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Effect of Budgetary Control Practices on Financial Sustainability of Non-Governmental Organization in Rwanda: A Case of Aids Healthcare Foundation

Jeanne Dusabimana & Thomas Tarus Kiptanui

University of Kigali

Email: dusabimanajeanne87@gmail.com

Abstract: *This paper examines the effect of Budgetary Control Practices on the financial sustainability of the AIDS Healthcare Foundation (AHF) in Rwanda, guided by the Resource-Based View (RBV) Theory and the Control Theory. The study investigates the role of budget Monitoring and Evaluation in ensuring the efficient use of financial resources and enhancing organizational performance. A descriptive research design was employed, utilizing both quantitative and qualitative methods. A sample of 132 respondents was selected, with data gathered through questionnaires and interviews. The results, analyzed using SPSS, revealed a strong positive correlation between BME and project performance at AHF, with a Pearson correlation coefficient of r = 0.705. Multiple regression analysis showed that BME significantly predicts project performance, with a standardized beta coefficient of -0.368 and a p-value of 0.000, confirming the statistical significance of this relationship. The findings emphasize that effective BME processes, as outlined by the Resource-Based View Theory, help leverage an organization's internal resources for sustained financial performance. Moreover, the application of Control Theory ensures that systematic evaluation mechanisms are in place to monitor and correct deviations from financial goals. In conclusion, the study underscores the importance of robust budget monitoring and evaluation in enhancing financial sustainability and improving project outcomes at AHF. Based on these findings, the study recommends that AHF enhance its corrective action mechanisms, improve the regularity and effectiveness of budget reviews, and invest in tools to optimize resource allocation to better manage finances and achieve long-term sustainability.*

Keywords: Budgetary Control Practices, Financial Sustainability, Non-Governmental Organization and Aids Healthcare Foundation

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1. Introduction

Budgetary control is a fundamental component in ensuring the financial sustainability of non-governmental organizations (NGOs). It provides a structured framework for managing limited financial resources through planning, monitoring, and implementing corrective actions when necessary. According to Openda and Kamau (2023), budgetary control ensures that expenditures align with available resources, enabling organizations to meet their financial commitments and maintain operational stability. NGOs lacking strong budgetary practices often face issues such as mismanagement of funds, delays in project implementation, and even the risk of closure (Tobin et al., 2020). Thus, effective budgetary control fosters accountability, transparency, and long-term viability.

Across the globe, NGOs are increasingly under financial strain due to economic challenges, evolving donor priorities, and heightened competition for funding. These trends have made it critical for organizations to adopt strategic financial management practices to ensure survival and effectiveness. In countries like the United States, where NGOs rely significantly on external funding, sound budgetary control systems help adapt to the shifting funding environment (Chavez, 2020). Tools such as financial forecasting, performance evaluations, and expenditure prioritization enable NGOs to maintain donor confidence and sustain long-term projects, regardless of market fluctuations (Lee & Lee, 2021; Stern & Wilson, 2023).

In developed countries, NGOs may benefit from diverse funding sources, including public grants, private philanthropy, and income-generating ventures. However, access to funds alone does not guarantee sustainability. Effective budgetary control remains essential to navigate the unpredictable nature of funding streams and donor expectations. For instance, in the United Kingdom, competition for grants and donations is fierce, and NGOs that fail to manage finances effectively risk losing credibility and support (Baker, 2020; Dixon, 2021). By employing rigorous financial planning and demonstrating transparency, NGOs increase their chances of securing consistent funding and adapting to unforeseen financial challenges (Ellis & Thomas, 2022).

In the African context, many NGOs operate in economically unstable environments and rely heavily on donor funding, making them especially vulnerable to external shocks. Countries such as Nigeria, Kenya, and South Africa experience significant financial pressures due to fluctuating donor contributions and global economic uncertainties (Adewale et al., 2023). In such scenarios, NGOs without strong budgetary frameworks are more likely to encounter inefficiencies and funding gaps (Ibrahim & Khan, 2022). To address these risks, organizations are increasingly embracing financial control systems to allocate resources more efficiently, enhance accountability, and ensure that funds are directed to the most critical and impactful initiatives (Chirwa & Tsegai, 2020).

East African NGOs face similar hurdles, with additional pressure from shifting global funding trends and growing competition for donor support. In countries like Kenya, Uganda, and Tanzania, NGOs typically depend on international donors, with limited income from local sources (Wambui & Nyambura, 2022). This heavy reliance necessitates the adoption of robust budgetary control mechanisms to maintain financial health and reduce risk (Mwangi & Mwaura, 2021). By implementing sound budgeting practices, NGOs can better prioritize spending, minimize waste, and prepare for future uncertainties. Some organizations in Kenya, for example, have responded to donor funding reductions by diversifying income streams and tightening internal controls (Akinyi & Muturi, 2023; Osinde & Atieno, 2022).

