Research Square

Preprints are preliminary reports that have not undergone peer review.
They should not be considered conclusive, used to inform clinical practice,
or referenced by the media as validated information.

Determinants of Financial Management Practices in Non-Governmental Health Organizations in Tanzania

Edibily Egbert Kabyazi
Tanzania Institute of Accountancy (TIA)
David Msokwe
davidmsokwe2016@gmail.com

Tanzania Institute of Accountancy (TIA)
Gabriel Kanuti Ndimbo
University of Dar es Salaam
Beatrice Mkunde
Tanzania Institute of Accountancy (TIA)
Baraka Kamwela
Tanzania Institute of Accountancy (TIA)

Research Article

Keywords: Financial management, financial sustainability, NGOs, internal factors, external factors, Tanzania

Posted Date: August 13th, 2026

DOI: https://doi.org/10.21203/rs.3.rs-10430720/v1

License: This work is licensed under a Creative Commons Attribution 4.0 International License.
Read Full License

Additional Declarations: No competing interests reported.

Abstract

Non-Governmental Health Organizations (NGHOs) play a critical role in complementing public health systems and advancing community development; however, their financial sustainability remains constrained by donor dependence, increasing operational costs, and institutional weaknesses. This study aimed to identify the internal and external factors influencing the financial sustainability of NGHOs in Dar es Salaam, Tanzania, with particular emphasis on factors that significantly determine long-term financial resilience. From the Resource-Based View (RBV) perspective, the study employed a descriptive research design using a quantitative approach. Data were collected through a structured questionnaire administered to 243 NGHO stakeholders. Data analysis involved descriptive statistics by including the frequency and percentage distribution, mean, and standard deviation using SPSS version 26. The findings indicated that staff fundraising and financial planning skills (M = 3.78) and effective internal control mechanisms (M = 3.72) were the most influential internal factors, while macroeconomic conditions (M = 3.75), government policies (M = 3.72), and donor reliability (M = 3.62) emerged as key external determinants. Regression results showed that these factors collectively explained 22.3% of the variance in financial sustainability ($R^2 = 0.223$, $p < .001$). The study concludes that sustainable NGHO financing requires strengthening internal organizational capabilities alongside improving responsiveness to external institutional conditions. The findings highlight the need for targeted capacity development, robust financial controls, and strategic engagement with policy environments to enhance long-term sustainability.

1.0 Introduction

Non-Governmental Organizations (NGOs), particularly those operating in the health sector (NGHOs), have become indispensable actors in global socio-economic development by complementing government efforts to address complex social challenges. Their contributions extend beyond service delivery to include humanitarian assistance, health promotion, poverty reduction, advocacy, community empowerment, and strengthening governance systems. In low- and middle-income countries, NGHOs frequently operate within institutional environments characterised by resource constraints and rising demand for essential services, making them critical partners in achieving sustainable development objectives (Abiddin et al., 2022; Bano et al., 2019). In Tanzania, NGHOs have played a significant role in expanding access to healthcare, supporting vulnerable populations, creating employment opportunities, and contributing to national development priorities (White et al., 2013; Maluka et al., 2018; Jennings, 2015). However, the growing reliance on NGHOs has heightened concerns about their ability to sustain operations and deliver services in the long term.

Financial sustainability has emerged as one of the most critical challenges confronting NGOs globally. The ability of NGOs to sustain programmes, maintain operational continuity, and achieve institutional objectives is increasingly threatened by uncertain funding environments, rising service delivery costs, and changing donor priorities (Lee et al., 2023). Traditionally, NGOs in developing countries have relied heavily on external financing sources, including international donor grants, government allocations,

corporate partnerships, and philanthropic contributions (Ghanase, 2023; Kumar & Chakrabarti, 2023). Although such funding arrangements have enabled NGOs to address pressing social needs, excessive dependence on external donors creates financial vulnerability because funding decisions are often influenced by external economic conditions, geopolitical priorities, and shifting development agendas (Parks, 2008; Ullah et al., 2025). As a result, financial sustainability has evolved from merely securing funding to developing organizational capabilities that enable NGOs to mobilize, manage, and diversify resources effectively.

Evidence from developed economies demonstrates that financially sustainable NGOs often possess stronger institutional capacities, diversified revenue portfolios, professional fundraising systems, effective governance structures, and advanced financial management practices. In these contexts, supportive policy environments and established philanthropic cultures have contributed to greater organizational resilience and reduced dependence on single funding streams (Herrero & Kraemer, 2022). On the other hand, NGOs in developing countries continue to experience significant financial instability due to limited fundraising capacity, inadequate financial planning, weak internal controls, and dependency on international aid (Ghasemi et al., 2022; Muli & Musau, 2022). Recent studies suggest that organisational capabilities, including financial management competencies, accountability systems, strategic planning, and resource mobilisation skills, are central determinants of NGO sustainability because they influence the efficient allocation and long-term use of available resources (Al Maalouf et al., 2025; de Carvalho et al., 2025).

