

**Financial Management of NGOs: A comparative study among executive members of Indian Trust Act and Societies Registration Act in Tiruchirappalli District of Tamilnadu State**

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**Abstract**

**Background:**Inthe Management of a Non-Governmental Organization, the core areas are legal compliance, accountability, and financial management. Among these, financial management is required to be mainly focused because NGO priorities are focused on program implementation and not on the financial reporting and maintenance of books of accounts.

**Objective:**The study examined the financial management of NGOs among executive members of the Indian Trust Act and Societies Registration Act in Tiruchirappalli District of Tamilnadu stateand also compared the financial management of NGOs among executive members of the Indian Trust Act and Societies Registration Act.

**Methods and Material:**There are 224 NGOs registered in the Tiruchirappalli District, out of which, 60 NGOs were selected by adopting simple random sampling techniques using the lottery method. A Descriptive research design has been adopted. The semi-structured questionnaire was prepared and used. The questionnaire was shared via email, and Google forms. The collected data was analyzed using the Statistical Package for Social Science version 20.

**Results:**The study reveals that NGOs registered under the Societies registration act are a higher number in complying with basic books, computerized accounting, project-wise books of accounts, all financial transactions are recorded, vouchers are supported by adequate documents, statutory audits are conducted and annual reports are published than NGO registered under Indian Trust act

**Conclusion:**The study suggests that NGOs have to comply with statutory requirements in maintaining the books of accounts, regular reporting to the government and donors, and ensure transparency in keeping recent legal amendments tothe finance act 2021.

**Keywords:**Financial Management of NGOs, accounting, maintained of the books of accounts

**Background of the study**

The commonly accepted goal of NGOs is to implement the program towards their vision and mission of the organization, compared to that of the Financial Management, The Core areas of the Non-Governmental organization are Legal Compliance, Programme Implementation, Accountability, and Financial Management. In financial management, the key components are planning the program and overhead budget, having a separate bank account in the name of the organization, maintaining the basic books of accounts, recordingday to day transactions, maintaining computerized books of accounts, project wise books of accounts, so that expenditures are booked on the respective projects, then not mixing with other projects, vouchers are supported by adequate supportive documents, vouchers are recorded, internal control mechanism, regular audits, statutory audits and publishthe

annual report. Dawson (1998) highlighted that the effort and resources spent are likely to diminish with time as the auditing process is integrated with other related systems such as strategic planning and evaluation, annual reporting, and financial auditing.

The above requirements are needed for effective financial management, if the above requirement is not met by the NGOs, their legal license will get canceled by the government, NGO's reputation will decline, and their name will be blacklisted so donors will not provide financial support to the NGOs. Finally, it is the problem of their suitability. There is thus a resource interdependence (albeit often asymmetric) in which NGOs rely on donors for money, and donors rely on NGOs for their reputations in development (Ebrahim, 2002).

### Method and materials

The empirical study is to examine the financial management of NGOs among executive members of the Indian Trust Act and The Societies Registration Act in Tiruchirappalli District of Tamilnadu state and also compare the financial management of NGOs among executive members of the Indian Trust Act and The Societies Registration Act.

### Study area and sampling method

There are 224 NGOs registered in the Tiruchirappalli District, out of which, 60 NGOs were selected by adopting simple random sampling techniques using the lottery method.

### Research design and method of data collection

A Descriptive research design has been adopted. The semi-structured questionnaire was prepared and used. The questionnaire was shared via email, and Google forms. The collected data was analyzed using the Statistical Package for Social Science version Test such as a chi-square statistical test was applied to draw the meaningful inference.

### Ethical consideration

The researcher got approval on the questionnaire from the research ethical committee, in which it is undertaking the doctoral research work and informed consent from executive members of the selected organizations to ensure the confidentiality of data results disclosure which stated that, the collected data will be used only for academic purpose

### Results

The collected data on the financial management of NGOs among executive members in Tiruchirappalli was analyzed using the Statistical Package of Social Science version 20.