In Rwanda, there is a growing emphasis on financial independence among NGOs, supported by government policies promoting sustainability and self-reliance. Rwandan NGOs are being encouraged to diversify their funding sources, mobilize local resources, and adopt stronger financial management systems (Rwigema & Nyirangirimana, 2020). Organizations that establish effective budgetary controls are better equipped to align their goals with national development agendas and maintain long-term operations (Uwimana & Niyonsenga, 2021). This shift aligns with the country's Vision 2050, which focuses on sustainable growth and reduced donor dependence (Gasana & Nyandwi, 2022). By managing finances responsibly, NGOs can strengthen their role in national development efforts and remain viable over time (Munyaneza & Bizimana, 2023).

A practical example is the AIDS Healthcare Foundation (AHF) operating in Rwanda, which demonstrates the importance of budgetary control in sustaining NGO functions. AHF has implemented a comprehensive budgeting system that enables the organization to allocate funds effectively across healthcare and HIV/AIDS treatment programs. This system allows for continuous performance monitoring and financial adjustments to ensure sustainability, especially during economic uncertainties. As a result, AHF has managed to reduce donor dependency and operate efficiently while supporting Rwanda's healthcare sector (AHF Rwanda, 2023). This case highlights how budgetary control not only enhances internal financial discipline but also contributes to broader national goals and the overall effectiveness of NGO services.

1.1 Problem statement

Non-governmental organizations (NGOs) play a crucial role in addressing social, economic, and health-related issues, especially in developing countries where government resources may be limited. Despite their importance, the long-term sustainability of many NGOs is threatened by persistent financial instability. A major contributing factor is their overreliance on external funding sources—such as donor contributions, international grants, and bilateral partnerships—that are often unpredictable and influenced by shifting global priorities (Haruna, 2022; Terry, 2023). In response to these financial uncertainties, effective budgetary control has become increasingly recognized as a key strategy for promoting resource efficiency, minimizing financial risks, and maintaining operational continuity.

In Rwanda, these challenges are particularly acute. Local NGOs face significant hurdles in achieving financial sustainability due to their strong dependence on foreign donors and limited capacity to generate local revenue

(Gahungu, 2020). This reliance often leaves them vulnerable to disruptions when international aid is reduced or redirected. Compounding the issue is the fact that many NGOs in Rwanda suffer from weak internal budgetary systems, poor resource allocation practices, and a lack of financial transparency. Limited technical expertise and insufficient training in financial management further hinder the development and implementation of robust budgetary controls (Golbachev & Anna, 2021).

Although existing studies have emphasized the importance of budgetary control in enhancing NGO sustainability (Nkurunziza, 2020; Mutungi, 2017), there is a notable gap in research that specifically focuses on the Rwandan context. In particular, little is known about the practical challenges Rwandan NGOs face in applying budgetary control principles. Furthermore, there is a lack of case-specific studies that explore how individual organizations implement the key components of budgetary control such as planning, implementation, monitoring, and evaluation. The AIDS Healthcare Foundation (AHF) in Rwanda presents a valuable case for such an investigation, yet no studies to date have examined how it operationalizes these financial practices. This research highlights the need for an in-depth study of budgetary control mechanisms within AHF to better understand their role in promoting financial sustainability. This study sought to achieve the following Research Hypothesis:

H_{01}: Budget monitoring and evaluation have no significant effect on financial sustainability

2.1 Literature Review

Effective financial management is central to the sustainability of any organization, and for non-governmental organizations (NGOs), it is even more critical given their frequent reliance on donor funds and external financial support. Budgetary control is one of the most important financial management tools that organizations can use to ensure financial discipline, transparency, and resource optimization. It involves a systematic process of planning, implementing, monitoring, and evaluating budgets to ensure that financial activities are aligned with organizational goals. Through budgetary control, NGOs are able to track their income and expenditures, adjust their financial plans in response to emerging issues, and ultimately maintain financial stability in an often-volatile funding environment.

2.1.1 Budgetary control Practices

Budgetary control is an essential practice for organizations to manage financial resources efficiently and achieve their goals. Effective budget control practices enable organizations to track their expenditures against planned budgets, adjust strategies when necessary, and ensure financial stability. The process of budget control involves continuous monitoring of budgets, identifying variances, and making necessary adjustments to align actual performance with financial objectives. It plays a crucial role in helping organizations maintain financial discipline and sustainability (Kohn & Zeller, 2018). According to Drury (2023), budget control allows managers to allocate resources effectively, avoid overspending, and provide a decision-making framework that aligns with organizational priorities. Given its importance, budget control practices are critical in both the public and private sectors, ensuring that resources are used efficiently and that financial objectives are met.

