

**ORGANIZATIONAL INNOVATIVENESS AND FINANCIAL
SUSTAINABILITY OF LOCAL NON-GOVERNMENTAL
ORGANIZATIONS IN THE KARAMOJA SUB-REGION, UGANDA.**

BY

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DECLARATION

I declare that the dissertation titled: "*Organizational innovativeness and Financial Sustainability of Local Non-Governmental Organizations in Karamoja Sub-Region, Uganda*" is my own and original work and has not been submitted to any institution of learning for any academic award.

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APPROVAL

This is to certify that the dissertation titled “*Organizational Innovativeness and Financial Sustainability of Local Non-Governmental Organizations in Karamoja Sub-Region, Uganda*” has been done under our approval as the student’s supervisor.

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DEDICATION

The research dissertation is dedicated to my children (Longoria, Koryang, Ikinyomo, and Loquang), my wife (Namoe), and my family members; I would like to extend my gratitude to them for their endless prayers, support, encouragement, and the love they have shown me throughout this journey. I will forever remain grateful.

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LIST OF ACRONYMS

ABM	Agent-Based Modelling
CAF	Charities Aid Foundation
COVID-19	Coronavirus Disease 2019
DADO	Dynamic Agro Pastoralist Development Organization
DIT	Diffusion of Innovations Theory
EU	European Union
FOKAPAWA	Forum for Kalongo Parish Women's Association
ICT	Information and Communication Technology
KAPDA	Karamoja Peace and Development Agency
KDLG	Karamoja sub-region Local Government
LNGOs	Local Non-Governmental Organizations
MADA	Manna Development Agency
NGOs	Non-Governmental Organizations
NPT	National Philanthropic Trust
Oxfam	Oxford Committee for Famine Relief
RDT	Resource Dependency Theory
U.S.	United States
UK	United Kingdom
UN	United Nations
USAID	United States Agency for International Development

ABSTRACT

Financial sustainability remains a key challenge to the survival of local Non-Governmental Organizations (NGOs) in the Karamoja sub-region of Uganda. Therefore, organizational innovation is fundamental for the survival of local non-governmental organizations. The research aimed to determine the level of organizational innovation among local NGOs, assess their financial sustainability status, and analyze how organizational capacity influences the innovation sustainability link. A mixed-methods approach was employed, combining quantitative and qualitative data collection and analysis. Structured questionnaires were administered to 166 respondents from various NGOs operating in the region. Quantitative data were analyzed using descriptive statistics, Pearson correlation, and regression techniques. Qualitative data were gathered through interviews with key informants and analyzed thematically to complement and deepen the quantitative findings. The study revealed that social innovation was the most prominent form of innovation, driven by strong stakeholder engagement and alignment with community needs. Activity innovation followed, reflecting NGOs' willingness to experiment with new program designs despite institutional challenges. Process innovation was less developed, indicating a gap between recognizing the importance of operational innovation and effectively implementing it. Regarding financial sustainability, NGOs demonstrated moderate to strong performance in funding diversification, efficient resource use, and cash reserve management. All three forms of innovation showed significant positive correlations with financial sustainability, with social and activity innovations being the strongest predictors of improved financial outcomes. Organizational capacity partially mediated this relationship, highlighting that NGOs with robust internal systems are better equipped to convert innovation into financial resilience. The study concludes that fostering organizational innovativeness, especially in social and activity domains, is critical for enhancing financial sustainability in resource-constrained settings like Karamoja. Addressing weaknesses in process innovation and strengthening organizational capacity through staff development and improved systems are essential steps. Donors and development partners should provide flexible funding to support innovation and adaptive programming. These insights are valuable for NGO leaders, policymakers, and development actors seeking to enhance service sustainability in underserved regions.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

