7)	13 (93)	4.93	0.27
2.	A supporting document (receipt) is available for every income transaction for the current financial year.	0 (0)	0 (0)	0 (0)	2 (14)	12 (86)	4.86	0.36
3.	Supporting documents are filed, and can be easily accessed.	0 (0)	0 (0)	1 (7)	1 (7)	12 (86)	4.79	0.58
4.	All income transactions are deposited in the association's bank account.	0 (0)	0 (0)	1 (7)	3 (21)	10 (72)	4.64	0.63
5.	All expenditure transactions are paid by cheque, except for small expenses (e.g. below ₹ 50).	0 (0)	2 (14)	2 (14)	5 (36)	5 (36)	3.93	1.07
6.	The bank statements and letters for each bank account are filed, and can be easily accessed.	0 (0)	0 (0)	3 (21)	3 (21)	8 (58)	4.36	0.84
7.	The association's supporting documents and statements are available for the last 5 years (or less if it is a new association).	0 (0)	0 (0)	1 (7)	2 (14)	11 (79)	4.71	0.61
8.	The date, description, and amount of each transaction are recorded in a cash book (hard copy or using computer software).	0 (0)	0 (0)	1 (7)	0 (0)	13 (93)	4.89	0.53
9.	All cashbooks are updated at least on a monthly basis.	0 (0)	0 (0)	0 (0)	2 (14)	12 (86)	4.86	0.36
10.	There is a stock recording and control system for items owned by the association (e.g. stationery, equipment etc).	0 (0)	1 (7)	2 (14)	3 (22)	8 (57)	4.29	0.99

*Codes: 1= *Never*, 2 = *Rarely*, 3 = *Sometimes*, 4 = *Most of the times*, 5 = *Always*

by the association (mean= 4.29), cashbooks are updated at least on a monthly basis (mean = 4.86), the date, description, and amount of each transaction are recorded in a cash book (mean = 4.89), availability of supporting documents for at least 5 years (mean = 4.71), filing and easy accessibility of bank statements and letters (mean = 4.36), all income transactions deposited in the bank account (mean = 4.64), availability of supporting document for every income transaction (mean= 4.86), filing of supporting documents and easy accessibility of the same (mean = 4.79) were found in the associations under study 'most of the times'. Of all the accounting practices, the practice of making payments by cheques for all the expenditure transactions, except for small expenses (e.g. below ₹ 50) received a mean of 3.93, indicating that this practice was used 'sometimes' only.

The Table 4 reveals that the NGOs did confirm to the accounting practices in a better way by rating major practices as very important. However, the practices of making the payments by cheques, filing the bank letters for each account, stock recording, and so forth, which are required to ensure transparency and better accountability received a very low level of importance.

(4) Planning and Budgeting Practices : The Table 5 throws light on the extent of planning and budgeting practices in the NGOs. Twelve (86%) respondents opined that the planning and budgeting practice of including a plan of expenditure and income for all the project proposals for organizing a specific activity/event was practiced 'most of the times,' while one (7%) respondent opined that it was practiced 'sometimes,' and one (7%) respondent stated that it was 'never' practiced. This budgeting practice has a mean of 4.57, indicating that majority of the NGOs practiced it 'most of the times'. Similarly, the practice of circulating a plan among all the members of the association and formally getting it approved was also found to be practiced 'most of the times,' with a mean of 4.29. A plan is prepared for all the expenditures needed to run the association for the coming year (mean= 4.21). This practice was also found to be implemented 'most of the times' in the NGOs under study.

Table 5. Extent of Planning and Budgeting Practices in the NGOs

S/N	Budgeting Practice/Technique	N = 14					Mean	SD
		1	2	3	4	5		
1	A plan is prepared for all the expenditures needed to run the association for the coming year.	0 (0)	1 (7)	2 (14)	4 (29)	7 (50)	4.21	.97
2	A plan is prepared for all the income revenues expected to be received during the coming year.	1 (7)	2 (14)	1 (7)	5 (36)	5 (36)	3.79	1.31
3	The plan includes enough income to pay for all the expected expenditure, that is, no planned surplus or deficit.	0 (0)	2 (14)	1 (7)	8 (57)	3 (22)	3.86	0.95
4	The budget is circulated and approved amongst the members of the executive (managing) committee.	0 (0)	0 (0)	1 (7)	4 (29)	9 (64)	4.57	0.65
5	A plan is made of when the receipts and payments will be actually received or paid during the year.	3 (21)	0 (0)	3 (29)	4 (29)	3 (21)	3.29	1.44
6	The plan is circulated amongst all the members of the association for information.	2 (14)	0 (0)	2 (14)	3 (22)	7 (50)	3.93	1.44
7	The plan is circulated amongst all the members of the association and formally approved by the members (e.g. during a general meeting).	1 (7)	0 (0)	2 (14)	2 (14)	9 (65)	4.29	1.20
8	The executive (managing) committee has the flexibility to change (increase or decrease) money allocations.	2 (14)	0 (0)	6 (43)	2 (14)	4 (29)	3.43	1.34
9	The executive (managing) committee needs the approval of the members to change (increase or decrease) money allocations during the year.	1 (7)	2 (14)	6 (43)	2 (14)	3 (22)	3.29	1.20
10	Payments cannot be made unless the item was included (originally or amended after) in the plan.	1 (7)	1 (7)	5 (36)	2 (14)	5 (36)	3.64	1.27
11	All project proposals for organizing a specific activity/event must include a plan of expenditure and income.	1 (7)	0 (0)	1 (7)	0 (0)	12 (86)	4.57	1.16