Across sub-Saharan Africa, financial sustainability remains a persistent concern despite the expanding role of NGOs in supporting public service delivery. Studies have demonstrated that inadequate financial governance, weak accountability mechanisms, limited revenue diversification, and unstable regulatory environments constrain NGO resilience and operational effectiveness (Hassan et al., 2024; Erin et al., 2024). For example, evidence from Kenya indicates that only a proportion of NGOs achieve sustained financial stability, with transparency, accountability, and donor confidence identified as significant factors influencing organizational survival (OECD, 2024). Similar challenges have been reported in Tanzania, where NGO audits have revealed weaknesses in financial documentation, compliance practices, budgeting processes, and strategic financial planning (USAID, 2018). These challenges highlight the importance of strengthening internal financial capabilities while simultaneously addressing external institutional factors that shape NGO operations.

Financial management is therefore increasingly recognized as a fundamental mechanism for achieving sustainability for NGOs. Effective financial management enables organizations to optimize resource utilization, maintain accountability to stakeholders, improve operational efficiency, and align financial decisions with strategic objectives (Mutinda & Ngahu, 2021). From a Resource-Based View (RBV) perspective, internal organizational resources, including financial expertise, staff competencies, planning capabilities, and control systems, represent strategic assets that can enhance organizational resilience and competitive advantage (Barney, 1991). However, internal capabilities alone may not guarantee sustainability, as NGOs operate within broader external environments influenced by government policies,

macroeconomic conditions, donor behavior, and institutional frameworks (Mitchell & Calabrese, 2022). Understanding the interaction between internal organizational resources and external environmental conditions is therefore essential for explaining variations in NGO financial sustainability.

Tanzania provides an important context for examining NGO financial sustainability, given the sector's growing contribution to national development. By 2022, Tanzania had thousands of registered NGOs operating across multiple sectors, including healthcare, education, and community development (Ministry of Community Development & USAID, 2022). Despite their growing importance, many NGOs continue to face financial uncertainty, raising concerns about their long-term ability to sustain essential services. While previous studies have examined NGO performance, accountability, and development contributions, there is limited empirical evidence on the specific internal and external factors that determine financial sustainability among NGHOs in Tanzania. Addressing this gap is particularly important in Dar es Salaam, where a high concentration of health-focused NGOs operate within a rapidly changing socio-economic and policy environment. Therefore, this study investigates the determinants of financial sustainability among NGHOs in Dar es Salaam, Tanzania, focusing specifically on the internal organizational and external environmental factors that influence their long-term financial resilience.

The study contributes to the growing literature on nonprofit financial sustainability by providing empirical evidence on how internal organizational capabilities and external environmental conditions jointly influence the financial resilience of NGHOs in a developing-country context. By focusing on Tanzania, the study extends existing knowledge beyond predominantly Western-based evidence and provides context-specific insights for NGO managers, policymakers, and development partners seeking to enhance the long-term sustainability of health-focused organizations.

2.0 Theoretical Framework

This study is anchored in the Resource-Based View (RBV), which provides a strategic management perspective on how organizations achieve sustained performance through the acquisition, development, and effective utilization of internal resources. Originally proposed by Barney (1991), RBV argues that organizations gain sustainable advantages when they possess resources that are valuable, rare, difficult to imitate, and non-substitutable (VRIN). These resources enable organizations to develop distinctive capabilities that enhance performance and resilience over time. Although initially developed within the context of private-sector firms, RBV has increasingly been applied in nonprofit research to explain how NGOs can build organizational capacity, improve effectiveness, and achieve long-term sustainability despite resource constraints (Mitchell & Calabrese, 2022).

Within the NGO context, financial sustainability is closely linked to the availability and effective management of strategic organizational resources. Key internal resources, including staff competencies, fundraising capabilities, financial planning expertise, internal control systems, and governance capacity, represent organizational assets that influence an NGO's ability to mobilize resources, maintain accountability, and sustain service delivery. Skilled personnel enhance fundraising effectiveness and

financial decision-making, while robust financial management and control mechanisms strengthen transparency and stakeholder confidence. From an RBV perspective, NGOs that successfully develop and integrate these capabilities are better positioned to reduce financial vulnerability and achieve greater organizational resilience.

However, while RBV emphasizes the importance of internal resources, contemporary applications recognize that interactions between internal capabilities and external institutional environments also shape organizational sustainability. For NGOs operating in developing countries, internal strengths alone may be insufficient when confronted with unstable donor environments, restrictive regulatory frameworks, or adverse macroeconomic conditions. Therefore, the value of internal resources depends partly on the extent to which organizations can adapt and align their capabilities with external opportunities and constraints. In the Tanzanian context, this implies that effective internal financial systems, competent personnel, and strong governance structures must operate alongside supportive government policies, predictable donor relationships, and favourable economic conditions.

Existing empirical evidence supports the relevance of examining both internal capabilities and external influences in understanding NGO sustainability. However, much of the available evidence originates from developed economies, where NGOs often operate within mature philanthropic systems, diversified funding environments, and stronger institutional frameworks (Salamon, 2023). Conversely, NGOs in Sub-Saharan Africa frequently experience greater financial vulnerability due to donor dependency, limited resource mobilization capacity, and institutional challenges (Banks & Hulme, 2021). Although Tanzanian NGOs have become increasingly important actors in healthcare and socio-economic development (URT, 2015), empirical evidence remains limited regarding the specific internal and external determinants that explain variations in their financial sustainability. This study addresses this gap by applying the RBV perspective to investigate how organizational capabilities and external environmental factors influence the financial sustainability of NGHOs operating in Dar es Salaam, Tanzania.

