REVIEWED JOURNAL INTERNATIONAL of BUSINESS MANAGEMENT
ISSN 2663-127X
Vol. 6, Iss. 1 (2025), pp 679 – 696, July 11, 2025. www.reviewedjournals.com, ©Reviewed Journals

EFFECT OF BUDGET ALLOCATION SKILLS ON ORGANIZATION PERFORMANCE OF NON-GOVERNMENTAL ORGANIZATIONS IN RWANDA. A CASE OF FAMILIES SUPPORTED BY HOPE AND HOMES FOR CHILDREN

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Accepted: June 18, 2025

DOI: https://doi.org/10.61426/business.v6i1.374

ABSTRACT

This study investigated the effect of budget allocation skills on the organizational performance of non-governmental organizations (NGOs) in Rwanda, with a specific focus on families supported by Hope and Homes for Children. Effective budget allocation is a critical component of financial management that influences how resources are distributed to achieve organizational goals. NGOs in Rwanda often face challenges in managing limited funds, which can hinder their service delivery and long-term sustainability. The significance of this study is to provide insights on how financial capacity influences the organizational performance of NGOs in Rwanda, offering guidance for strategic decision-making and enhancing the effectiveness of social support programs. The study was guided by agency theory. The study adopted a descriptive survey design and the sample size of 88 respondents was obtained from a population of 114 employees using the Yamane formula. Stratified random sampling was applied in choosing the respondents. The investigation employed both primary and secondary data. The questionnaire was employed to collect primary data, while the secondary data form was employed to collect secondary data. In order to guarantee that survey items consistently measure the same construct, reliability was assessed through internal consistency tests employing Cronbach's alpha. In order to verify that the survey items accurately represent the constructs of financial capacity and organizational performance, content validity was evaluated through expert reviews. Furthermore, construct validity was assessed through factor analysis to confirm that the survey instruments accurately represent the theoretical constructs they are designed to quantify. The financial capacity and organizational performance data was summarized using descriptive statistics, such as the mean, median, and standard deviation, in SPSS version 25. In order to investigate the correlations between organizational performance and financial capacity, inferential statistics, including correlation analysis and multiple regression, was implemented. Descriptive statistics, including means, standard deviations, and frequencies, was employed to summarize the demographic characteristics of participants and survey responses used in data presentation. These results were presented in forms of scatterplots and tables. The *findings from the regression analysis indicate that budget allocation skills and debt management have a significant positive impact on organizational performance, while seed capital supply does not appear to have a statistically significant effect. Specifically, budget allocation skills have a strong positive effect, with an unstandardized coefficient of 0.703 and a highly significant p-value of 0.000, suggesting that improved budgeting practices are crucial for enhancing organizational performance. The findings revealed a positive and statistically significant relationship between budget allocation skills and organizational performance. The study concludes that strong budgeting skills—such as prioritizing expenditures, forecasting, and aligning resources with program needs—enhance efficiency, accountability, and service delivery. It recommends strengthening financial capacity through training and the adoption of modern budgeting tools to improve the performance of NGOs in Rwanda.*

Keywords: *Budget Allocation, Organizational Performance, Non-Governmental Organizations (NGOs), Financial Management, Hope and Homes for Children*

CITATION: Mutesi, G. M., Njenga, G. S., & Kirabo, J. (2025). Effect of budget allocation skills on organization performance of non-governmental organizations in Rwanda. A case of families supported by Hope and Homes for Children. *Reviewed Journal International of Business Management*, 6 (1), 679 – 696. https://doi.org/10.61426/business.v6i1.374

BACKGROUND OF THE STUDY

Globally, the non-benefit area has experienced exceptional advancement throughout ongoing many years, expressly among affiliations that render human organizations (Otley, 2022). These associations are seldom judged exclusively by their monetary presentation; all things considered, their value is estimated by the viability of administrations delivered and how effective they can accomplish their central goal. NGOs primarily attempt their endeavours in type of tasks. Kerzner (2018) states that the portrayal of task achievement has been refined to incorporate achievement inside a predefined period, indicated execution prerequisites and the inside costs as planned. Logically, magnanimous relationship, for instance, NGOs are depended upon to use interesting resources and acknowledge monetary substances into account as they make common sense choices (Wes, 2018).

In recent years, the global landscape for NGO funding has experienced significant shifts. Traditional sources of funding, such as government grants and international aid, have become more competitive and unpredictable due to economic downturns and shifting political priorities (Gronbjerg, 2018). Consequently, NGOs are increasingly exploring diversified funding strategies, including private donations, corporate partnerships, and social enterprise activities, to mitigate financial risks and enhance their financial stability (Deephouse & Suchman, 2023). The ability to effectively manage and mobilize financial resources is therefore more crucial than ever for sustaining operations and achieving long-term goals.

Global Perspective

According to Jennings (2018), monetary assets are validated as being viewed as a core asset for virtually every foundation and group. In a departure from the norm, this enormous resource is sometimes botched and mismanaged by people who have been given authority over it (Tevel, Katz & Brock, 2014). High-quality fuel and consistent support are provided by the effective management of an association's financial resources to guarantee meaningful operations. In the event that records are not completed and submitted on time, an organization may encounter challenges that have the potential to significantly affect its activities and progress (Lipera, 2014). The administration of finances is one of the most important steps toward progress in any relationship.

