



CAPACITY BUILDING AND FINANCIAL SUSTAINABILITY OF  
NON- GOVERNMENTAL ORGANISATIONS (NGOs) IN BUGIRI DISTRICT.  
A CASE OF MULTI-COMMUNITY BASED DEVELOPMENT  
INITIATIVE (MUCOBADI).

BY

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DECLARATION

I, NKAYE RATIBU here by do declare that this research report is an outcome of my personal independent work, efforts and investigations and it has never been submitted to any institution for any award. Where the work of other authors have been quoted, it was done with due acknowledgement.

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Date: 30th July 2024

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APPROVAL

I certify that NKAYE RATIBU carried out research titled "Effect of capacity building on financial sustainability of NGOs in Bugiri District a case of MUCOBADI" under my supervision. It is therefore ready for submission to the University for Examination.

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Date: 2nd AUG. 2024

## DEDICATION

I wish to dedicate this piece of work to my beloved parent Mrs. Naigaga Rehema, the late Mugoya Rashidi, My Uncle Belyegisagha Beeza William Kisambira, and brother Moses Mutumba who have given me all the support fiscally, ethically and mystically during this challenging time of the study and also the detriment and fortitude they unveiled towards me during my time of study.

I also devote this work to my supervisor Mr. Emusugut Desterio thank you so much for the great support that you rendered to me. I wouldn't have managed to make it without your help. May the Almighty ALLAH reward you copiously?

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## DEDICATION.

I dedicate this great work to the almighty God for the gift of life, my parents, relatives, friends, mercies and perseverance to him be the Glory.

## LIST OF ACRONYMS

NGOs:	Non-Governmental Organizations.
NPO:	Non-Profit Organizations.
EU:	European Union
LNGOs:	Local Non-Governmental Organizations
MUCOBADI:	Multi-Community Based Development Initiative.
IV:	Independent Variable
DV:	Dependent Variable
RBT:	Resource Based Theory
USAID:	United Nation's Agency on International Development
VRIN:	Valuable Rare Inimitable and Non-Substitutable.
CVI:	Content Validity Index
SS:	Sample Size.
TP:	Target Population
F.S:	Financial Sustainability
C.B:	Capacity Building
MOU:	Memorandum of Understanding

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## ABSTRACT

The study examined the effect of capacity building on the financial sustainability of NGOs. The study was guided by the following objectives; to examine the effect of financial planning on financial sustainability, to assess the effect of fundraising potential on financial sustainability and to establish the effect of strategic donor fund management on financial sustainability of NGOs. The study used a cross-sectional research design and a quantitative approach. Data was collected from a target population of 40 employees with accessible unit of 36 of MUCOBADI, using simple random and purposive sampling techniques. Data was collected with the aid of a closed ended questionnaire and the statistical package for social sciences was employed for analyzing data from which frequency tables, descriptive statistics (mean and standard deviation, reliability, validity, correlation and regression results were obtained). The study findings revealed that there is a positive and significant effect of capacity building on financial sustainability of NGOs. The study recommends that efforts to improve financial sustainability of NGOs depends on capacity building (financial planning, fundraising potential and strategic donor fund management). Finally, the study concludes that there is a strong predictive power that the dimensions of capacity building contribute towards enhancing financial sustainability of NGOs in Bugiri district

## CHAPTER ONE: INTRODUCTION.

### 1.0 Introduction

This chapter presented the introduction, background of the study, problem statement, purpose of the study, objectives, research questions, scope of the study, conceptual framework, significance of the study, and definitions of key terms.

### 1.1 Back ground of the Study.

Financial sustainability is vital in the achievement of an organization's strategic goal. Giacomo and Bleischwitz, (2020) define financial sustainability as the organization's capability to finance its operations through diversified revenue streams and robust financial planning. In the global arena, NGOs operations are sustained through donor funding and grants and inconsistency in such funding hinders the effective operation of projects in the organizations (Mikeladze, 2021). It's evident that the occurrence of constant threats for example covid-19 in the world economy led to financial challenges that affected NGOs making them dependent on external financial support (Gazzola et al., 2021). The hardship caused by inadequate financial resources was less felt in the past since there were enough resources to fund the organizations' projects and programs (Maboya & McKay, 2019).

In Germany, a study by Gul and Morande, (2023) conveyed that about 65% of the funding for NGOs come from public resources and when such funding is reduced they face financial instability and financing the operations to ensure sustainability becomes a challenge making them vulnerable to government funding cuts and policy changes. This dependence causes a significant risk on financial sustainability. Correspondingly, in Italy, a study by Njonge, (2023) indicated that approximately 70% of the NGOs face financial shakiness due to inconsistent funding from both government and private sectors. He suggested developing diversified income strategies and enhancing financial management systems to boost financial sustainability of NGOs.

In the sub Saharan Africa, NGOs play a crucial role in availing services which governments may not be able to provide which is hindered by a myriad of challenges including limited access to funding, weak institutional framework and socio-political instability (Soumana, 2021). In Ghana, Ebenezer et al., (2020) reported that 75% of the 56 sampled NGOs in Ghana are not financially

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