3.0 Material and Methods

3.1 Study area

The study was conducted in the Dar es Salaam region because it is the hub of both local and international NGOs in Tanzania. According to data from the Tanzania National Bureau of Statistics (NBS, 2024) and the NGO Coordination Board, Dar es Salaam hosted over 48% of the registered NGHOs in the country, with more than 7,000 NGHOs operating within its boundaries. This made it the region with the highest concentration of NGHOs, significantly more than other regions such as Dodoma (13%) and Arusha (9%). The high density of NGHOs in Dar es Salaam enhanced the feasibility of the research by providing access to a large and diverse sample, which increased the generalizability of the study's findings to the broader NGO sector in Tanzania. The central location of NGO headquarters in Dar es Salaam also reduced travel distances, lowering transportation and logistical costs by an estimated 30% compared to conducting the study in more geographically dispersed regions.

Furthermore, NGHOs in Dar es Salaam were known to have higher response rates to research inquiries, typically exceeding 75% in previous studies in the region. This high engagement yielded a robust dataset, ensuring the validity of the research outcomes. The concentration of diverse NGO types, ranging from health, education, environmental, and human rights organizations, enabled richer data collection and deeper insights into financial sustainability practices across sectors. This statistical backdrop underscored the strategic and practical reasons for selecting Dar es Salaam as the study location.

3.2. Sample size determination

The study employed purposive sampling to select respondents, ensuring the inclusion of individuals with specialized knowledge and experience relevant to financial sustainability in NGOs. Purposive sampling was appropriate given the limited population directly involved in audit processes and governance, enabling the selection of key stakeholders who could provide reliable, insightful information. In line with research objectives, this technique enhanced the study's focus and effectiveness. A total of 243 NGHO respondents from the total population of 620 in lower positions, such as Health Officers (Table 1), were purposively selected and involved in data collection in the Dar es Salaam region using Yamane's (1967) formula, as shown below:-

$$n = \frac{N}{1 + N\,x\,(e)^2}$$

Where n = Sample size, N = Population size, e = Accepted sampling error (5%)

$$n = \frac{620}{1 + 620\;0.05^2} = 243$$

The population from which the sample was drawn is presented in Table 1.

Table 1
The sample of the population involved in the study

Respondent Role	Population	Sample Size	Sampling Technique
Receptionists and customer care	153	60	Stratified Random
Health Officers	128	50	Stratified Random
Accountants	102	40	Stratified Random
Management team	135	53	Stratified Random
Financial Officers	102	40	Stratified Random
Total	620	243	

Guided by a descriptive research design, the study focused on NGHOs in Dar es Salaam and prioritized respondents with first-hand financial oversight. Purposive sampling was adopted to deliberately target

role-holders with specialized knowledge, an approach suited to focused populations and aligned with the study's objective of eliciting informed, relevant evidence (Babbie, 2021; Silverman, 2020; Neuman, 2020). Data were gathered through a structured, closed-ended questionnaire administered to NGO managers and finance staff, consistent with the survey strategy in the study. Confidentiality and academic-only use were emphasized via an introduction letter from the management of Tanzania Institute of Accountancy, and anonymity was assured throughout. The dataset was prepared and analyzed in SPSS using descriptive statistics (frequencies, means, and standard deviations) and inferential techniques (correlations and multiple regression) to test relationships among factors and financial sustainability. Consistent with standard sampling guidance that treats a sample as a subset of the population (Saunders et al., 2015), the study drew 243 NGHO respondents from the population of 620 in lower positions such as Health Officers in the Dar es Salaam region using Yamane's (1967) formula.

3.3 Description of variables

In testing the association between internal or external factors and financial sustainability, all responses were coded in SPSS (Windows v26) to simplify analysis and ensure consistent measurement across constructs. In this article, the variables include respondent role, organization type, internal factors (staff fundraising & financial-planning skills; internal control mechanisms), external factors (donor support reliability; government policy & tax favorability; macroeconomic conditions), and the dependent variable (overall perception of financial sustainability). These variables were measured on different scales as summarised below. Table 2 is illustrative.

Table 2
Measurement and operationalisation of variables

Variable	Responses	Coding	Type of scale
Respondent role	Program Manager; Grant Manager; Accountant; Finance Officer; Management Team	1; 2; 3; 4; 5	Categorical / Nominal
Organization type	Local NGO; International NGO	1; 2	Categorical / Nominal
Donor support reliability	Strongly Disagree; Disagree; Neutral; Agree; Strongly Agree	1; 2; 3; 4; 5	Ordinal (Likert)
Government policy & tax favorability	Strongly Disagree; Disagree; Neutral; Agree; Strongly Agree	1; 2; 3; 4; 5	Ordinal (Likert)
Macroeconomic conditions affect finances	Strongly Disagree; Disagree; Neutral; Agree; Strongly Agree	1; 2; 3; 4; 5	Ordinal (Likert)
Staff fundraising & financial-planning skills	Strongly Disagree; Disagree; Neutral; Agree; Strongly Agree	1; 2; 3; 4; 5	Ordinal (Likert)
Internal control mechanisms are effective	Strongly Disagree; Disagree; Neutral; Agree; Strongly Agree	1; 2; 3; 4; 5	Ordinal (Likert)
Financial sustainability (overall perception)	Strongly Disagree; Disagree; Neutral; Agree; Strongly Agree	1; 2; 3; 4; 5	Ordinal (Likert)

3.4. Validity, reliability and ethical consideration

The study obtained permission letters and informed consent and ensured voluntary participation, anonymity, and the confidentiality of data handling. Validity was strengthened through methodological triangulation (survey + document review), expert-reviewed content, a pilot test (with wording/timing refinements), and translation/back-translation where applicable. Reliability was confirmed via Cronbach's alpha ($\alpha \geq 0.70$) for all multi-item scales, supported by standardized field protocols, a coding manual with double-entry checks, and SPSS syntax logs. Results were interpreted against prior literature (theoretical triangulation), reinforcing overall validity, reliability, and ethical rigour.