Financial management, as defined by Verbruggen and Christiaens (2022), is the systematic arrangement, quantification, control, and supervision of cash-related assets to achieve certain goals and maintain transparency on progress. Controlling the activities of a connection that are financially related, such as the acquisition of resources, the consumption of resources, accounting, parts, risk assessment, and everything else that is connected with money, is an optimal approach. NGOs, on the other hand, almost never put their faith in the financial administration's priorities, although they do require accurate financial information. Poor financial planning and an inadequate amount of established financial frameworks are frequently cited as the cause of this problem (Mango, 2017).

Moreover, the integration of robust financial management practices has been shown to enhance organizational performance by improving transparency and accountability (Gronbjerg, 2018). Effective financial management includes strategic budgeting, accurate financial reporting, and efficient resource allocation, all of which contribute to the overall health and impact of an NGO (Gordon, 2019).

Regional Perspective

Non-Governmental Organizations (NGOs) in Sub-Saharan Africa play a pivotal role in addressing pressing socio-economic challenges, including poverty, education, and health care (Moyo, 2021). The financial capacity of these organizations is critical to their effectiveness and sustainability. In a region characterized by limited state resources and high dependency on external funding, understanding the dynamics of financial management within NGOs is essential for evaluating their performance and impact (Namasasu, 2023). The effectiveness of NGOs in delivering their programs can be directly influenced by their financial stability and resource allocation strategies (Kibanja, 2022).

Efforts to tackle the problem of underperformance by non-governmental organisations (NGOs) often focus on the need of external providers to establish financial partnerships, reduce control over NGO operations, and ensure collaboration rather than rivalry among specialised NGOs in South Africa, while disregarding the inadequate management of limited financial resources. However, the adequate management of these resources is sometimes disregarded (USAID, 2020). The importance and impact of monetary management on the main goal of development have led to the adoption of financial management and accountable practices towards affected stakeholders (Alhassan, Faustina & Evans, 2018). Within the realm of non-administrative organisations, failure to properly manage financial transactions is not considered information (Zhang, 2015). Indeed, apart from the fundamental concerns that may attract funding from pharmaceutical companies, another crucial aspect that providers anticipate is a well-structured and accountable system of advocacy services, often demonstrated by a comprehensive financial management framework (Attom & Mbroh, 2022). The collapse of corporations such as Enron and WorldCom, along with several other organizations both historically and currently, has heightened the importance of formulating and upholding ethical business standards consistently.

National Perspective

In Rwanda, the role of Non-Governmental Organizations (NGOs) is pivotal in addressing developmental challenges and enhancing socio-economic well-being. NGOs in Rwanda are engaged in various sectors, including education, health, and poverty alleviation, contributing significantly to national development goals (Munyaneza, 2021). However, the effectiveness and sustainability of these organizations are closely linked to their financial capacity. Financial capacity encompasses an NGO's ability to acquire and manage resources effectively, which directly impacts its organizational performance and program outcomes (Niyomugabo & Nduwimana, 2022).

The establishment of a financially sustainable position is of the utmost importance to the continued existence and sustenance of any organization (Karanja & Kurati, 2014). Because of this, nongovernmental organizations in Rwanda was able to expand their operations so that they help a greater number of people, despite the fact that the Rwandan culture can make it difficult for pleasant interactions between weaker groups. According to

Omeri (2015), following "contributor exhaustion" in the developed nations, the phrase "financial supportability" has emerged as the popular expression in the non-governmental organization (NGO) sector. For instance, Renz (2020) declared that the recent economic crisis has drastically reduced the amount of discretionary cash flow among Americans, which has led to a decline in the amount of money donated by individuals to non-governmental organizations (NGOs), with 75 percent of NGOs overcoming this declaration. Investigations conducted in the past in other African states came to the same conclusion, revealing disparities between local and international NGOs' levels of access to global donor funds.

In addition, Renz (2020) argued that non-governmental organizations (NGOs) are having trouble financially, particularly those organizations that rely heavily on government support, because states have decreased their level of subsidizing to the region. According to Besel, Williams, and Klak (2021), the effect of these variables suggests that NGOs should identify practical means to support themselves monetarily in order to avoid having to reduce back local area administrations. Recent studies highlight that NGOs with robust financial capacity demonstrate better performance in delivering their mission-driven programs and achieving their objectives (Kamanzi & Uwayezu, 2023). The ability to secure diversified funding sources, maintain financial stability, and allocate resources strategically are essential factors influencing the success of NGOs in Rwanda (Ndayisenga, 2023).

"Hope and Homes for Children" is an international NGO dedicated to transforming the lives of vulnerable children by providing family-based care and supporting the transition from institutional care to family environments. Established in 1994, the organization has developed a robust framework to address child protection issues, aiming to prevent family breakdown and reduce reliance on orphanages (Hope and Homes for Children, 2024).