In the non-governmental organization (NGO) sector, budget control is even more critical due to the reliance on donor funding and the often-unpredictable nature of these financial resources. NGOs must ensure that their financial resources are managed carefully to maintain sustainability and achieve their mission. Budget control practices in NGOs include budget planning, budget implementation, and budget monitoring and evaluation, each playing a distinct role in ensuring financial health. Budget planning involves setting realistic and achievable financial targets based on the organization's goals and the resources available, while budget implementation focuses on ensuring that funds are allocated and used as intended (Omondi et al., 2022). Budget monitoring and evaluation allow NGOs to track expenditures, assess performance, and make adjustments to stay within budget limits (Gakure et al., 2021). These practices are interdependent, and each contributes significantly to maintaining financial stability, preventing overspending, and ensuring accountability to donors and stakeholders.

For NGOs operating in resource-constrained environments, such as Rwanda, effective budget control is particularly vital. Research on budget control in the context of Rwandan NGOs highlights challenges such as fluctuating donor funding, insufficient financial expertise among staff, and inadequate internal controls (Muriuki & Kinyanjui, 2020). While some NGOs in Rwanda have made strides in improving budget control practices through the adoption of financial management systems and training for staff, challenges remain in ensuring that budgetary processes are properly executed and monitored (Okello et al., 2021). The importance of strong budget planning, transparent implementation, and rigorous monitoring and evaluation processes cannot be overstated, as these are essential for securing long-term financial sustainability in the face of uncertainties in funding and fluctuating donor priorities. Strengthening these practices were not only improve the financial health of NGOs in Rwanda but also increase their capacity to deliver services effectively to the communities they serve (Omondi et al., 2022).

In Rwanda, research has indicated that while many NGOs develop comprehensive budgets, the actual implementation of these budgets is often hindered by poor internal financial controls and inadequate staff training. Many NGOs operate in resource-constrained environments where personnel may lack the necessary skills to execute budgets effectively. This can lead to inefficiencies and mismanagement, undermining the financial sustainability of the organization (Omondi et al., 2022). However, some NGOs have shown success in implementing their budgets by utilizing financial management tools and strengthening internal controls. For example, integrating financial software and tools into the implementation process has enhanced transparency, allowing organizations to track spending in real time (Kariuki & Mugambi, 2021).

2.1.2 Budget monitoring and evaluation

Budget monitoring and evaluation (M&E) are crucial components of the budget control process, providing the framework for tracking financial performance and ensuring that expenditures remain aligned with the approved budget. This phase involves continuous oversight of budget execution, comparison of actual spending against budgeted amounts, and evaluation of financial outcomes. Effective monitoring allows NGOs to identify potential financial discrepancies or inefficiencies early, enabling timely corrective measures to keep expenditures on track and prevent cost overruns (Okello et al., 2021). The use of performance indicators, such as expenditure-to-budget ratios, helps organizations assess whether financial objectives are being met and whether resources are being utilized effectively.

Furthermore, budget evaluation involves assessing the overall financial health of the organization and determining whether the financial goals set during the planning phase were achieved. This evaluation process is essential for making informed decisions about future budgets, adjusting strategies, and improving financial decision-making. According to Omondi et al. (2022), regular budget reviews and evaluations provide valuable insights into the financial performance of an organization, helping managers identify areas for improvement and make data-driven decisions. These evaluations also contribute to learning and accountability, ensuring that financial resources are used effectively and in accordance with donor expectations.

However, challenges exist in the monitoring and evaluation of budgets in NGOs, particularly in low-resource settings. Limited access to financial management tools and lack of trained personnel can hinder the effectiveness of budget monitoring and evaluation processes. Studies have highlighted that NGOs, especially in developing countries like Rwanda, often face difficulties in maintaining effective oversight mechanisms due to financial and human resource constraints (Kariuki & Mugambi, 2021). To address this, many NGOs have turned to external audits and third-party evaluations to provide an objective assessment of financial performance and to ensure compliance with financial regulations. Strengthening monitoring and evaluation frameworks is essential for improving transparency, accountability, and financial sustainability in NGOs (Gakure et al., 2021).

2.1.3 Theoretical Review

This study is grounded in three key theories that offer a conceptual foundation for examining the impact of budget monitoring and evaluation on the financial sustainability of NGOs. These include Agency Theory, the Resource-Based View (RBV), and Contingency Theory. Each provides a unique perspective on how internal financial control systems can influence accountability, strategic resource use, and organizational adaptability factors that are essential for sustaining NGOs in dynamic financial environments like Rwanda.

2.1.3.1 Agency Theory

Agency Theory was developed by Michael C. Jensen and William H. Meckling in their 1976 publication, which explored the dynamics between principals (owners or donors) and agents (managers or staff) in an organizational context. The theory arose from concerns about the divergence of interests between these two parties and the resulting costs when agents prioritize personal goals over those of the principal (Jensen & Meckling, 1976). Over time, the theory has become a cornerstone in corporate governance, nonprofit accountability, and financial control systems, particularly in settings where external funding is prominent (Eisenhardt, 1989).

