

***A QUALITATIVE INQUIRY INTO FINANCIAL
SUSTAINABILITY OF CIVIL SOCIETY
ORGANIZATIONS (CSOs): EVIDENCE FROM NAMA-
AFFILIATED CSOs***

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Flow of Presentation



Introduction



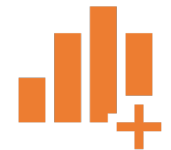
Literature Review



Research Methods



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Conclusion and
Recommendations



Introduction

- Civil Society Organizations (CSOs) play a pivotal role in the sustainable development framework, specifically in enhancing economic, social, and political conditions in numerous developing nations. Nonetheless, the issue of financial sustainability for CSOs has gained prominence, becoming a central focus in evaluating their credibility and operational efficacy.
- For CSOs, financial sustainability encompasses the availability of resources that empower them to capitalize on opportunities and respond to unforeseen challenges while ensuring their ongoing operations in the foreseeable future (Bell, Masaoka & Zimmerman, 2010). The significance of financial sustainability lies in its contribution to the self-reliance of CSOs (Kangiri, 2015). Similar to many Non-Profit Organizations (NPOs), CSOs often grapple with resource scarcity (Fowler, 2013).
- Numerous CSOs encounter challenges in securing funding support, particularly from donors, leading to a decline in their financial sustainability (Anlove, 2006; Banks & Hulme, 2013). Financial stability is crucial for the enduring viability of third-sector organizations, providing essential information to various stakeholders, including funders, regarding the value for money and the quality-of-service provision. However, there exists limited empirical and theoretical research on how third-sector organizations maintain financial stability.
- This study aims to investigate the financial sustainability of CSOs, focusing on NAMA-affiliated CSOs in Indonesia and Kyrgyzstan. Additionally, the study seeks to propose recommendations for addressing the identified issues from the perspective of industry experts.



Literature Review

- As posited by Omeri (2015), financial sustainability for Civil Society Organizations (CSOs) denotes their ability to uphold financial capacity over an extended duration, emphasizing the maintenance of fiscal stability over time (Bowman, 2011). Renz (2010) underscores that achieving financial sustainability necessitates CSOs to cultivate a diverse array of resources, enabling them to continue their operations post-donor funding withdrawal or reduction.
- Holloway (2001) asserts that complete self-financing and autonomy in resource mobilization are integral elements contributing to the financial sustainability of CSOs. Moreover, financial sustainability encompasses the judicious utilization of available resources and demands sufficient internal capacity to consistently identify and manage risks associated with funding and financial capital, ensuring active engagement by both board members and managers.
- Despite these imperatives, numerous CSOs encounter challenges in income-generating investments, sound financial management, and the identification of funding sources capable of meeting stakeholders' needs. Such challenges disproportionately affect organizations catering to vulnerable, high-need, and low-income populations, particularly those situated in rural settings, given their heavier reliance on grants and donations over membership or service fees (Padilla, Staplefoote, & Morganti, 2012).
- Alymkulova and Seipulnik (2005) contend that Civil Society Organizations in Central Asia grapple with an inability to sustain and finance their activities. They attribute the financial unsustainability of CSOs to diminished donor funding, reduced allocations for the region, donor shifts towards new markets, and diminished support for social programs.

Research Methods

- Qualitative approach- Interview with industry players of CSOs in NAMA-affiliated CSOs in Indonesia and Kyrgyzstan.
- This study uses a semi-structured face-to-face interview approach. A semi-structured interview technique is used in order to investigate the research questions because it is expected to better enhance readers' understanding on certain information derived from individual respondent's own experiences, knowledge, and skill.
- The study used semi-structured interview to get the Board of Directors' experiences and perception on the financial sustainability of CSOs.
- All conversations are tape-recorded and then transcribed verbatim. After collecting the data through tape-recording, the data were analyzed thematically in order to discover common themes from the participants' view.