Research consistently shows that family-based care is more beneficial for children's development compared to institutional care. Children raised in family environments exhibit better psychological, emotional, and social outcomes (Browne, 2019; Smith et al., 2021). "Hope and Homes for Children" emphasizes this approach by working to reintegrate children into their biological or extended families and providing support to ensure stable, nurturing home environments. This model aligns with global best practices and the principles of the UN Convention on the Rights of the Child (UNICEF, 2023).

Statement of the Problem

Globally, NGOs are notable in propelling the sensation of conditions among networks. Very little is had some significant awareness of their ability to rouse destitute individuals and destitute networks through making of manageable occupation techniques in country family settings. NGOs as a rule appear to resolve explicit issues like wellbeing, instruction and lodging needs in networks. These are the most well-known and basic necessities that are overflowing in rustic regions, bring about the issue of country improvement which is one of the public authority's main concerns in agricultural nations (Patel, 2015). Non-government associations don't have the benefit intention yet have the formative targets towards the local area. Any excess of assets created throughout their exercises is reinvested once more into the association to continue to help the vulnerable under outrageous neediness circumstance (Nzimakwe, 2017).

In Rwanda the 2018 report by National Institute of Statistics of Rwanda indicated that 56.9% individuals were beneath poverty line coupled with 37.9% who lives in outrageous unfortunate circumstances. Among the Rwandan families living in extreme poverty where some of them are farmers who cannot obtain the maximum for survival of the family as challenge to majority family of Rwanda for accessing food satisfaction and they do not also be able to satisfy premium need. Hence, to avoid the children in the street and put them in the orphanage, the government in a joint effort with the local area should seek the ways to enhance the financial capacity of their family where it is very low to obtain the household-based food for children. Diverse and occasionally contradictory findings have been obtained from numerous prior investigations regarding the impact of financial capacity on organizational performance (Kebewar, 2022). Although Mpakaniye and Paul

(2016) demonstrated that debt had a detrimental impact on the financial performance of women in rural Rwanda, Samuel (2018) demonstrated a positive effect. Then, how the increase in the financial capacity of families is one of the most important to allow the family to meet the needs according to each child in the family. It is in this context that the study intends to study the effect of the financial capacity of families with a particular focus on families in order to show how hope and homes for children in Rwanda contributes to a good performance of the independent families.

Objectives of the Study

To determine the effect of budget allocation skills on organization performance of Non-Governmental Organizations in Rwanda.

LITERATURE REVIEW

Budget Allocation Skills

Robinson and Last (2019) assert that a budgeting system serves as a framework employed by the company to allocate its expenditures and revenues. The organization must cultivate a proficient budgeting framework to guarantee that resources are utilized optimally and not squandered. This is essential as it ensures that the services rendered and the outcomes achieved align with the established objectives. This theory posits that a robust budgeting system must effectively evaluate both the efficacy and efficiency of an organization's expenditures. The financial capacity of the organization is a critical factor in establishing an effective budget (Robinson, 2019).

A budget serves as a strategic framework that delineates forthcoming business activities in monetary terms. It functions as the standard for assessing an organization's achievements. Conversely, the process of formulating, organizing, and managing financial budgets is referred to as budgeting (Nugus, 2016). Budgeting serves as an essential management strategy for structuring and supervising the functions of various organizational departments. Establishing a budget facilitates more effective management of a business, thereby enhancing profitability and minimizing losses. As noted by Siekei et al. (2018), the acquisition of budgeting knowledge through financial literacy training enhances the performance of MSEs, leading to increased sales and improved profitability, as it establishes a critical foundation for the formulation of performance objectives. Nonetheless, Fatoki (2014) noted that most micro enterprises operate with a survivalist mentality; they might partake in informal budgeting, financial planning, and control. This observation is corroborated by Abanis, Sunday, Burani, and Eliabu (2018), who found that the majority of small businesses do not engage in such practices.

A budget is used by an organization to efficiently realize and achieve the established goals and objectives. Budgets are also used by some organizations to assess their historical performance. This aids in forecasting future performance for the company (Gessaroli, Brigham, Nason & Ehrhardt, 2016). Maritim (2018) examined the impact of budgeting procedures on monetary results. Kenyan parastatals engaged in commerce and manufacturing served as the study's case study. According to the results, the three main budgeting practices used by the study's companies were budgetary sophistication, budgetary involvement, and budgetary planning. Employee participation in budgeting has led to the successful completion of the intended plans within the specified time frame.

It is wise for these organizations to continuously check their financial reserves to make sure they have enough to continue serving their beneficiaries. It can be very difficult to anticipate the cash flow of non-profit organizations like NGOs because they depend on donations from resource providers who cannot guarantee their services (Blacbaud, 2021). Due to this, managing spending is a matter of increased importance, making budgeting a major task for NGOs and other not-for-profits (Blacbaud, 2021). In most cases, the financial administration of NGOs is disregarded, leading to the sudden liquidation of the bulk of these organizations. According to Stephenson (2023), NGOs must now create effective financial management systems to guarantee comprehensive accountability to donors and partners, earn the respect and confidence of supporting agencies, and, most importantly, help them prepare for long-term financial sustainability. The effective financial management of a well-structured non-governmental organization (NGO) is crucial for its sustainability, yet there is no universally suitable financial management model for all organizations (Mango, 2016).