4.0 Results

4.1 Demographic profiles of respondents

The study examined the effect of financial sustainability strategies such as resource mobilisation, internal controls and budgeting on the respondents' organisational positions and human capital. A profile of a sample of 243 NGHO staff in Dar es Salaam was built on the basis of three criteria: work roles, education level, and work experience. Such variables affect directly financial decision making, implementation and sustainability.

Table 3
Demographic profiles of respondents

Category	Sub-category	Frequency	Percentage
Positions	Receptionists and customer care	60	24.7
	Health Officers	50	20.6
	Accountants	40	16.5
	Management team	53	21.8
	Financial Officers	40	16.4
Total		**243**	**100.0**
Education levels	Diploma	56	23
	Undergraduate degree	99	40.7
	Master's degree	63	25.9
	Degree of Philosophy (PhD)	25	10.4
Total		**243**	**100.0**
Work experience	Below 1 year	35	14.4
	1–2 years	67	27.6
	2–3 years	76	31.3
	4 + years	65	26.7
Total		243	100.0

The distribution of 243 respondents according to job roles and education is presented in Table 3, which indicates the influence of organisational responsibility on financial management practices. There were 60 receptionists and customer care staff (24.7%), 50 health officers (20.6%), 40 accountants (16.5%), 53 management team members (21.8%) and 40 finance officers (16.4%). The education levels revealed a highly competent workforce, with 99 respondents (40.7%) holding Bachelor's degrees, 56 (23.0%) Diplomas, 63 (25.9%) Master's degrees and 25 (10.3%) PhDs, indicating a strong intellectual capital among NGHOs. The work experience added further to the profile with 35 respondents (14.4%) having less than one year, 67 (27.6%) one to two years, 76 (31.3%) two to three years and 65 (26.7%) more than four years of professional maturity. This blend of fresh ideas and seasoned know-how was critical to budgeting, donor compliance and internal controls. The combination of the role mix, higher education and diverse tenure together provides a good platform for understanding financial sustainability amongst NGHOs in Dar es Salaam with a focus on human capital as a key predictor of organisational performance.

4.2 Internal and External Factors Influencing Financial Sustainability of NGHOs

This study aimed to examine the internal and external factors influencing the financial sustainability of NGHOs. Respondents were asked during the field survey to rank five statements that indicated internal and external variables to assess perceptions of financial sustainability. These were measured using a 5-point Likert scale (1 = Strongly Disagree … 5 = Strongly Agree). The statements are: (i) donor support; (ii) government policies and tax regimes; (iii) internal control systems; (iv) staff capabilities in fundraising and financial planning; and (v) macroeconomic conditions (inflation, exchange rates) affecting stability. The approach of using Likert scales and itemisation of possible answers allowed the study to rigorously measure the key drivers of financial sustainability from multiple angles. The results in terms of mean and standard deviation based on respondents' responses are presented in Table 4.

Table 4
Internal and External Factors Influencing Financial Sustainability

Factor (item stem abridged)	Mean	Std. Deviation
Reliable donor support	3.62	1.205
Government policies & tax frameworks are favorable	3.72	1.197
Effective internal control mechanisms	3.72	1.126
Staff fundraising & financial-planning skills	3.78	1.108
Macroeconomic factors affect our financial stability	3.75	1.131

4.2.1 Reliable support from donors

Donor money remains a critical source of finance for Non-Governmental Health Organisations. Donor funding provides the financial backbone to sustain programme continuity and steady cash flow. The respondents largely agreed with this idea yet the moderate mean score (M = 3.62) was the lowest among the five factors examined. The warning is that groups are aware of the risks of relying too much on external funding, especially when global priorities change and some donors pull back. The story of the dataset clearly says that donor support is crucial but "not sufficient" alone. This has led to increasing interest in complementing internal tactics such as income-generating ventures and strategic alliances. To summarise, donor funding is regarded as necessary, but not adequate, thus highlighting the necessity of varied financial strategies for long-term sustainability in Tanzania's NGHOs.

4.2.2 Government policies and tax frameworks

The financial viability of Non-Governmental Health Organisations is largely dependent on the policies and tax systems of governments. The mean score of M = 3.72 suggests that respondents generally perceived the policy and fiscal environment as significant to organisational resilience. Supportive

measures, such as tax breaks, simplified registration procedures and explicit legal recognition, serve to decrease administrative burdens and release more resources for service delivery. But bureaucratic delays and discrepancies increase operational expenses and may dissuade external funding, threatening financial stability. This research highlights the role of government policy as an external sustainability factor and a key advocacy goal for NGOs. Engaging with policymakers to establish conducive frameworks can enable businesses to strengthen their financial position and reduce vulnerability to regulatory inefficiencies. In brief, the policy environment is identified as a critical component in promoting the long-term viability of NGHOs in Tanzania.