*Codes: 1= *Never*, 2 = *Rarely*, 3 = *Sometimes*, 4 = *Most of the times*, 5 = *Always*

The Table 5 reveals that the planning and budgeting practices like preparing a plan for all the income revenues expected to be received during the coming year (mean= 3.79), the practice of making a plan to include enough income to pay for all the expected expenditure, that is, no planned surplus or deficit (mean=3.86), making a plan as to the receipt and payments during the year (mean= 3.29), the practice of circulating a plan amongst all the members of the association for information (mean =3.93), the executive committee being empowered to change (increase or decrease) money allocations (mean=3.43), the executive (managing) committee needs the approval of the members to change (increase or decrease) money allocations during the year (mean = 3.29), the practice of not making the payment unless the items were included (originally or amended after) in the plan (mean= 3.64) were being practiced in the NGOs under study 'sometimes' only. Regarding the planning and budgeting practices, I observed that only 50% of the NGOs perceived making a plan for every expenditure as an internal aspect for efficient financial management.

(5) Reporting System : The Table 6 shows the extent of reporting practices/techniques among the NGOs. The practice of association's annual audited accounts are approved during the annual general meeting was accepted as 'always' by 13 (93%) respondents, while one (7%) respondent rated it as being practiced 'sometimes'. This reporting practice received the highest mean of 4.86, indicating that it was practiced 'most of the times' by majority of the NGOs under study.

Similarly, the practices like circulation of the income and expenditure report in every executive committee

Table 6. The Extent of Reporting Practices/Technique Adopted/Used Among the NGOs

Reporting Practice/Technique	N = 14					Mean	SD
	1	2	3	4	5		
1 An income and expenditure report is circulated in every normally convened executive committee meeting (e.g. monthly or bi-monthly or every three months).	0 (0)	0 (0)	4 (29)	2 (14)	8 (57)	4.29	0.91
2 A receipts and payments account is circulated for every normally convened executive committee meeting (e.g. monthly or bi-monthly or every three months).	0 (0)	0 (0)	4 (29)	3 (21)	7 (50)	4.21	0.89
3 A report, comparing the budgeted and actual figures, is provided to executive committee members.	2 (14)	1 (7)	4 (29)	2 (14)	5 (36)	3.5	1.45
4 Suggestions, decisions, or action points are minuted in response to the report stated in (3) above.	1 (7)	2 (14)	1 (7)	3 (22)	7 (50)	3.93	1.38
5 Financial reports for specific projects (activities or events) are submitted to and formally considered by the executive committee.	0 (0)	2 (14)	3 (22)	1 (7)	8 (57)	4.07	1.21
6 An interim (e.g. half-yearly) income and expenditure account, and receipts and payment account is circulated amongst all the members of the association (by mail or during a general meeting).	2 (14)	1 (7)	2 (14)	4 (29)	5 (36)	3.64	1.45
7 The members have the possibility to query (by mail or during the general meeting) on the interim report.	1 (7)	0 (0)	3 (21)	4 (29)	6 (43)	4.00	1.18
8 The association's annual audited accounts are approved during the annual general meeting.	0 (0)	0 (0)	1 (7)	0 (0)	13 (93)	4.86	0.53
9 During the annual general meeting, the members have the possibility to query on the items in the annual audited accounts.	0 (0)	1 (7)	1 (7)	0 (0)	12 (86)	4.64	0.93

*Codes: 1= *Never*, 2 = *Rarely*, 3 = *Sometimes*, 4 = *Most of the times*, 5 = *Always*

meeting (mean= 4.29), circulation of receipts and payments account (mean= 4.21), submission of financial reports for specific projects (mean= 4.07), possibility of query by the members on the interim report (mean= 4), possibility of the query on the items in the annual audited accounts by the members during the annual general meeting (mean = 4.64) were found to be practiced 'most of the times' in the NGOs under study.