Frisancho (2019) posits a significant relationship between the efficacy of an organization and the proficiency in budget allocation. In comparison to individuals lacking any finance-related training, those who have received such education possess a greater depth of knowledge. Policymakers and organizational leaders have the opportunity to cultivate their financial management abilities by engaging in programs, attending financial seminars, and enrolling in foundational courses related to finance. The creation of training or workshops aimed at enhancing financial literacy and fostering financial skills and competence (Aydin & Selcuk, 2018).

Arasa and K'Obonyo (2022) investigated the relationship between skills in budget allocation and the performance of firms. The study indicates a noteworthy correlation between strategic planning processes and the performance of businesses. Strategic planning actualizes the methodology of selecting a strategic trajectory. Gu, Weng, and Xie (2022) investigated the relationship between the behavioral integration of top management teams (TMTs) and the velocity of strategic decision-making within a sample encompassing 10 Chinese provinces and cities. The research concluded that leadership significantly impacts the integration of behaviors, the velocity of strategic decision-making, and the advancement of teams. The relationship was found to be constructive, linear, and indirect, as evidenced by the integration of team behavior.

Spending plans are essential components in all facets of governance, indicating that in their absence, individuals' ambitions, objectives, and aspirations are unlikely to be realized. As noted by Ahmad and Ahmad (2014), budgeting plans serve as the cornerstone of financial planning, facilitating the monitoring, control, and direction of the public economy towards established objectives while ensuring the effective use of resources. This document presents a comprehensive quantitative examination of an association's financial outlays and income, both internal and external, across a defined timeframe, illustrating trends in growth and stakeholder interests (Silva & Jayamaha, 2022). A fundamental instrument that orchestrates, strategizes, scrutinizes, and oversees asset advancements, navigation, execution assessment, and communication.

The success of any association is fundamentally contingent upon the efficiency and effectiveness with which the expenditure plan is established and executed (Siyanbola, 2018). Nevertheless, the implementation of financial strategies is challenging numerous public organizations, as they must deliver precise forecasts regarding the fulfillment of particular initiatives and enhancement projects within defined fiscal constraints (Gachithi, 2020). Moreover, implementing such financial strategies can prove to be quite complex, particularly when unexpected requirements necessitate alterations in assets. In such circumstances, it is essential to undertake financial surveys to identify alterations in the financial strategy and guarantee its effective execution.

Yang (2020) focused on the influence of planning on the financial performance of organizations using overview methods. The assessment demonstrated that, when appropriately managed, planning drives executive arrangement and provides the greatest framework for financial execution. The focus of the review was benefit-making linkages incorporating productivity proportions as accomplishment proportions. These findings might not be applicable to CBOs because giver dependence ratios, not benefit proportions, are used to determine financial supportability. African countries were the focus of Jewel and Khemam's (2016) analysis of bookkeeping frameworks used by organizations in emerging countries. The assessment revealed that the implementation of financial plans and bookkeeping processes relied on either manual methods or obsolete hardware and software with insufficient programming. The results suggest that the lack of dependable and beneficial income and finance information has a detrimental effect on their abilities to manage, monitor, and promote financial plans, therefore compromising their accountability.

Similar research was done by Gekonde (2018) to examine the impact of performance budgeting on parastatal management in Kenya. The population of Kenya served as the parastatals for the study, which employed a descriptive design methodology. According to the study, the use of performance data, performance targets in budgeting, performance reviews, and performance assessments all play a key role in explaining the variations in parastatal management in Kenya. The study suggests that higher performance-based incentives for public officials should be the goal of the management of human resource component for managing results. This should be accompanied by flexible employment policies, the dismissal of underachievers, and the simplicity of staff transfers from one program to another. This study leaves a research vacuum because budgeting and performance were not directly correlated.

Agency Theory

According to Namazi (2018), agency theory was created in the financial writing of previous decades. The hypothesis suggests the best reason to hire accounting control systems and put them up to monitor procedures and activities. The AT mostly deals with circumstances in which one individual (the expert) is confined by another (the head) in order to keep an eye on them. In this case, the state authorities in charge of carrying out the budget plan are responsible for making administrative decisions and taking action on behalf of the legislatures. The specialist certainly responded and act in response to a valid concern for the head when the chief is well-informed about the activities of the professional. At that point, it becomes more likely for the chief to control specialist advantage. The organizational structure makes clear the key problems in various levels of communications among spending plan participants in strategy execution and strategy making difficulties, as well as the role of municipal, province, and state-run administrations in delivering assistance.