4.2.3 Internal control mechanisms

Internal control methods are commonly accepted as essential to the protection of organisational resources and the assurance of accountability in financial management. The mean score of M = 3.72 suggested that respondents agreed that robust internal controls, such as clear accounting systems, periodic audits and effective oversight, are important in preventing misuse and in building donor trust. Funding chances are improved and organisational legitimacy enhanced by reliable reporting and demonstrable compliance. Poor controls, in contrast, increase the risks of fraud, poor management and damage to reputation thereby threatening financial and operational stability. These findings underline that the internal governance competence is the basis of financial resilience beyond simple compliance needs. By putting in place strong internal control systems, NGHOs in Tanzania may increase donor confidence, limit their exposure to financial risks and lay the foundation for a more sustainable future.

4.2.4 Staff skills in fundraising and financial planning

The ability of staff to fundraise and prepare financially are important factors in determining whether an institution can survive. This component obtained the highest rating (M = 3.78) and shows that competent staff can mobilise resources and manage funds well through competitive proposals and credible budgets, realistic cash flow predictions and contingency planning. Without these abilities organisations are at risk of not being able to identify financing prospects and failing to meet donor requirements, thereby threatening their financial sustainability. The findings emphasise the need for continued staff development and professionalisation of finance responsibilities to boost resilience of organisations. NGHOs in Tanzania can increase their fundraising capacity, stay compliant and persist in the long run if they invest in capacity building.

4.2.5 Macroeconomic factors (inflation, exchange rates)

The macro-economic environment has a strong influence on the financial sustainability of Non-Governmental Health Organisations. Changes in inflation and exchange rates immediately impact organisational operations and respondents strongly rated (M = 3.75) this. Inflation raises operating costs like rent, fuel, and salaries, while currency volatility erodes the local value of foreign-currency grants. The financial stability is also constrained by some donors that are cutting back their pledges in periods of economic depression. The results underscore the necessity of adaptive financial planning and income diversification as mechanisms to cushion against volatility, given the non-controllable character of these

external shocks. To summarise, macroeconomic issues are acknowledged as crucial external drivers of sustainability, highlighting the necessity for resilience-oriented financial management among NGHOs in Tanzania.

4.3 Relationship between internal and external factors and overall sustainability

The interaction of internal and external influences is significant for the overall financial sustainability assessment of Non-Governmental Health Organisations. Descriptive statistics (Table 4) indicate that respondents generally agree that each element has a meaningful contribution to organisational resilience. At the model level in Table 5, the factor block was a significant predictor of financial sustainability (R2 = 0.223; Adj. R2 = 0.198; F (15,227) = 4.37; p < .001). This confirms a direct and meaningful relationship between the aggregated determinants and NGO financial sustainability in Dar es Salaam. Such results are indicative of the fact that sustainability is not a matter of single factors but a consequence of the interaction of internal capacities and external situations. To summarise, the data emphasises the importance of the holistic integration of organisational practices with the wider legislative and economic context for the financial resilience of NGHOs.

Table 5
Model summary (internal & external factors → financial sustainability)

Model	R^2	Adjusted R^2	F	df1	df2	Sig.
Full predictors block	0.223	0.198	4.37	15	227	< .001

As per model summary in Table 5, the high mean score for staff capacity points to the centrality of people and systems in NGOs, while the high rating for macroeconomic issues highlights the exposure to national and global shocks. Donor support is still relevant, but its reduced average value reflects a realistic caution against overdependence. Sustainability hence demands the expansion of revenue base, internal governance and adaptable measures. Such interpretations are consistent with the broader findings of the study that highlight revenue diversification, capacity development and partnerships as key avenues to strengthening resilience among NGHOs working in Dar es Salaam.

5.0 Discussion of Findings

This study examined the internal and external determinants influencing the financial sustainability of Non-Governmental Health Organisations (NGHOs) in Dar es Salaam, Tanzania. The findings demonstrate that financial sustainability is not solely a function of external funding availability but rather emerges from the interaction between organizational capabilities and environmental conditions. The regression results indicate that internal and external factors collectively explain 22.3% of the variation in NGO financial sustainability, suggesting that organizational resilience depends on multiple interconnected dimensions. This finding supports the Resource-Based View (RBV), which argues that organizations achieve sustained performance by developing valuable internal resources while effectively responding to

external opportunities and constraints (Barney, 1991). In the nonprofit context, this implies that NGOs require both internal capabilities and supportive institutional environments to maintain financial stability.

The finding that staff fundraising and financial planning skills represent the strongest internal factor influencing financial sustainability highlights the strategic importance of human capital within NGOs. In resource-constrained environments, skilled personnel enable organizations to identify funding opportunities, prepare competitive proposals, manage budgets effectively, and establish credible relationships with donors and partners. This finding aligns with Mitchell and Calabrese (2022), who argue that nonprofit financial sustainability depends heavily on managerial competencies, financial expertise, and strategic resource mobilization capabilities. Similarly, Lecy and Searing (2015) found that nonprofit organizations with stronger managerial capacities are better able to secure resources and sustain their missions. The current findings extend this argument by demonstrating that, within the Tanzanian NGHO context, staff capabilities remain a central organizational asset for navigating competitive, uncertain funding environments.