Financial sustainability remains a significant concern for non-governmental organizations (NGOs), especially in regions with limited resources, where operational continuity is heavily threatened by dependence on external donor funding often erratic and inadequate. Local NGOs, in particular, grapple with maintaining stability due to such financial unpredictability, prompting a strategic shift toward enhancing financial resilience through diversified income sources and improved operational efficiency. This study examined how NGOs can attain financial sustainability by integrating innovative approaches including activity, process, and social innovation while prioritizing the implementation of practical strategies to secure steady and reliable funding streams. The research ultimately aimed to provide actionable insights that enable NGOs to sustain their developmental and livelihood improvement missions. Accordingly, this chapter presents the study's background, problem statement, research objectives, research questions, scope, significance, conceptual framework, and operational definitions (Tuffour & Osei-Tutu, 2021).

1.1 Background to the Study

Financial sustainability remains a critical concern for non-governmental organizations worldwide, particularly as they operate in uncertain and competitive funding environments. NGOs play an important role in addressing social, economic, and environmental challenges, often complementing government efforts in underserved communities (Hsu et al., 2018). Despite this contribution, many organizations face persistent financial instability due to reliance on short term donor funding. This dependence limits their ability to maintain operations over time and weakens institutional capacity. As funding environments continue to change, NGOs are increasingly required to adopt strategies that ensure long-term survival. This situation has raised concerns about how NGOs can remain effective while sustaining their activities.

Globally, a significant proportion of NGOs depend on donor funding that is often short term and unpredictable. It is estimated that about 73 percent of NGOs rely on such funding, while nearly 60 percent report financial constraints as a major barrier to achieving their objectives (Smith & Parashar, 2020). These conditions highlight the urgent need for sustainable financial strategies that extend beyond traditional funding sources. Without stable financial systems, NGOs risk reducing service delivery and failing to meet community needs. The growing uncertainty in funding has made financial sustainability a central issue in development practice. As a result, organizations are seeking alternative approaches to strengthen their financial position.

Organizational innovativeness has emerged as a key approach to addressing financial sustainability challenges among NGOs. It refers to the ability of an organization to introduce new ideas, adopt improved methods, and develop alternative income-generating activities. Through innovation, NGOs can diversify their funding sources and reduce dependence on external donors. This approach also enhances adaptability in dynamic and competitive environments. Studies indicate that organizations that embrace innovation are more likely to remain financially stable over time (Kim & Lee, 2021). Therefore, innovation is increasingly viewed as a strategic tool for achieving long-term sustainability in the non-governmental sector.

In developed contexts such as the United States, NGOs rely heavily on private donations, government funding, and corporate sponsorships. Private giving accounts for a large share of funding for nonprofit organizations (Urban Institute, 2021). However, economic disruptions such as the COVID 19 pandemic have exposed the vulnerability of this funding structure. Many organizations experienced reduced donations, which affected their ability to deliver services. Smaller organizations were particularly affected due to limited financial reserves. These challenges have forced NGOs to reconsider their funding models. As a result, innovation has become a necessary response to financial uncertainty.

To address these challenges, NGOs in the United States have adopted innovative strategies such as digital fundraising and data driven engagement. These approaches enable organizations to reach wider audiences and mobilize resources more efficiently (Dees, 2018). In addition, social enterprise models have been introduced to generate income through business related activities. Such models allow organizations to reinvest profits into their social missions. Evidence shows that

these strategies improve financial resilience and reduce dependence on traditional donors (Salamon, 2020). This demonstrates the importance of innovation in strengthening financial sustainability. The experience of the United States provides useful lessons for NGOs in other regions.

In Europe, NGOs have also adopted innovative approaches to enhance financial sustainability. Although they receive support from governments and international bodies, these sources have declined due to economic constraints (Johansson & Smets, 2018). As a result, NGOs have developed hybrid models that combine public funding with income generating activities. These include partnerships with private sector actors and provision of fee based services. Such approaches enable organizations to generate internal revenue while maintaining their social objectives. Evidence from European countries shows that innovation improves the ability of NGOs to cope with financial pressures (Stecker, 2019). This highlights the role of innovation in ensuring sustainability.