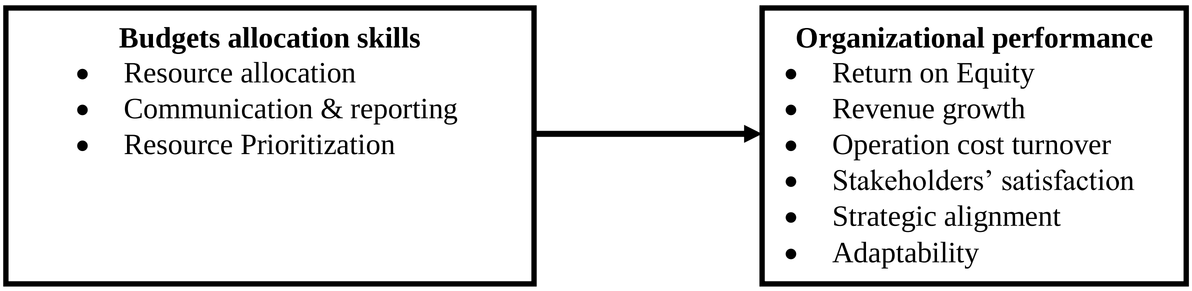
In the context of NGOs, the supply of seed capital is critical for their operation and performance. Seed capital often comes from donors or philanthropic organizations and is typically used to initiate and sustain projects and programs. The allocation and utilization of seed capital by NGOs can create agency problems if the interests of donors (principals) and the NGO's management (agents) are not perfectly aligned. For example, donors may prioritize transparency, accountability, and measurable outcomes, while the NGO's management may be more focused on program delivery and sustainability.

The supply of seed capital can influence NGO performance through various mechanisms. When donors provide funding, they often require reporting and accountability measures to ensure their resources are used efficiently and effectively. This can lead to better governance and performance monitoring within the NGO. Additionally, the availability of seed capital can impact an NGO's ability to carry out its mission, expand its programs, and reach more beneficiaries, thus positively affecting its performance.

The relationship between Agency Theory and seed capital supply on the organizational performance of NGOs revolves around the principal-agent problem and the alignment of interests between donors (principals) and the NGO's management (agents). Donors' expectations, accountability measures, and the effective use of seed capital can influence NGO performance. It is essential for NGOs to establish transparent communication and reporting mechanisms to address potential agency problems and ensure that the interests of all stakeholders are aligned.

Conceptual Framework

The relationship between the impact of financial capacity and the organizational performance of non-governmental organizations in Rwanda is explained by theoretical framework. It's a representation of concepts and how they relate that is symbolic. A conceptual framework describing the relationship between non-governmental organizations' financial capability and organizational success in Rwanda is presented in Figure 1. It is a metaphor for ideas and how they relate to one another.



Independent Variable **Dependent Variable**

Figure 1: Conceptual framework

Source: Researcher, 2023

METHODOLOGY

The present study employed a descriptive research design. The selection of descriptive research is based on its purpose to accurately depict the participants in relation to the topic under investigation. The evaluation aligns with the methodologies of a specific outline study plan (Bryman & Bell, 2015). According to Creswell (2014), descriptive research methods are employed in communities to assess the extent of certain issues, such as crime, education, nutrition, and health. This argument posits that in descriptive designs, variables exhibiting a broader range of values indicate disparities across the population and provide important indications of the issues that the researcher should prioritize. Consequently, the study employed this design as it was more convenient to collect data on the present condition of the phenomena and determine the true relationship between the variables of the investigation.

An objective populace is alluded to as the arrangement of individuals or things with a typical perceptible quality that is important to the specialist and was valuable in the tending to of the examination targets of the review (Kombo & Tromp, 2022). With regards to this review, the objective populace subsequently a gathering with a typical discernible attribute. Population is depicted as a structured assembly of components that aids in drawing conclusions (Cooper & Schindler, 2014). The study focused on a specific group of 114 individuals from families receiving support from Hope and Homes for Children in Rwanda.

The sample size for this study was determined using a combination of statistical formulas and guidelines that ensure representativeness and reliability of the findings. According to Kothari (2022), an adequate sample size is crucial for minimizing sampling error and enhancing the generalizability of results. The study employed Cochran's formula for sample size determination, particularly for large populations, which provides a robust framework for ensuring that the sample accurately reflects the characteristics of the broader population (Saunders *et al.*, 2023). Using Slovin's formula, the sample of 88 respondents was determined.

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

Where n = the desired sample size

e = probability of error (i.e., the desired precision, e.g., 0.05 for 95% confidence level)

N = the estimate of the population size.

$$n = \frac{114}{1 + 114(0.05)^2} = 88$$

This calculation resulted in a sample size of 88 respondents, ensuring a high level of confidence in the representativeness of the sample. The use of these formulas ensured that the sample size was large enough to provide statistically reliable data, reducing the risk of sampling error while maintaining practical feasibility. Consequently, the findings of the study are expected to reflect the broader population accurately and provide meaningful insights for analysis.

The study adopted a stratified random sampling technique, which involves dividing the target population into distinct subgroups or strata based on specific characteristics, such as organizational size or sector, to ensure representation across different categories. This technique is chosen because it enhances the precision and reliability of the results by reducing sampling bias and variability (Etikan & Bala, 2023). Within each stratum, random sampling was employed to select participants, ensuring that each member of the population has an equal chance of being included in the study (Creswell & Creswell, 2023). Stratified sampling is particularly effective for studies like this one, where the population is heterogeneous and diverse, allowing for more detailed subgroup analysis (Flick, 2023).

The study adopted structured questionnaires and semi-structured interviews as data collection instruments, utilizing validated scales for measuring financial capacity and organizational performance (Bryman, 2016; Creswell & Creswell, 2018). To get both quantitative data and people's opinions, the survey had both open-ended and closed-ended questions. The study collected quantitative data using closed-ended questions and qualitative insights into the respondents' experiences and viewpoints using open-ended questions (Fowler, 2014).