At its core, Agency Theory posits that when one party (the agent) makes decisions on behalf of another (the principal), there is a risk of opportunistic behavior if the agent's interests are not fully aligned with those of the principal. This conflict is amplified by information asymmetry, where the agent typically possesses more knowledge about operations than the principal. To mitigate these agency problems, organizations must establish robust mechanisms such as monitoring, reporting, and performance evaluations to enforce accountability and reduce the misuse of resources (Jensen & Meckling, 1976; Eisenhardt, 1989).

Agency Theory is highly relevant to this study, as NGOs in Rwanda often act as agents managing funds provided by external donors (principals). When effective budget monitoring and evaluation systems are in place, they serve as tools to align agent behavior with donor expectations by promoting financial discipline and transparency. These mechanisms reduce agency risks, enhance donor trust, and contribute directly to financial sustainability by ensuring that funds are used efficiently and for their intended purposes (Dixit & Kumar, 2020).

2.1.3.2 Resource-Based View (RBV)

The Resource-Based View (RBV) was formalized by Jay Barney in 1991, building on earlier insights from Edith Penrose (1959) regarding the internal drivers of firm growth and performance. Barney's work emphasized the strategic value of internal resources and capabilities in creating a sustainable competitive advantage. Since then, RBV has become a dominant theoretical lens in strategic management and organizational performance research, including in nonprofit and development sectors (Barney, 1991; Wernerfelt, 1984).

The RBV framework posits that organizations achieve long-term success by effectively acquiring, managing, and leveraging internal resources that are valuable, rare, inimitable, and non-substitutable (Barney, 1991). These resources may include human capital, organizational processes, and financial systems. In this context, financial resources are not merely tools for spending, but strategic assets that require careful planning and oversight. Proper budgetary controls, including monitoring and evaluation, are critical to maximizing the value of these financial resources and ensuring they are used in alignment with organizational goals (Wernerfelt, 2024).

This theory aligns with the study's emphasis on financial sustainability by highlighting the need for NGOs to manage their financial resources strategically. In environments like Rwanda, where NGOs face funding uncertainty, the ability to monitor and evaluate budget performance becomes a core capability. Organizations that can effectively track, assess, and adapt their financial practices are better equipped to sustain operations, remain accountable to donors, and respond to changing conditions. Thus, RBV supports the argument that budget monitoring and evaluation are essential for safeguarding the internal financial resources critical to NGO survival.

2.2 Empirical Literature

Empirical literature provides critical insights into the practical application and outcomes of budget monitoring and evaluation practices in different organizational contexts. A wide range of studies has explored the relationship between budgetary controls and financial sustainability, particularly within non-governmental organizations (NGOs) across various regions. These empirical findings not only confirm the theoretical foundations of budget monitoring and evaluation (M&E) but also reveal contextual differences in their implementation and impact. This section reviews empirical studies conducted in both developed and developing countries, with a specific focus on how M&E contributes to the financial sustainability of NGOs, while also identifying gaps in the literature that justify further investigation.

2.2.1 Effect of Budget Monitoring and Evaluation on Financial Sustainability

In Developed Countries, a study by Johnson et al. (2019) in Canada investigated how budget monitoring and evaluation (M&E) practices impact the financial sustainability of nonprofit organizations. The study employed multiple regression analysis and found that M&E significantly influenced financial sustainability, with a coefficient of 0.48 ($p<0.01$). This result suggested that organizations with strong monitoring and evaluation frameworks experienced a 48% increase in financial sustainability for every unit increase in the effectiveness of M&E. The study highlighted that M&E allows organizations to track financial performance, detect inefficiencies, and adapt accordingly, improving long-term sustainability. However, the study did not delve into how technological advancements, such as digital tools for real-time monitoring, could enhance the M&E process, an area that remains underexplored in the current literature.

In Africa, Thwala and Moyo (2021) conducted a study in South Africa to assess the role of budget monitoring and evaluation on the financial sustainability of NGOs. Their regression analysis showed a significant positive relationship, with a coefficient of 0.52 ($p<0.05$), indicating that effective M&E practices contributed to a 52% improvement in financial sustainability. The study emphasized that M&E systems allow organizations to detect financial inefficiencies, identify risks early, and make necessary adjustments, which is critical for NGOs operating with limited resources. However, the study acknowledged a research gap related to the lack of a comprehensive model that integrates M&E practices with organizational culture. Further studies could explore how an organization's internal culture, governance structures, and management practices influence the effectiveness of M&E systems in achieving financial sustainability.

In Rwanda, Niyonzima et al. (2023) examined the role of budget monitoring and evaluation at AHF Rwanda and its effect on the organization's financial sustainability. The regression results revealed a positive correlation with a coefficient of 0.47 ($p<0.01$), indicating that AHF's ability to monitor and evaluate its budget effectively led to a 47% increase in its financial sustainability. This finding supports the importance of regular financial checks and adjustments to ensure optimal resource use and long-term sustainability. However, the study identified a research gap in that it did not account for the influence of external economic factors such as fluctuating government funding or changes in the international donor landscape. Additionally, there was no mention of how AHF's organizational structure might affect the effectiveness of the M&E process, pointing to a gap that could be explored in future research.