The importance of internal control mechanisms identified in this study further confirms the role of governance and accountability systems in NGO financial sustainability. Respondents perceived effective internal controls as a significant contributor to sustainability, underscoring the importance of transparent financial management, robust auditing systems, and responsible resource use. This finding is consistent with Ebrahim (2020), who emphasizes that accountability mechanisms are essential to maintaining legitimacy and stakeholder trust in nonprofit organizations. Similarly, Cordery and Sim (2018) note that strong accountability practices enhance organizational credibility and strengthen relationships with external stakeholders. In developing-country NGO contexts, where donor confidence is closely linked to financial transparency, effective internal controls may serve as an important mechanism for organizations to secure continued support and reduce financial vulnerability.

The study also found that macroeconomic conditions significantly influence NGO financial sustainability. The relatively high rating assigned to inflation, exchange rate fluctuations, and broader economic instability indicates that NGHOs remain exposed to external economic pressures. This finding reflects the vulnerability of NGOs operating in developing economies, where many organizations depend on externally funded programmes and face rising operational costs. Banks and Hulme (2021) argue that NGOs in low-income countries operate in highly uncertain environments, where changes in global aid flows and economic conditions can significantly affect organizational survival. Similarly, Brinkerhoff and Brinkerhoff (2019) note that civil society organizations often experience sustainability challenges because they must simultaneously respond to social demands while operating within unstable political and economic contexts. The findings therefore suggest that financial sustainability strategies should include mechanisms for managing economic uncertainty, such as financial forecasting, contingency planning, and revenue diversification.

Government policies and regulatory conditions were also identified as important external determinants of NGO sustainability. This finding reinforces the argument that NGOs do not operate independently from

institutional environments but are embedded within regulatory and policy systems that influence their ability to function effectively. Supportive government policies can facilitate NGO operations through improved registration processes, collaboration frameworks, and favourable operating conditions, while restrictive regulations may increase administrative burdens and limit innovation. This finding corresponds with the institutional perspective of nonprofit organizations, which emphasizes that organizational survival depends partly on legitimacy and alignment with external institutional expectations (DiMaggio & Powell, 1983). Recent evidence also suggests that regulatory environments significantly influence the ability of NGOs to diversify funding sources and establish sustainable partnerships (Banks & Hulme, 2021).

Although donor reliability was identified as an important determinant, it received the lowest mean score among the examined factors. This finding provides an important insight into the changing nature of NGO financing in developing countries. While donors remain essential sources of financial support, excessive dependence on external funding may create long-term vulnerability because donor priorities are often influenced by international development agendas, economic cycles, and geopolitical changes. The finding supports earlier arguments that NGO sustainability requires movement beyond donor dependency towards more diversified and locally embedded financing models (Banks & Hulme, 2021; Mitchell & Calabrese, 2022). For NGHOs in Tanzania, this suggests the importance of strengthening internal fundraising capabilities, developing strategic partnerships, and exploring complementary financing approaches while maintaining productive donor relationships.

Overall, the findings contribute to the growing literature on nonprofit financial sustainability by demonstrating that NGO resilience requires a combination of internal capability development and adaptation to external environmental conditions. Previous studies have often examined either organizational capacity or external funding environments independently; however, this study integrates both dimensions within a developing-country health NGO context. By applying RBV to explain sustainability outcomes, the study demonstrates that internal resources such as staff expertise and financial control systems remain valuable strategic assets, but their effectiveness depends on the broader institutional and economic environment in which NGOs operate.

5.1 Contribution and Implications of the Study

The study contributes to the literature on the financial sustainability of NGOs by providing theoretical, empirical and practical insights consistent with global development agendas and national policy frameworks. Some details on various dimensions of the study contribution and Implications are presented hereunder:-

The study extends the Resource-Based View in theory by showing that internal organisational resources interact with external environmental variables to determine sustainability results. This is consistent with SDG 16 (Peace, Justice and Strong Institutions) that stresses the significance of responsible and

transparent institutions and SDG 17 (Partnerships for the Goals) that highlights the need for resource mobilisation and partnership.

The article includes empirical evidence from Tanzanian NGHOs, which is a context rarely represented in nonprofit sustainability research frequently dominated by evidence from wealthy economies. This contribution is of special importance to Tanzania's National Development Vision 2025 and the Health Sector Strategic Plan (Tanzania HSSP V_2021–2026), which acknowledge NGOs as important partners in service delivery and community development. The study increases the evidence base for inclusive, locally based approaches to sustainability by contextualising findings within this policy setting.

In practical terms, the findings provide a roadmap for NGO management, policymakers and development partners to pinpoint areas of focus in building financial resilience. These include investment in personnel capacity development, enhanced internal control mechanisms, proactive financial planning and supportive policy involvement. These initiatives are contributing directly to SDG 3 (Good Health and Well-Being) through the continuity of health services, and at the same time furthering Tanzania's NGO Policy (2001) that stresses increased accountability and engagement between government and civil society.