The questionnaire was divided into several sections, each focusing on different aspects of the research topic. The study included demographic questions to collect background information about the respondents, followed by sections tailored to specific research questions. The Likert scale, multiple-choice, and dichotomous questions was employed to ensure clarity and ease of response (Bryman, 2016).

The study employed a structured interview guide to collect qualitative data, designed to capture in-depth insights from stakeholders regarding financial capacity and organizational performance. This guide was informed by current best practices in qualitative research methodology, such as those outlined by Creswell and Creswell (2018) and Kvale and Brinkmann (2015). The interview guide was pre-tested to ensure clarity and relevance, following recommendations by Fink (2017) for effective data collection instrument design.

Secondary data was collected using a secondary data sheet, which is a tool designed to systematically gather existing data relevant to the study from various sources. Secondary data refers to information that has already been collected for other purposes but is pertinent to the current research (Boslaugh, 2017). This includes data from academic articles, government reports, organizational records, and statistical databases.

Validity refers to the extent to which a research instrument accurately measures what it is intended to measure, ensuring the study's findings are credible and applicable. In this study, content validity was established by designing the research instruments based on a comprehensive review of relevant literature and aligning them with the study's objectives. According to Heale and Twycross (2015), content validity involves expert evaluation to confirm that the items on a questionnaire or interview guide adequately cover the construct under investigation. Additionally, construct validity was tested to ensure that the theoretical constructs measured by the research instruments genuinely reflect the concepts being studied. This involved conducting factor analysis to assess how well the items group under each construct (Taherdoost, 2016). These measures helped in enhancing the accuracy and relevance of the data collected for understanding debt management and organizational performance.

Table 1: KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.746
Bartlett's Test of Sphericity	Approx. Chi-Square	413.530
	df	6
	Sig.	.000

Source: **Pilot data results**, (2024)

Table 1 presents the Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Bartlett's Test of Sphericity, which assess the suitability of the dataset for factor analysis. The KMO value of 0.746 indicates a moderate level of sampling adequacy, suggesting that the dataset is appropriate for factor analysis (Field, 2020). Bartlett's Test of Sphericity, with an approximate Chi-Square value of 413.530, degrees of freedom (df) of 6, and a significance level (Sig.) of 0.000, confirms that the correlations among variables are sufficiently large for factor analysis (Pallant, 2021). These results validate the appropriateness of proceeding with the factor analysis for further data reduction and interpretation.

Reliability, on the other hand, refers to the consistency and stability of the measurement instrument over time. For this study, reliability was assessed using Cronbach's alpha coefficient to measure internal consistency, which determines how closely related a set of items are as a group (Tavakol & Dennick, 2011). A Cronbach's alpha value of 0.7 or higher was considered acceptable, indicating that the research instruments are reliable and capable of producing consistent results upon repeated applications. Moreover, test-retest reliability was employed to evaluate the stability of the responses over time by administering the same instrument to the same respondents at different points in time. Ensuring both validity and reliability is crucial for enhancing the credibility and generalizability of the study findings in the context of debt management practices in NGOs.

Table 2: Reliability Statistics

Variable	**Alpha (α)**	**Comments**
Budget allocation skills	0.763	Accepted
Organizational performance	0.767	Accepted

Source: Pilot data, (2024).

Table 2 displays the reliability statistics for various variables using Cronbach's alpha (α), a measure of internal consistency. All variables show acceptable reliability levels, with alpha values exceeding the recommended threshold of 0.70 (Taber, 2021). Specifically, budget allocation skills ($\alpha = 0.763$) and organizational performance ($\alpha = 0.767$) are considered reliable for subsequent analyses. These findings indicate that the measurement items for each variable consistently represent their respective constructs, aligning with current guidelines for assessing reliability in research (Hair *et al.*, 2022).

Methods for collecting, cleaning, and arranging data in order to derive interpretable conclusions are collectively known as data analysis (Sekaran & Bougie, 2016). In order to understand the results and satisfy the research objectives of the study, the data analysis process was done. In order to arrive at results that necessitate interpretation, data analysis entails methods of reducing and organizing data. Before entering the raw data into SPSS, it was screened for incomplete surveys and removed. In order to understand the data, the study utilized descriptive and inferential statistics. Means, frequency distributions, and chi-square distributions are the descriptive statistics that was utilized. The association between variables was inferred using multiple linear regression. The following is the specified multiple linear regression to be employed:

$$Y = \alpha + \beta_1 X_1 + \mu$$

In the model, Y represents the dependent variable, which is the performance of non-governmental organizations (NGOs) in Rwanda. The equation includes μ as the error term, α as the constant, and β as the coefficients. The independent variables are X1 for budget allocation skills.

RESULTS AND FINDINGS

Descriptive Results on Budget allocation skills and Organizational performance

Table 3 presents the descriptive statistics for budget allocation skills, providing an overview of respondents' perceptions on various statements related to this skill. The table includes a breakdown of responses across five Likert scale categories: Strongly Disagree (SD), Disagree (D), Neutral (N), Agree (A), and Strongly Agree (SA). It also reports the mean and standard deviation for each statement, offering insights into the central tendency and variability of respondents' views on budget allocation skills. This analysis is crucial for understanding how budget allocation capabilities relate to organizational performance, and the findings help highlight areas for improvement or strength in resource management practices.