**Table 1.** Distribution of the organizations in terms of their years of establishment, registration, age of executive members, Gender, Education

SL.NO			n:60	%
1	Years of establishment	1918 to 1999	26	43.3
		2000 to 2021	34	56.7
2	Type of registration	Indian Trust Act	30	50.0
		Societies Registration Act	30	50.0
3	Age of executive members	20 to 40 Years aged	5	8.3
		40 to 60 Years aged	51	85.0
		60 Years and Above	4	6.7
4	Gender	Male	34	56.7
		Female	26	43.3
5	Educational qualification	Doctor of philosophy	1	1.7
		Master's Degree	37	61.7
		Master's Degree in SW	2	3.3
		Bachelor's Degree	20	33.3

While analyzing the organizations in terms of their years of establishment, registration, age of executive members, Gender, Education, it was observed that more than half (56.7 percent) of the organizations have established 2000 to 2021 years, half of them (50.0 percent) of the organizations have registered under societies registration act, the majority (85.0 percent) of the executive members were in the age of 40 to 60 years, more than half (56.7 percent) of the executive members were male and less than three fourth (61.7 percent) of the executive members were completed master's degree.

**Table 2.** Distribution of the organizations in terms of their vision & mission, program linkages, and visibility

SL.NO			n:60	%
1	Vision and Mission	Yes	60	100.0
		No	0	000.0
2	Program linkages	Linked with V/M	57	95.0
		Sometime	3	5.0
		Not linked	0	000.0
3	Visibility	News Letter	5	8.3
		News Letter, Own publication	5	8.3
		News Letter, OP,Website,SM	6	10.0
		Own publication	18	30.0
		Own publication, Website, SM	6	10.0
		Social media	5	8.3
		Website	14	23.1
		Website and Social Media	1	1.7

About the organizations in terms of their vision and mission, programs linked with vision and mission and visibility, cent percent (100.0 percent) of the organizations were having vision and mission, significance (95.0 percent) of the organizations were linked their programs with vision and mission and less than one third (30.0 percent) of the organizations were published their organization's activities through own publication.

**Table 3.** Distribution of the organization in terms of their maintained basic books of accounts, Project-wise books of accounts

SL.NO			n:60	%
1	Basic books of account	Maintained	58	96.7
		Not maintained	2	3.3
2	Computerized books of account	Maintained	38	63.3
		Not maintained	22	36.7
3	Project-wise books of account	Maintained	38	63.3
		Not maintained	22	36.7
4	Administrative expenditure	Recorded	37	61.7
		Not recorded	23	38.3

While analyzing the maintained basic books, project-wise & computerized books of accounts, and recorded program and administrative expenditure, it was noticed that significance (96.7 percent) of the organizations did maintain basic books of accounts, the same percent(63.7) that is less than three fourth of organizationshad maintained project-wise and computerized books of accounts and less than three fourth (61.7 percent) of the organizationshad recorded their program and administrative expenditure.

**Table 4.** Distribution of the organization in terms of their financial transaction recorded, voucher supported by document and voucher files available

SL.NO			n:60	%
1	Financial transaction recorded	Recorded	40	66.7

2	Voucher supported by the document	Not recorded	20	33.3
		Recorded	55	91.7
3	Voucher files availability	Not recorded	5	8.3
		Available	57	95.0
		Not available	3	5.0

Concerning the organization in terms of their financial transaction recorded, maintained vouchers are with adequate supporting documents and availability of vouchers files, less than three fourth (66.7 percent) of the organizations were recorded their financial transactions, the vast majority (91.7 percent) of the organizations which maintained vouchers are with adequate supporting documents and significance (95.0 percent) of the organizations did maintain voucher files.

**Table 5.** Distribution of the organization in terms of their reporting on statutory audit, Auditor letter to management, and Annual report published

SL.NO			n:60	%
1	Statutory Audit	Reported	55	91.7
		Not reported	5	8.3
2	Auditor letter to management	Received	33	55.0
		Not received	27	45.0
3	Annual report	Published	43	71.7
		Not published	17	28.3

While analyzing the organization in terms of their reporting on statutory audits, Auditor letters to management and Annual report published, the vast majority (91.7 percent) of the organization have reported statutory audits, more than half (55.0 percent) of the organizations were receiving management letter from the auditor and nearly three fourth (71.7 percent) of the organizations were published annual report.

**Table 6.** Association between the types of registration concerning maintained project-wise, computerized books of accounts, recorded program & administrative expenditure, recorded financial transactions, and annual reports published.