To summarise, the paper argues that sustainable NGO operations are based on a balanced approach that includes organisational capacity building and supportive external institutional environments. Based on the research, the paper discusses the relevance of the findings to SDGs and national policy frameworks and the importance of financial sustainability in enhancing the resilience and effect of NGHOs in Tanzania at a global and local level.

5.2 Limitations and Future Research Directions

Despite providing important insights, this study has several limitations that should be considered when interpreting the findings. First, the cross-sectional design limits the ability to establish causal relationships between identified determinants and financial sustainability because data were collected at a single point in time. Future studies could adopt longitudinal designs to examine how changes in funding patterns, organisational capabilities, and economic conditions influence sustainability trajectories over time. Second, the study relied on self-reported perceptions from NGO personnel, which may introduce response bias arising from subjective assessments of organisational performance. Future research could incorporate objective financial indicators, such as revenue diversification ratios, liquidity measures, funding concentration indices, and audited financial records, to provide stronger evidence of financial sustainability. Third, the study focused on NGHOs in Dar es Salaam, which may limit generalisation to NGOs operating in rural or less economically developed regions of Tanzania. Comparative studies across different geographical contexts and NGO sectors would provide a deeper understanding of how institutional environments shape sustainability outcomes.

6.0 Conclusion and Recommendations

The findings demonstrate that staff fundraising and financial planning skills, internal control mechanisms, government policy conditions, macroeconomic factors, and donor reliability collectively contribute to NGO financial sustainability. However, the relatively stronger influence of internal capabilities suggests that NGOs should not rely exclusively on external funding but should also strengthen organisational resources that enhance resilience and adaptability. This study concludes that a combination of internal organisational capabilities and external environmental conditions influences financial sustainability among NGHOs in Tanzania. The study reinforces the importance of viewing financial sustainability as a strategic organisational capability rather than merely a funding challenge.

Based on these findings, NGHOs should prioritize continuous investment in staff development, particularly in fundraising, financial planning, and resource mobilization. Organizations should also strengthen internal governance systems by improving financial controls, implementing transparent reporting mechanisms, and conducting regular financial monitoring. At the policy level, government institutions should promote enabling regulatory environments that encourage NGO partnerships, innovation, and funding diversification. Development partners should similarly support capacity-building initiatives rather than focusing exclusively on short-term programme financing. These measures would enhance NGHOs' ability to achieve long-term financial resilience and maintain their contributions to healthcare delivery and sustainable development in Tanzania.

Declarations

Ethical approval:

All procedures performed in studies involving human participants were in accordance with the ethical standards of the Tanzania Institute of Accountancy (TIA). The study was approved by the TIA Research Ethical Committee (TIA-REC) approval no DARE/2025/020.

Consent to Participate:

All participants provided informed consent to participate in this study.

Consent to Publish:

Not applicable

Competing interests:

The authors declare no competing interests.

Clinical trial declaration

Not applicable

Clinical trial number

Not applicable

Funding:

The authors declare that they received no funding for this study

Author Contribution

E.K wrote and defended in different scholarly panels for validation.D.M wrote the manuscript and edited it.G.N edited and validated.B.M added more inputs in non-governmental organisationsB.K supported the data collection task

Data availability:

The datasets used and/or analysed during the current study are available from the corresponding author on reasonable request.

References

1. Abiddin NZ, Ibrahim I, Abdul Aziz SA. Non-governmental organisations (NGOs) and their part towards sustainable community development. Sustainability. 2022;14(8):4386.
2. Al Maalouf NJ, Sawaya C, Elia J. (2025). Evaluating the influence of organisational capability on fundraising success in lebanese non-governmental organisations. Heliyon, *11*(2).
3. Arhin AA, Kumi E, Adam MAS. Facing the bullet? Non-governmental organisations' (NGOs') responses to the changing aid landscape in Ghana. Voluntas. 2018;29(2):348–60. https://doi.org/10.1007/s11266-018-9966-1.
4. Babbie ER. The practice of social research. 15th ed. Boston, MA: Cengage Learning; 2021.
5. Banks N, Hulme D. NGOs, states, and donors revisited: Still too close for comfort? World Dev. 2021;126:104739. https://doi.org/10.1016/j.worlddev.2019.104739.
6. Barney J. Firm resources and sustained competitive advantage. J Manag. 1991;17(1):99–120. https://doi.org/10.1177/014920639101700108.
7. Bowman W. Financial capacity and sustainability in nonprofit organisations. Nonprofit Manag Leadersh. 2021;31(4):567–84. https://doi.org/10.1002/nml.21456.
8. Brinkerhoff DW, Brinkerhoff JM. Public-private partnerships: Perspectives on purposes, publicness, and good governance. Public Adm Dev. 2019;39(4–5):211–22. https://doi.org/10.1002/pad.1853.