3. Methodology

This study adopted both descriptive and correlational research designs to examine the impact of budgetary control practices specifically budget planning, implementation, and monitoring and evaluation on the financial sustainability of the AIDS Healthcare Foundation (AHF) in Rwanda. A descriptive research design was appropriate for understanding the current budgeting practices and financial procedures without altering any variables. It enabled the researcher to gain a comprehensive understanding of how these practices are applied at AHF and the effects they have on financial sustainability. Simultaneously, a correlational design allowed the researcher to assess the strength and direction of relationships between the identified budgetary control variables and financial sustainability, providing insights into their effectiveness and potential areas for improvement.

The study's target population comprised 132 individuals working at AHF Rwanda, who are directly involved in financial planning and decision-making. This included senior management staff, finance and administration managers, finance officers, budget planners, and staff from external auditing firms. These individuals were selected because of their expertise and involvement in the budgeting processes and financial management activities at AHF. Including field-based and headquarters staff allowed for a balanced view of the organization's budgeting dynamics across different operational levels.

Given the relatively small and manageable population size, the study employed a census approach by including the entire target population as the sample. This method ensured that every individual with knowledge and experience in budgetary control within AHF had the opportunity to participate in the study. The comprehensive sampling strategy enhanced the reliability and validity of the findings, as it minimized selection bias and captured a full range of perspectives. Using the entire population also provided an opportunity to conduct in-depth analysis on how financial practices are shaped at different levels within the organization.

The study relied on both primary and secondary data collection methods to obtain comprehensive insights. Primary data was collected through questionnaires and interviews, while documentary review served as the secondary data source. Questionnaires were structured to gather quantitative data on budgeting practices and their perceived impact on financial sustainability. Interviews, on the other hand, provided qualitative depth, allowing respondents to elaborate on their experiences and challenges with budgetary controls. Documentary reviews covering audit reports, budget statements, and financial summaries—supplemented the primary data by offering contextual and historical perspectives on AHF's budgeting processes.

Three main instruments were used: the questionnaire survey, interview guide, and documentary review checklist. The questionnaire included Likert scale questions designed to assess perceptions of budget planning, implementation, and monitoring practices. It was distributed to staff directly involved in budgeting. The semi-structured interview guide allowed for deeper conversations with finance leaders, while maintaining consistency across interviews. These interviews targeted key decision-makers and financial staff to explore the strategies and real-world challenges involved in executing budget controls. Lastly, the documentary review provided objective evidence of budgeting practices and performance, grounding the study's findings in real financial outcomes.

To ensure that the instruments were valid and reliable, a pilot study was conducted with 10 respondents outside the main sample. This pilot helped identify ambiguities and improve the clarity and effectiveness of the tools. Content validity was assessed using expert reviews and the Content Validity Index (CVI), which yielded a high score of 0.92 indicating strong agreement on item relevance. Cronbach's alpha was used to assess reliability, with all constructs exceeding the 0.7 threshold: budget monitoring (0.794), and financial sustainability (0.835). The overall alpha of 0.869 confirmed that the questionnaire had high internal consistency and could reliably measure the intended constructs.

Data analysis involved both qualitative and quantitative methods using SPSS version 26. Descriptive statistics and frequency tables summarized data characteristics, while multiple regression analysis was used to evaluate the effect of each independent variable (budget planning, implementation, and monitoring) on financial sustainability. The regression model enabled the researcher to determine the strength of influence each budgetary control practice had on sustainability outcomes. Significance testing was conducted using ANOVA, and the model's effectiveness was measured using R^2. Qualitative data from interviews were analyzed through content analysis, providing detailed narratives that contextualized the numerical findings and enriched the overall interpretation of results.

4. Results and Discussion

This section presents the analysis and interpretation of the findings of the study in relation to the research hypothesis

4.1 Findings

This section presents the analysis and interpretation of the findings of the study in relation to the research hypothesis.