The practices like provision of a report, comparing the budgeted and actual figures to executive committee members (mean=3.5) ; the practice of minuting the suggestions, decisions, or action points in response to the report (mean=3.93) ; the practice of circulating an income and expenditure report and receipts & payments account among all the members of the association (mean=3.64) were found to be practiced 'sometimes' in the NGOs under study.

Implications

This study emphasizes the importance of prudent financial management of the Indian NGOs in the context of growing number of non - governmental organizations, increasing volume of funds flowing into these organizations, and increasing public scrutiny. This study is one of the rarest of its kind in the Indian context. The general understanding of the NGOs has been that they are for facilitating the welfare of the society, and they are in no way connected to the profit or wealth maximization objectives of the for-profit organizations. However, it is true that NGOs will have to be self-sustainable. Funding sources for the NGOs are of great importance. They have to convince the donors that the funds have been effectively utilized. Due to the society and government also becoming vigilant about their activities, it becomes essential for the NGOs to be financially accountable,

transparent in their activities, to follow corporate governance measures, and to achieve their ultimate objectives in the direction of serving the society. This paper makes a modest attempt to highlight the sound financial management practices adopted by the non - governmental organizations.

This study provides a snapshot of the type or extent of financial priorities, financial planning, and control practices in a developing country context with particular reference to a variety of NGOs. However, in a similar study conducted by Soobaroyen and Sannassee (2007), two data collection methods were used namely, the use of a questionnaire survey to assess the extent/scale of financial priorities, planning, and control practices in voluntary organizations, and the use of in-depth face-to-face interviews to explore the factors that contributed to the use of such practices in selected voluntary organizations. The questionnaire response rate of the study conducted by Soobaroyen and Sannassee (2007) was relatively low, and the findings were enhanced by the diversity of organizations which participated in the questionnaire and interview stages. The authors also analyzed the symbolic role of such practices in maintaining or enhancing legitimacy by considering in more detail the 'forms' of legitimacy as well the 'target' audience to whom such legitimacy may be conveyed.

Conclusion

The current study sought to explore the financial priorities, the financial planning, and control practices of locally established voluntary organizations - including those involved in civil society, activism, and welfare and as perceived by their administrators involved in managing the financial aspects of the units. It was observed that some of the NGOs under study were exposed to the modern financial management practices and claimed to use better financial practices, including reporting, budgeting, and accounting areas.

In the absence of strict accounting regulations, as in the case of for profit organizations and also with a very low involvement of the professional accountants in non-profit organizations, the survey has revealed that there was diversity in the use of financial priorities and practices. The priorities of the financial executives of the organizations were towards meeting the statutory book keeping requirements and meeting the donor requirements. It is apparent that the financial executives seemed to hold the view that having surplus over their expenditures was not a sine-qua-non of non-profit organizations. The study of the accounting practices, however, showed a better picture of the NGOs as being oriented towards achieving financial discipline. Most of the planning and budgeting practices were awarded average importance by the respondents. As government funding has been identified to be an integral portion of the finances of some institutions, there has been an external control element in making them adopt the financial practices. The study has also revealed that the NGOs had a positive bent of mind towards having transparent, accountable, and planned financial activities. It has been noted through this study that the respondent NGOs perceived to practice better financial practices and intended to be more professional in rendering the financial services.

Limitations of the Study and Scope for Further Research

The study suffers from some limitations :

- (1)** The sample size was small and the response rate was not very high. As a result, the results cannot be generalized for all the NGOs in India. Respondents' opinions were also assumed to be unbiased.
- (2)** The geographical coverage of the study is limited to coastal districts of Karnataka state. As different states have diverse demographic backgrounds, the results cannot be generalized.
- (3)** The study has not made any statistical hypothesis and did not use advanced statistical techniques to establish the statistical validity of the findings.

Future studies can be conducted on a bigger scale and with a larger sample size. This study can be extended to a larger geographical area with appropriate usage of statistical techniques like chi-square, multiple regression, and so forth to establish statistical validity. Furthermore, an analysis of the financial statements of all the units selected for the study would make the findings more objective. A comparison of the perceptions of the financial managers and the actual financial findings depicted through the financial variables indicating the transparency, accountability, and financial practices of the NGOs would validate the findings of the study. A comparative evaluation of the qualitative accomplishments of the NGOs like the number of people receiving the benefits, project completion, etc., with the financial performance of the NGOs can also be done.

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