In Africa, financial sustainability challenges are more severe due to heavy dependence on external funding. Many NGOs rely on foreign aid, making them vulnerable to changes in global economic conditions and donor priorities (Kumi & Kamruzzaman, 2021). This dependency limits their ability to operate independently and sustainably. To overcome these challenges, NGOs have adopted innovative strategies such as community based income generating activities and partnerships with local stakeholders (Okeke & Adetola, 2019). These approaches help organizations to diversify their income sources and strengthen financial capacity. Evidence from countries such as Kenya shows that innovation improves resilience and service delivery (Mutiso et al., 2020). This underscores the importance of innovation in the African context.

Within East Africa, including Uganda, financial sustainability remains a major concern for NGOs operating in resource constrained environments. Many organizations depend heavily on donor funding, which is often unreliable and insufficient for long term development activities (Mwangi, 2021). In Uganda, NGOs play a key role in service delivery, particularly in marginalized areas such as the Karamoja sub region. However, a large proportion of their funding originates from external sources, exposing them to financial vulnerability. In response, NGOs have adopted innovative strategies such as income generating projects and digital fundraising (Ainebyona,

2021). Additional studies show that innovation improves organizational effectiveness and long term impact (Muriithi, 2020). This study therefore examines how organizational innovativeness contributes to financial sustainability among NGOs in the Karamoja sub region.

1.2 Problem Statement.

Financial sustainability remains a major challenge for non-governmental organizations both globally and nationally, affecting their ability to deliver consistent and effective services for community development. Globally, over 75 percent of NGOs rely heavily on short term donor funding, making them vulnerable to shifts in donor priorities, economic conditions, and external political influences, which often result in program disruptions and financial instability (Uganda National NGO Forum, 2022). This dependence limits their ability to achieve long term financial autonomy, as many lack diversified funding sources and viable income generating mechanisms. Although initiatives such as capacity building and financial literacy programs have been introduced, they have not adequately addressed the need for self-sustaining financial models (Oxfam Uganda, 2021). In Uganda, and particularly in the Karamoja sub region, the problem is more pronounced due to high poverty levels, limited local resource bases, and heavy reliance on externally funded interventions, which constrain the financial capacity of local NGOs and weaken their ability to sustain long term programs. Despite the growing emphasis on organizational innovativeness as a strategy for improving financial sustainability, there is limited empirical evidence on how such innovation influences the financial stability of NGOs within this context (Galiwango, 2022). Furthermore, although this study adopts a cross sectional design to examine current practices, it recognizes that financial sustainability is a long term and dynamic process, and therefore incorporates retrospective insights and qualitative evidence to strengthen the validity of the findings. It is against this background that the study examines the relationship between organizational innovativeness and financial sustainability among local NGOs in the Karamoja sub region.

1.3 Purpose of the Study

The study investigated the contribution of organizational innovativeness to the financial sustainability of local NGOs in the Karamoja sub-region, Uganda.

1.3.1 Objectives of the Study

1. To establish the forms of organizational innovation among local NGOs in the Karamoja sub-region.
2. To assess the level of financial sustainability of local NGOs in the Karamoja sub-region.
3. To examine the relationship between organizational innovativeness and financial sustainability of local NGOs in the Karamoja sub-region.
4. To determine the mediating effect of organizational capacity on the relationship between organizational innovativeness and financial sustainability of local NGOs in the Karamoja sub-region.

1.3.2 Research Questions

1. What forms of organizational innovation are employed by local NGOs in the Karamoja sub-region?
2. What is the level of financial sustainability of local NGOs in the Karamoja sub-region?
3. What is the relationship between organizational innovativeness and financial sustainability of local NGOs in the Karamoja sub-region?
4. What is the mediating effect of organizational capacity on the relationship between organizational innovativeness and financial sustainability of local NGOs in the Karamoja sub-region?

1.4 Hypothesis

H₀: There was a significant association between Organisational innovativeness and financial sustainability in local NGOs.