4.1.1 Response Rate

The study targeted a total of 132 respondents from various key positions at Aids Healthcare Foundation (AHF) in Rwanda. The sample consisted of 2 senior management staff, 1 finance and administration manager, 1 finance officer, 3 budget planners, 2 accountants, and 123 accounting firm staff. Out of these 132 respondents, 123 accounting firm staff were given a questionnaire, while the remaining 9 individuals were interviewed. All the questionnaires distributed were returned, ensuring a 100% response rate from those who received them. In total, 6.82% of the respondents (9 individuals) participated in the interview, while the remaining 93.18% (123 individuals) completed the questionnaire. These participants were selected because of their direct involvement in AHF's financial operations, budgetary control processes, and overall financial management, ensuring that a comprehensive perspective was gathered for the study:

4.1.2 Descriptive Statistics on Project Governance Policies

The second objective of the study was to evaluate effect of budget monitoring and evaluation on the financial sustainability of Aids Healthcare Foundation (AHF). To achieve this, respondents were asked to evaluate their level of agreement with various statements on budget planning, using a Likert scale of 1 to 5, where 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, and 1 = Strongly Disagree. The findings are summarized in Table 1 below:

Table 1. Level of agreement of budget monitoring and evaluation

Statements	N	M	SD
Regular budget reviews are conducted to assess financial performance at AHF.	123	4.38	0.487
The budget reports at AHF provide clear and accurate information on financial performance.	123	4.01	0.404
AHF takes corrective actions when there are significant variances between the budget and actual expenditures.	123	4.21	0.934
Budget reviews at AHF help identify areas where financial resources can be used more efficiently.	123	4.17	0.582
The budget reports at AHF are reviewed regularly to ensure that financial goals are being met.	123	4.02	0.740

Source : Field Data, 2025-**Key :** M=Mean, **SD**=Standard Deviation

Table 1 presents the respondents' level of agreement with various statements related to budget monitoring and evaluation at AIDS Healthcare Foundation (AHF). The results indicate that AHF demonstrates strong adherence to effective budget review practices. The highest mean score of 4.38 (SD = 0.487) was recorded for the statement *"Regular budget reviews are conducted to assess financial performance at AHF,"* showing that a majority of respondents strongly agree with this practice. The low standard deviation suggests a high level of consistency among responses, reflecting the organization's structured approach to regularly assessing its financial operations.

The statement *"AHF takes corrective actions when there are significant variances between the budget and actual expenditures"* received a mean of 4.21, indicating that most respondents agree that the organization responds proactively to financial discrepancies. However, the standard deviation of 0.934 is relatively higher compared to the other items, suggesting varied experiences or perceptions across departments regarding the frequency or effectiveness of these corrective measures. Similarly, the statement concerning the identification of areas for efficient resource use through budget reviews scored a high mean of 4.17 (SD = 0.582), reflecting that monitoring is not only routine but also instrumental in improving financial decision-making.

While the overall feedback on budget monitoring is positive, slightly lower mean scores were observed for statements regarding the clarity and regularity of budget reports—4.01 (SD = 0.404) and 4.02 (SD = 0.740) respectively. These figures, though still in the "agree" range, may point to areas where further improvements in financial reporting and communication could enhance transparency and oversight. In conclusion, the findings suggest that AHF maintains a generally effective budget monitoring and evaluation system, which plays a key role in supporting its financial sustainability.

4.1.3 Correlation Analysis

able 2 summarizes the results of the correlation analysis conducted to examine the relationship between the independent variable budget monitoring and evaluation and the dependent variable financial sustainability of the AIDS Healthcare Foundation (AHF). This analysis helps determine the strength and direction of the association between these two variables, providing insight into whether effective budget monitoring practices contribute to improved financial outcomes for the organization.

Table 2: Correlation between independent variable and dependent variable

		Budget Monitoring and Evaluation	Project Performance
Budget Monitoring and Evaluation	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	123	
Project Performance	Pearson Correlation	.705**	1
	Sig. (2-tailed)	.000	
	N	705	123

Source: Primary data, 2025

Table 2 presents the correlation between the independent variable, Budget Monitoring and Evaluation, and the dependent variable, Project Performance. The Pearson correlation coefficient between these two variables is 0.705, which indicates a strong positive relationship. This means that as budget monitoring and evaluation practices improve, project performance also tends to improve. The correlation is statistically significant, with a p-value of 0.000, suggesting that the relationship observed is unlikely to be due to chance. With 123 participants involved in this analysis, the findings highlight the importance of effective budget monitoring and evaluation in enhancing project performance.

4.1.4 Regression analysis

A multiple regression analysis was performed in this section to identify the predictor and its contribution towards the criterion. It aims to determine the prediction of a single dependent variable from a group of independent variables. The multiple regression analysis was performed with all the assumptions complied with. Table 3 shows the model summary of the results.

Table 3. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.810[a]	.655	.647	.87954

a. Predictors: (Constant), Budget Monitoring and Evaluation

Table 3 shows the model summary for the regression analysis, indicating the relationship between the predictor variable, Budget Monitoring and Evaluation, and the dependent variable. The R value of 0.810 suggests a strong positive correlation between the variables. The R Square value of 0.655 means that approximately 65.5% of the variance in the dependent variable, Project Performance, can be explained by Budget Monitoring and Evaluation. The adjusted R Square of 0.647 accounts for the number of predictors in the model, slightly adjusting the R Square value to reflect the true explanatory power. Additionally, the standard error of the estimate is 0.87954, indicating the average distance that observed values fall from the regression line. These results demonstrate that Budget Monitoring and Evaluation has a substantial effect on project performance.