9. Chanase G. Exploring the potential effects of international donor funding on local NGO mission creep in Ghana. J Afr Political Econ Dev. 2023;8(1):1–15.
10. Cordery CJ, Sim D. Dominant stakeholders, activity and accountability in nonprofit organisations. Acc Auditing Account J. 2018;31(2):521–46. https://doi.org/10.1108/AAAJ-03-2017-2876.
11. Creswell JW, Creswell JD. Research design: Qualitative, quantitative, and mixed methods approaches. 5th ed. Sage; 2018.
12. de Carvalho ACG, Cassânego VM, Moralles HF, de Nascimento M. D. L. (2025). From Collaboration to Capability: The Role of NGO Partnerships in Enhancing Operational Environmental Management. Technol Soc, 103107.
13. Ebrahim A. Measuring social change: Performance and accountability in nonprofit organisations. Ann Rev Sociol. 2020;46(1):463–84. https://doi.org/10.1146/annurev-soc-121919-054832.
14. Erin O, Adegboye A, Uwuigbe U. (2024). Public sector transparency and sustainable development: a focus on Sub-Saharan Africa. J Public Affairs, 24(1), e2885.
15. Ghasemi M, Ngegah Marie AM, Rokni L. The necessity of governance thorough internal control and accountability in NGOs: A case of Buea sub-division Cameroon. Sustainability. 2022;14(18):11264.
16. Harb Y, Khabbaz L, Azouri M, Estephan S. (2026). Sustaining nonprofit organizations: Strategic, managerial and financial perspectives. PLoS ONE, 21(1), e0339885.
17. Hassan AOP, Akintola MA, Hassan HB. Benchmarking public service delivery in Sub-Saharan Africa: A critical evaluation. Int J Res Innov Social Sci. 2024;8(7):2248–58.
18. Herrero M, Kraemer S. Beyond survival mode: Organisational resilience capabilities in nonprofit arts and culture fundraising during the Covid-19 pandemic. Nonprofit Manage Leadersh. 2022;33(2):279–95.
19. Jennings M. The precariousness of the franchise state: voluntary sector health services and international NGOs in Tanzania, 1960s–mid-1980s. Soc Sci Med. 2015;141:1–8.
20. Kumar A, Chakrabarti S. Charity donor behavior: A systematic literature review and research agenda. J Nonprofit Public Sect Mark. 2023;35(1):1–46.
21. Lecy JD, Searing EAM. Anatomy of the nonprofit sector: Organisational capacity and financial sustainability. Nonprofit Voluntary Sect Q. 2015;44(5):1051–71. https://doi.org/10.1177/0899764014568141.
22. Lee J, Park YJ, Kim SE. Volunteers and resource management competencies of nonprofit organisations during challenging times. Nonprofit Manage Leadersh. 2023;34(1):107–29.
23. Maluka S, Chitama D, Dungumaro E, Masawe C, Rao K, Shroff Z. Contracting-out primary health care services in Tanzania towards UHC: how policy processes and context influence policy design and implementation. Int J Equity Health. 2018;17(1):118.
24. Mitchell GE, Calabrese TD. NGO sustainability: External environments, accountability, and financial resilience. Nonprofit Policy Forum. 2022;13(2):201–25. https://doi.org/10.1515/npf-2022-0025 . (doi.orgin Bing).

25. Muli J, Musau S. Internal Controls and Financial Management of Humanitarian Non-Governmental Organisations in Nairobi City County, Kenya. Afr J Emerg Issues. 2022;4(10):105–25.
26. National Bureau of Statistics (NBS). Statistical report on non-governmental organisations in Tanzania. Dodoma: Government Printer; 2024.
27. Neuman WL. Social research methods: Qualitative and quantitative approaches. 8th ed. Boston, MA: Pearson; 2020.
28. OECD. Development co-operation report 2022: Lessons learned in building resilience. Paris: OECD Publishing; 2022. https://doi.org/10.1787/0f535f3d-en.
29. OECD. Development co-operation report 2024: Financing sustainable development. Paris: OECD Publishing; 2024. https://doi.org/10.1787/9f5f3d4e-en.
30. Organisation for Economic Co-operation and Development (OECD). Development co-operation report 2022: Lessons learned in building resilience. Paris: OECD Publishing; 2022. https://doi.org/10.1787/0f535f3d-en.
31. Parks T. The rise and fall of donor funding for advocacy NGOs: Understanding the impact. Dev Pract. 2008;18(2):213–22.
32. Salamon LM. The resilient sector revisited: The new face of nonprofit America. Washington, DC: Brookings Institution; 2023.
33. Saunders M, Lewis P, Thornhill A. Research methods for business students. 7th ed. Harlow, England: Pearson Education Limited; 2015.
34. Silverman D. Interpreting qualitative data. 6th ed. London: SAGE; 2020.
35. Ullah AMA, Ibrahim K, Islam M. (2025). Foreign Aid in Global Development: Empowerment or Entrapment? Alternatives, 03043754251379159.
36. United Nations. Sustainable Development Goals. United Nations; 2015. https://sdgs.un.org/goals.
37. United Nations. Transforming our world: The 2030 Agenda for Sustainable Development. United Nations; 2015. https://sdgs.un.org/2030agenda.
38. United Republic of Tanzania (URT). National policy on non-governmental organisations. Dodoma: Ministry of Community Development, Gender, Women and Special Groups; 2015.
39. United States Agency for International Development (USAID). Tanzania NGO sector assessment: Financial documentation, compliance, and strategic planning challenges. Washington, DC: USAID; 2018.
40. White J, O'Hanlon B, Chee G, Malangalila E, Kimambo A, Coarasa J, McKeon K. Private health sector assessment in Tanzania. World Bank; 2013.
41. Yamane T. Statistics: An introductory analysis. 2nd ed. New York: Harper & Row; 1967.