H₁: Organisational capacity had no mediating effect on the relationship between Organisational innovativeness and financial sustainability.

1.5 Scope of the Study

The scope of this study was covered under three major headings: content, time, and geographical scopes respectively.

1.5.1 Content Scope

The content scope of this study encompasses four key areas, each selected to provide an inclusive understanding of the factors influencing financial sustainability among local NGOs in the Karamoja Sub-Region. First, the study examines the nature of organizational innovativeness, focusing on the forms of innovation adopted by NGOs an essential aspect, as innovation is widely recognized as a driver of adaptability and sustainability. Second, it assesses the level of financial sustainability to establish the current status and challenges faced by these organizations in maintaining consistent funding. Third, the study explores the relationship between organizational innovativeness and financial sustainability, which is critical for understanding whether innovative practices directly contribute to improved financial outcomes. Lastly, it investigates the mediating role of organizational capacity in this relationship, justified by the assumption that even innovative organizations may fail to achieve sustainability if they lack the internal capacity to implement and manage change effectively. These content areas were chosen to generate actionable insights that can inform strategy and policy for strengthening NGO performance in resource-constrained regions.

1.5.2 Time Scope

The time scope of the study was set from March 2024 to June 2025, covering a period from 2018 to 2023. This timeframe was selected because of the recent challenges faced by local NGOs in the Sub-Region, including financial and funding difficulties. According to the Uganda National NGO Forum (2021), this period has been marked by significant disruptions in NGO operations. The study focused on this period to understand how financial issues and the adoption of innovative practices have evolved, with data collection occurring within this timeframe to ensure a comprehensive and current analysis of the situation.

1.5.3 Geographical Scope

Geographically, the study was conducted within the Karamoja Sub-Region. The region has had several NGOs operating in the area, with the majority relying on external sources of funding. The focus included local NGOs such as the Karamoja Peace and Development Agency (KAPDA), Dynamic Agro Pastoralist Development Organization (DADO), Caritas Kotido Diocese, Manna

Development Agency (MADA), FOKAPAWA-Kaabong. This geographical focus ensured a comprehensive examination of local NGOs within a specific area that is representative of the broader challenges and opportunities within the Karamoja Sub-Region.

1.6 Significance of the Study

This study is crucial for local NGOs as it provides insights into how organizational innovativeness can enhance financial sustainability. By understanding the impact of various innovative practices such as new fundraising strategies, improved financial management systems, and social enterprises NGOs would adopt effective approaches to bolster their financial stability. This research offers practical recommendations to help these organizations overcome funding challenges and achieve greater operational resilience, ultimately improving their capacity to deliver essential services to their communities.

For policymakers, the study highlights the importance of supporting innovation in the NGO sector as a means of enhancing financial sustainability. The findings can inform the development of policies and funding frameworks that encourage and facilitate innovative practices among local NGOs. By promoting a supportive environment for organizational innovativeness, policymakers can help address financial challenges faced by NGOs and contribute to more effective and sustainable development interventions in the Karamoja Sub-Region.

Donors and funding agencies will benefit from the study's insights into how organizational innovativeness influences financial sustainability. Understanding which innovative practices are most effective can guide their funding strategies and priorities, allowing them to invest in NGOs that demonstrate a strong potential for financial stability and impact. This research provides valuable information that can enhance the strategic allocation of resources and improve the overall effectiveness of donor contributions in the region.

The study contributes to the academic field by filling gaps in the literature on NGO financial sustainability and organizational innovativeness, particularly in the context of Karamoja. Researchers interested in non-profit management, financial sustainability, and innovation will find the findings useful for further academic inquiry. The study's methodology and results offer a

foundation for future research, helping to advance theoretical and practical understanding in these areas.