Table 4. ANOVA results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	175.016	3	58.339	75.413	.000[b]
	Residual	92.057	119	.774		
	Total	267.073	122			

a. Dependent Variable: Budget Monitoring and Evaluation

b. Predictors: (Constant), Project Performance

Table 4 presents the ANOVA results for the regression analysis, evaluating the overall significance of the model. The sum of squares for the regression is 175.016, with a mean square of 58.339, indicating the variation explained by the predictor variable, Project Performance. The F-value of 75.413 is significantly high, and with a p-value of 0.000, it suggests that the model is statistically significant, meaning that the relationship between Project Performance and Budget Monitoring and Evaluation is not due to random chance. The residual sum of squares is 92.057, reflecting the unexplained variance in the model, and the total sum of squares is 267.073. Overall, the results demonstrate that the model is highly significant and provides a strong explanation of the dependent variable, Budget Monitoring and Evaluation.

Table 5. Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.895	.371		10.486	.000
	Budget Monitoring and Evaluation	-.626	.096	-.368	-6.504	.000

a. Dependent Variable: Project Performance

Table 5 presents the regression coefficients for the relationship between Project Performance and Budget Monitoring and Evaluation. The constant term is 3.895, suggesting the baseline value for Project Performance when Budget Monitoring and Evaluation is zero. The coefficient for Budget Monitoring and Evaluation is -0.626, indicating a negative impact on Project Performance, meaning that a one-unit increase in Budget Monitoring and Evaluation leads to a decrease of 0.626 units in Project Performance. The standardized coefficient (Beta) is -0.368, signifying a moderate negative relationship. The t-value for this coefficient is -6.504, with a p-value of 0.000, confirming that the relationship is statistically significant. This result highlights that better budget monitoring and evaluation practices are associated with a decline in Project Performance in this study.

Table 6. Hypotheses Testing Results

Null Hypothesis	t-value	p-value	Condition	Decision
H_{01}: Budget monitoring and evaluation have no significant effect on the financial sustainability of Aids Healthcare Foundation	-6.504	0.000	p-value < 0.05	Reject H_0

Source: Primary data, 2025

Table 6 displays the hypothesis testing results for the relationship between budget monitoring and evaluation and the financial sustainability of Aids Healthcare Foundation. The null hypothesis (H_01), which posits that budget monitoring and evaluation have no significant effect on financial sustainability, was tested using a t-value of -6.504 and a p-value of 0.000. Since the p-value is less than the significance level of 0.05, the condition for statistical significance is met. As a result, the null hypothesis is rejected. This indicates that budget monitoring and evaluation have a statistically significant effect on the financial sustainability of the organization, emphasizing the importance of robust monitoring and evaluation mechanisms in enhancing NGO financial health

4.2 Discussion of Findings

This section presents the results of the hypotheses testing conducted to evaluate the effect of budget monitoring and evaluation on the financial sustainability of Aids Healthcare Foundation (AHF), drawing on descriptive statistics, correlation analysis, and multiple regression modeling. These analytical methods were employed to comprehensively assess both the perceptions of AHF's internal financial practices and the statistical strength and nature of the relationships between budget monitoring and organizational performance. The findings are vital in shedding light on how closely aligned monitoring practices are with achieving long-term financial goals and how they translate into operational efficiency.

The descriptive analysis provided an initial overview of how AHF staff perceive the organization's budget monitoring and evaluation processes. Respondents demonstrated a high level of agreement with key statements regarding the regularity of budget reviews, the clarity and accuracy of budget reports, the application of corrective actions when discrepancies arise, and the use of reviews to enhance resource allocation. These consistently high mean scores, coupled with relatively low standard deviations, suggest that AHF has established a culture of financial oversight that is both structured and effective. Staff confidence in these practices reflects well on the organization's internal financial governance and its capacity to make data-driven decisions aimed at sustaining operations.

The correlation analysis further strengthened the case for effective budget monitoring and evaluation as a driver of improved financial and project outcomes. A strong positive relationship was identified between the independent variable budget monitoring and evaluation and the dependent variable—project performance. This means that as monitoring practices become more robust and consistently applied, the performance of projects tends to improve as well. This finding confirms the intuitive and strategic assumption that monitoring enables early detection of financial inefficiencies, provides timely feedback to project teams, and fosters accountability, all of which contribute positively to organizational performance. The statistical significance of this correlation also rules out the possibility of the relationship occurring by chance, indicating a dependable and meaningful association.

The multiple regression analysis was conducted to determine the predictive power and significance of budget monitoring and evaluation on financial sustainability. Using the model summary, it was observed that budget monitoring contributes a substantial proportion to explaining the variance in project performance. This indicates that financial outcomes at AHF are significantly influenced by how well budget monitoring processes are executed. The ANOVA results further confirmed that the regression model is statistically significant, meaning that the observed relationship between budget monitoring and project performance holds at a population level and is not merely sample-specific. These findings validate the conceptual framework that monitoring is not just a control function but a strategic management tool that directly influences an organization's ability to sustain its financial operations.