Major Findings

No	Institutions	Positions	Codes
1	Fatihunnur Foundation	Director	E1
2	Nice Indonesia	Director	E2
3	Yayasan Bina Ukhuwah	Director	E3
4	Pf “Dc Center “Ala-Too”	Director	E4
5	Pf “Mugalim”	Director	E5
6	Public Fund For Support Women And Youth “Danko”	Director	E6

Major Findings

Categorical Theme

Question

Financial Management

1. What does your financial structure and mechanism look like?
2. Please describe how you attract funds from local and international donors?

Stakeholders Relationship

1. Please describe how you attract funds from local and international donors?
2. What informs your decisions on how you mobilise resources?

Financial Accountability

1. How do you manage financial accountability with external funders?
2. How do you ensure that accountability measures and procedures are observed to reduce fraud, money-laundering and financial waste?

Financial Sustainability

1. What measures do you implement to ensure the financial longevity/sustainability of your organisation?

Effectiveness of CSOs' Financial Operating Model

1. What's the CSO's financial operating model and how effective has it been so far?

Major Findings

- Table 1: Stakeholders Relationship

Expert's Opinion	E1	E2	E3	E4	E5	E6	Total
a) Provide professional financial reporting	/	/		/	/		4/6
a) Effective proposal preparation	/			/	/	/	4/6
a) Provide training, education, and consultation		/		/		/	3/6
a) Partnership				/	/	/	3/6

Major Findings

- Table 2: Financial Accountability

Expert's Opinion	E1	E2	E3	E4	E5	E6	Total
a) Proper monitoring	/	/		/			3/6
a) Effective Reporting	/		/	/	/	/	5/6
a) Proper Auditing		/	/	/	/		4/6
a) Transparency & Accountability					/		1/6
a) Anti-Corruption policy						/	1/6

Major Findings

- Table 3: Financial Sustainability

	Expert's Opinion	E1	E2	E3	E4	E5	E6	Total
a) Effective teamwork	/							1/6
a) Accountability	/		/				/	3/6
a) Alternative revenue generation		/			/	/	/	4/6
a) Good reputation			/					1/6
a) Identify potential donor					/	/		2/6

Major Findings

- Table 4: Effectiveness of CSOs' Financial Operating Model

Expert's Opinion	E1	E2	E3	E4	E5	E6	Total
a) Good cash flow	/			/			2/6
a) Effective budget allocation	/	/			/	/	4/6
a) Attractive investment				/			1/6
a) Transparency					/	/	2/6

Conclusion and Recommendations

- Civil Society Organizations (CSOs) are increasingly recognized as a popular mechanism, aligning with the imperative for this sector to engage in socially-oriented programs. This alignment not only facilitates corporations in realizing their mission and vision but also indirectly contributes to economic and societal development.
- The study systematically examines advancements and challenges across seven key components or "dimensions" integral to the financial sustainability of CSOs: stakeholder relationships, financial accountability, financial sustainability, and the effectiveness of CSOs' financial operating models.
- However, regulatory and bureaucratic impediments present notable challenges for CSOs. Additionally, the cohort of organizations eligible for funding has contracted due to shifts in funding priorities and variations in CSOs' capacities in grant writing, financial reporting, and monitoring and evaluation.
- Recognizing the pivotal role of financial sustainability, the study underscores its capacity to enhance an organization's mission delivery and ensure optimal resource utilization. Essential building blocks for driving improvement and achieving better value for funds in CSOs include sound financial management practices, good governance, and accountability.

Conclusion and Recommendations

- Diversification

Access to multiple sources of funding

- Local Support

Domestic sources of funding and resources

- Foreign Support

Foreign sources of funding and resources

- Fundraising

CSOs' capacity to raise funds

- Earned Income

Revenue generated from the sale of products and services

- Financial Management Systems

Processes, procedures and tools to manage financial resources and operations.

Thank you.