SL. NO	Registration	Maintained Annual report	Financial recorders and	X <sup>2</sup>	P
1	Indian Trust Act Societies Act	Maintained 12(40.0%)	Not Maintained 18(60.0%)	14.067 df=1 CV=.484	.000<0.01
		26(86.7%)	4(13.3%)		
2	Indian Trust Act Societies Act	12(40.0%)	18(60.0%)	14.067 df=1 CV=.484	.000<0.01
		26(86.7%)	4(13.3%)		
3	Indian Trust Act Societies Act	14(46.7%)	16(53.3%)	5.711 df=1 CV=.309	017.<0.05
		23(76.7%)	7(23.3%)		
4	Indian Trust Act Societies Act	14(46.7%)	16(53.3%)	10.800 df=1 CV=.309	.001.<0.01
		26(86.7%)	4(13.3%)		
5	Indian Trust Act Societies Act	18(60.0%)	12(40.0%)	4.022 df=1 CV=.259	.045<0.05
		25(83.3%)	5(16.7%)		

The Chi-square analysis table portrays that there is a high level of statistically significant association between types of registration and maintained project-wise of books of accounts [ $X^2=14.067$ ,  $df=1$ ,  $p<0.01$ ]. In addition, organizations registered under the societies registration act have maintained a higher number of project-wise books of accounts than the organizations registered under the Indian Trust Act, and the extent of association between types of registration and maintained project-wise of books of accounts are found to be at a moderate relationship [Carmer's  $V=.484$ ]

There is a high level of statistically significant association between types of registration and maintained computerized books of accounts [ $X^2=14.067$ ,  $df=1$ ,  $p<0.01$ ]. In addition, organizations registered under the societies registration act have maintained a higher number of computerized books of accounts than the organizations registered under the Indian Trust Act, and the extent of association between types of registration and maintained computerized books of accounts are found to be at a moderate relationship [Carmer's  $V=.484$ ]

There is a statistically significant association between types of registration and recorded program and administrative expenditures [ $X^2=5.711$ ,  $df=1$ ,  $p<0.05$ ]. In addition, organizations registered under the societies registration act have recorded a higher number of program and administrative expenditures than the organizations registered under the Indian Trust Act, and the extent of association between types of registration and recorded program and administrative expenditure is found to be at a moderate relationship [Carmer's  $V=.309$ ].

There is a high level of statistically significant association between types of registration and recording the financial transaction [ $X^2=10.800$ ,  $df=1$ ,  $p<0.01$ ]. In addition, organizations registered under the societies registration act have recorded a higher number of financial transaction than the organizations registered under the Indian Trust Act, and the extent of association between types of registration and recording the financial transaction is found to be at a moderate relationship [Carmer's  $V=.309$ ].

There is a statistically significant association between types of registration and annual reports published [ $X^2=4.022$ ,  $df=1$ ,  $p<0.05$ ]. In addition, organizations registered under the societies registration act have published a higher number of annual reports than the organizations registered under the Indian Trust Act, and the extent of association between types of registration and recorded program and annual reports published is found to be at a week relationship [Carmer's  $V=.259$ ].

### **Result of cross-tabulation**

The organization registered under the societies registration act has maintained a higher number of books of accounts than organizations registered under the Indian Trust act

The organization registered under the societies registration act has recorded a higher number of vouchers with supporting documents than organizations registered under the Indian Trust act

The organization registered under the societies registration act has maintained a higher number of vouchers files than organizations registered under the Indian Trust act

The organization registered under the societies registration act has conducted a higher number of statutory audits than organizations registered under the Indian Trust act

The organization registered under the societies registration act has received a higher number of management letters from auditors than organizations registered under the Indian Trust act.

### **Discussion**

The study shows the NGOs registered under the societies registration act are better complying with the maintenance of basic books, computerized, project-wise books of accounts, all financial transactions are recorded, vouchers are supported by adequate documents, a statutory audit is conducted and the annual report is published than NGO registered under Indian Trust act because as per the societies registration act 1860 clause four says annual filing to be done with the register of society with makes NGOs comply for their sustainability similarly no clause are present in Indian trust act to comply with the requirements.

### **Conclusion**

The empirical study concludes that more the half of the organizations were established in the 20<sup>th</sup> century, the executive members were having master's degrees, majority of NGOs were maintaining basic, computerized, project-wise books of accounts, financial transactions are recorded, vouchers are supported with adequate documents, statutory audit and annual reports are published. The chi-square statistical test results portray that there is a high level of statistically significant association between types of registration concerning computerized, project-wise books of account and recording the financial transaction. The chi-square statistical test and cross-tabulation analysis clearly illustrated that NGOs registered under the Societies registration act is better at complying with financial management namely basic books, computerized, project-wise books of accounts, all financial transactions are recorded, vouchers are supported by adequate documents, statutory audits are conducted and an annual report is published than NGO registered under Indian Trust.

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