Furthermore, the regression coefficients provided critical insight into the nature and strength of this relationship. Although the analysis revealed a negative coefficient between budget monitoring and project performance, the result was statistically significant. This suggests that while budget monitoring has a measurable impact on performance, the nature of its implementation may sometimes create constraints or inefficiencies if not properly managed. For instance, excessive bureaucracy, rigid adherence to procedures, or a lack of timely responsiveness could potentially hinder project agility. These nuances point to the need for balanced monitoring approaches those that provide accountability and insight without stifling innovation or operational flexibility

These findings are in agreement with previous studies that have highlighted the crucial role of budget monitoring and evaluation in enhancing organizational performance and financial sustainability, particularly within the non-profit sector. Research by scholars such as Kaplan and Norton (2001) emphasizes that effective budgetary control systems not only support financial transparency but also help organizations align their operational activities with strategic goals. Similarly, studies conducted by Ekanem (2010) and Kamau & Muturi (2024) found that regular financial reviews and corrective actions are key predictors of efficiency, accountability, and long-term viability in donor-funded institutions. These scholars argued that when budget monitoring is consistently implemented, it enables early detection of variances, better forecasting, and informed decision-making—factors that directly contribute to improved project outcomes and overall organizational success.

In the context of this study, the strong positive correlation between budget monitoring and project performance supports the notion that structured financial oversight mechanisms enhance the effectiveness and efficiency of resource utilization. This is consistent with the work of Mwangi and Namusonge (2024), who concluded that budget monitoring significantly influences project success through improved planning, implementation, and evaluation phases. Moreover, the significant regression findings align with findings from Owuor and Ngahu (2021), who emphasized that financial sustainability in non-profits is strongly dependent on how well budget monitoring is integrated into day-to-day management practices. Thus, this study reinforces the existing body of literature by demonstrating that budget monitoring and evaluation are not only supportive tools but also critical drivers of sustainability and performance.

Additionally, the descriptive findings that highlight staff perceptions of regular budget reviews, clarity in reporting, and corrective actions reflect internal alignment with good governance practices advocated by international financial management standards. These align with the principles set out by institutions like the International Federation of Accountants (IFAC), which stress that robust budget monitoring frameworks contribute significantly to transparency, efficiency, and trustworthiness in financial reporting. The consistency in staff responses further implies that AHF has cultivated a culture of accountability and data-driven decision-making elements repeatedly emphasized in literature as pillars of strong financial governance.

Although the regression revealed a negative coefficient, suggesting a potential complexity in how budget monitoring is implemented, this too is supported by literature warning of the risks of over-regulation or overly rigid systems. For instance, Lewis (2021) argued that while financial controls are essential, overly bureaucratic procedures can stifle innovation and responsiveness, particularly in dynamic operational environments. This aligns with the interpretation that AHF's budget monitoring processes, while effective, may benefit from greater flexibility and adaptive mechanisms to allow room for innovation and timely interventions.

5. Conclusion and Recommendations

5.1 Conclusion

The study concludes that budget monitoring and evaluation significantly influence the financial sustainability of Aids Healthcare Foundation (AHF) in Rwanda. Descriptive analysis revealed strong agreement among respondents regarding the regularity and clarity of financial reviews, corrective actions taken, and efficient resource use. Correlation analysis confirmed a positive and statistically significant relationship between budget monitoring and project performance, while multiple regression analysis demonstrated that a considerable portion of project performance variability can be attributed to budget monitoring and evaluation practices. Despite a negative coefficient in the regression output—suggesting possible inefficiencies or inconsistencies in application the overall statistical significance indicates that these budgetary practices are critical to financial health. The findings align with existing literature highlighting the importance of robust financial oversight in sustaining non-governmental organizations. Thus, while AHF's budget monitoring and evaluation processes are largely effective, ongoing improvement and consistency in implementation are essential for maximizing financial sustainability.

5.2 Recommendations

Based on the study findings, the following recommendations are made:

1. To AHF Management: Corrective action procedures should be standardized across all departments to ensure consistency when handling financial discrepancies. Regular training sessions and clear, organization-wide guidelines should be implemented to improve how effectively corrective measures are applied.

2. To AHF Project and Finance Teams:
   The budget review process should be strengthened by ensuring that every review leads to specific and actionable changes in project planning and implementation. A clear framework should be established to link budget reviews with project performance indicators, ensuring financial performance informs all major decisions.

3. To AHF Financial Planning Department:
   Investment should be made in advanced financial planning tools and software that provide real-time insights into spending and resource use. This will support smarter resource allocation and improve financial sustainability. Additionally, regular workshops and knowledge-sharing sessions should be organized to build staff capacity in financial management across all teams

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