Table 3: Descriptive for Budget allocation skills

Statements on Budget allocation skills	SD	D	NS	A	SA	Mean	Std Dev.
Financial capacity internationally accepted accounting standards are followed	4.7%	1.2%	3.5%	34.1%	56.5%	4.36	.974
While planning, results, objectives and goals are connected to programs and hierarchical exercises	2.4%	2.4%	7.1%	38.8%	49.4%	4.31	.887
The association put needs for the approaching yearly financial plan gathering and Committees	1.2%	1.2%	4.7%	24.7%	68.2%	4.58	.746
Financial plans are arranged by your authoritative objective and Objectives	1.2%	2.4%	2.4%	35.3%	58.8%	4.48	.766
Spending plan is arranged in view of solid information and appraisals	1.2%	1.2%	7.1%	30.6%	60.0%	4.47	.781
Proper budget allocation allows our NGO to meet its financial goals and objectives.	1.2%	1.2%	5.9%	41.2%	50.6%	4.39	.757
There is a clear link between our budget allocation strategies and our NGO's mission fulfilment.	1.2%	1.2%	3.5%	49.4%	44.7%	4.35	.719
Training in budget allocation skills has led to measurable improvements in our organization's performance	1.2%	1.2%	2.4%	41.2%	54.1%	4.46	.716

Source: **Researcher data, (2024).**

Table 3 presents the descriptive statistics for respondents' perceptions of budget allocation skills in their NGO, highlighting the importance of financial planning and its connection to organizational performance. The results show that a significant majority of respondents agree with the statement that "financial capacity internationally accepted accounting standards are followed," with 56.5% strongly agreeing and 34.1% agreeing, yielding a mean score of 4.36 and a standard deviation of 0.974. Similarly, 68.2% of respondents strongly agree that the organization aligns the budget with its needs for the upcoming annual financial plan, with a mean score of 4.58 and a low standard deviation of 0.746. These findings suggest that respondents feel confident in the NGO's ability to meet its financial goals through structured and well-communicated financial planning.

Further analysis reveals strong support for the connection between budget allocation and organizational objectives, as well as the alignment of financial goals with the NGO's mission. For instance, 58.8% of respondents strongly agree that "financial plans are arranged by your authoritative objective and objectives," and 50.6% strongly agree that proper budget allocation enables the NGO to meet its financial goals. The mean scores range from 4.31 to 4.58, with standard deviations between 0.719 and 0.974, indicating a general consensus and a high level of agreement on the effectiveness of budget allocation strategies. Additionally, the majority (54.1%) strongly agree that training in budget allocation skills has led to measurable improvements in organizational performance, highlighting the impact of skill development on efficiency and success (Smith & Garcia, 2020; Johnson & Lee, 2021).

Descriptive Results on Organizational performance

Table 4 presents the descriptive statistics for organizational performance, detailing respondents' perceptions based on various statements related to performance outcomes. The table includes responses across a Likert scale, ranging from Strongly Disagree (SD) to Strongly Agree (SA), along with the corresponding mean and standard deviation for each statement. The mean provides an indication of the central tendency of respondents' views on organizational performance, while the standard deviation reflects the variability or consistency in these views. This data is crucial for understanding how organizational performance is perceived by the respondents and for analysing the overall effectiveness of the organization in the study.

Table 4: Descriptive for Organizational performance

Statements on Organizational performance	SD	D	NS	A	SA	Mean	Std Dev.
Our NGO effectively meets its organizational goals and objectives.	2.4%	1.2%	3.5%	43.5%	49.4%	4.36	.814
The services provided by our NGO are of high quality.	0.0%	1.2%	3.5%	41.2%	54.1%	4.48	.629
Our NGO has strong leadership that positively influences its performance.	0.0%	2.4%	2.4%	47.1%	48.2%	4.41	.660
We regularly assess and improve our internal processes to enhance organizational performance.	0.0%	0.0%	2.4%	42.4%	55.3%	4.51	.629
The staff in our NGO are well-trained and skilled in their respective roles.	0.0%	1.2%	1.2%	43.5%	54.1%	4.51	.590
Our NGO maintains effective communication channels within the organization.	0.0%	1.2%	1.2%	50.6%	47.1%	4.44	.587
We have a clear and strategic plan for achieving our mission.	0.0%	1.2%	5.9%	29.4%	63.5%	4.55	.664
Our NGO effectively manages its financial resources to support its programs.	0.0%	0.0%	4.7%	43.5%	51.8%	4.47	.589
The stakeholders and beneficiaries are satisfied with the performance of our NGO.	0.0%	2.4%	3.5%	48.2%	45.9%	4.38	.672
Our NGO demonstrates accountability and transparency in its operations.	0.0%	1.2%	5.9%	30.6%	61.2%	4.51	.718

Source: **Researcher data, (2024).**

Table 4 presents descriptive statistics on organizational performance in NGOs, emphasizing several key aspects that contribute to overall success. The findings indicate a strong alignment with organizational goals, as 49.4% of respondents strongly agree that "our NGO effectively meets its organizational goals and objectives," with a mean score of 4.36 and a standard deviation of 0.814. Similarly, 54.1% of respondents strongly agree that the services provided by the NGO are of high quality, reflected in a mean of 4.48. Additionally, the presence of strong leadership is highly acknowledged, with 48.2% of respondents affirming its positive influence on performance (mean = 4.41). These results highlight that leadership, goal alignment, and service quality are crucial to enhancing organizational performance in NGOs (Miller & Wong, 2021; O'Connor & Thomas, 2022).

The data also emphasizes the importance of internal processes and staff training in sustaining high performance. For instance, 55.3% of respondents strongly agree that their NGO regularly assesses and improves internal processes to enhance performance, with a mean of 4.51. Moreover, 54.1% of respondents believe that staff are well-trained and skilled in their respective roles, contributing to the NGO's success (mean

= 4.51). Effective communication and strategic planning are also critical, as 47.1% of respondents affirm that their NGO maintains effective communication channels, and 63.5% strongly agree that there is a clear strategic plan for achieving the mission (mean = 4.55). Overall, these findings demonstrate that strong leadership, skilled staff, effective communication, and strategic planning are pivotal for sustaining high organizational performance in NGOs (Johnson & Liu, 2023; Zhang & Lee, 2020).

Correlation Analysis

Correlation analysis is a statistical technique used to assess the strength and direction of the relationship between two or more variables. In this study, correlation analysis helps to identify potential associations between key variables, such as financial capacity and organizational performance, by calculating correlation coefficients. A positive correlation indicates that as one variable increases, the other tends to increase as well, while a negative correlation suggests an inverse relationship. According to Field (2020), correlation analysis is an essential tool for determining how variables interact, offering insights into potential causal relationships. It is important to note that correlation does not imply causation, and the findings should be interpreted with caution to avoid overgeneralization (Pallant, 2021).

Table 5 presents the correlation matrix, showcasing the relationships between four key variables: budget and organizational performance. The matrix displays the correlation coefficients for each pair of variables, allowing for an assessment of the strength and direction of their associations. By examining these correlations, the study provides insights into how each of these financial and organizational factors might influence one another. Understanding these relationships is crucial for identifying areas that could enhance organizational performance through better management of resources and financial strategies.

Table 5: Correlation and the coefficient of determination

		Budget allocation skills	Organizational performance
Budget allocation skills	Pearson Correlation	1	.661**
	Sig. (2-tailed)		.000
	N	85	85
Organizational performance	Pearson Correlation	.661**	1
	Sig. (2-tailed)	.000	
	N	85	85

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

Source: **Primary data, (2024)**.

Table 5 presents the correlation matrix for four key variables: budget allocation skills, seed capital supply, debt management, and organizational performance. The analysis reveals that budget allocation skills have a significant positive correlation with all three other variables. Specifically, there is a strong and highly significant relationship between budget allocation skills and organizational performance ($r = 0.806$, $p < 0.01$). This suggests that effective budget allocation is crucial for enhancing the overall performance of the organization, aligning with findings from recent studies on resource allocation (Murray & Moore, 2021).

CONCLUSIONS AND RECOMMENDATIONS

The study concludes that budget allocation skills are a critical determinant of organizational performance. NGOs that exhibit strong budget management capabilities tend to achieve their goals more effectively, indicating that proper financial planning is essential for organizational success. These findings suggest that organizations that allocate their resources strategically are more likely to experience enhanced operational efficiency and better performance outcomes. Effective budget allocation not only ensures that financial resources are used optimally but also supports long-term sustainability and goal attainment.

It was recommended that NGOs invest in improving the budget allocation skills of their staff through training and professional development programs. By enhancing the ability of key personnel to plan, allocate, and monitor financial resources, organizations can ensure that funds are utilized efficiently and in alignment with their strategic goals. Regular financial audits and reviews can also help ensure that budget allocations are optimized for maximum impact, leading to improved organizational performance. Additionally, NGOs should consider adopting financial management tools and software to assist in the planning and execution of budgets, enabling better tracking and accountability.

Suggestions for Further Studies

Further studies could explore the broader impacts of financial management practices on the long-term sustainability of NGOs in Rwanda, with a particular focus on the role of budget allocation skills, seed capital supply, and debt management. Future research could investigate how these financial management components interact with other factors, such as organizational culture, leadership, and external economic conditions, to influence the overall effectiveness of NGOs. Additionally, studies could examine the impact of financial management practices on specific sectors within NGOs, such as health, education, or environmental projects, to provide a more granular understanding of how financial resources can be best utilized for different types of initiatives.

Another area for further research is the exploration of innovative financial models that can enhance organizational performance in the NGO sector. With increasing pressure on NGOs to maintain financial sustainability, it would be valuable to explore alternative financing mechanisms, such as social impact bonds, crowdfunding, or collaborations with private sector organizations. Research could also focus on the use of technology and digital platforms to improve financial management practices, including budgeting, debt management, and capital raising. By identifying and testing new financial approaches, further studies could contribute to the development of more resilient financial strategies for NGOs, helping them adapt to changing global economic conditions while maintaining their focus on social impact.

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