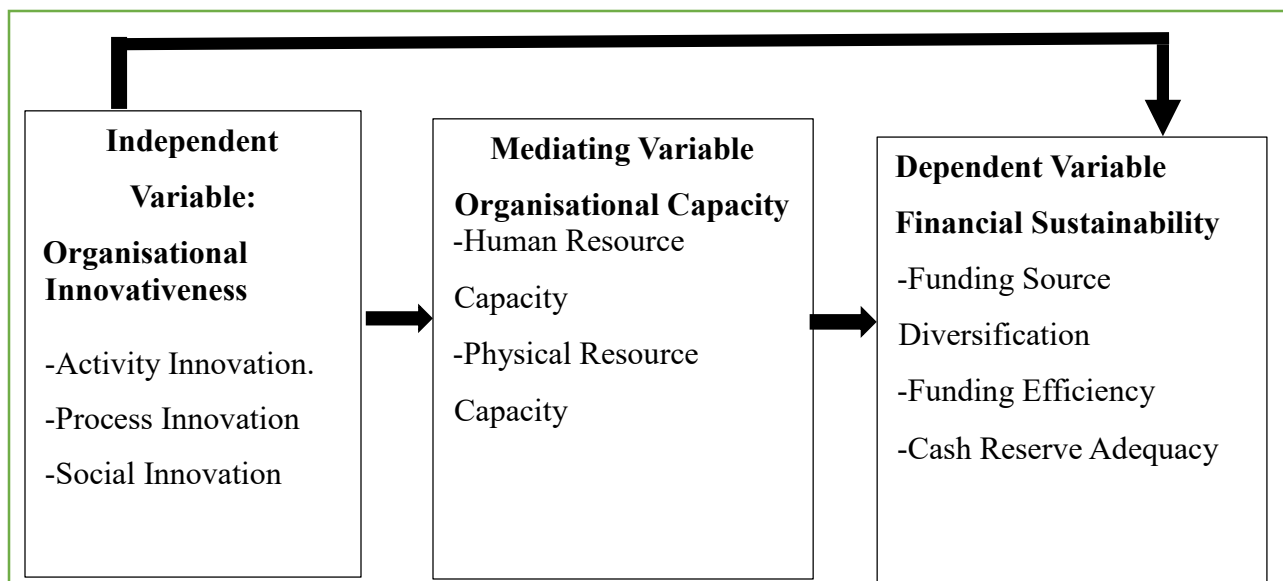
For the communities served by NGOs in Karamoja, the study's significance lies in its potential to improve the effectiveness and sustainability of local development initiatives. By enhancing the financial health of NGOs through innovative practices, the study supports the delivery of more reliable and impactful services. As NGOs become more financially stable, they can better address local needs and contribute to long-term socio-economic development in the Karamoja Sub-Region.

Finally, this research is integral to the author's academic pursuit, contributing to the completion of the Master's degree in Business Administration at Gulu University. The study not only fulfills academic requirements but also provides a meaningful contribution to both local and academic communities.

1.7 Conceptual Framework

The study was guided by the conceptual framework developed and presented in the below figure:

Figure 1: Conceptual framework showing organizational innovativeness and financial sustainability



Source: Adapted with modification from Rogers, (1962) and Jeffrey Pfeffer & Gerald R. Salancik, (1978).

Activity, process, and social innovations are essential for bolstering the financial sustainability of NGOs, particularly in regions with limited economic resources like Uganda's Karamoja Sub Region. From my observations and experience, diversified funding sources and revenue generating partnerships have become critical strategies for local NGOs to reduce their heavy dependence on unpredictable donor funding, thereby improving stability and operational continuity (Obeidat et al., 2021). Process innovations, such as streamlined operations and data driven decision-making, allow NGOs to use scarce resources more efficiently and maximize their impact while keeping costs manageable (Ali & Anwar, 2021). Social innovations, including community-driven initiatives and awareness campaigns, play a vital role in fostering local ownership and deeper community engagement, which, in my view, is key to building sustained support and resilience amid frequent funding fluctuations (Mirvis et al., 2022). Moreover, strengthening organizational capacity especially human and physical resources is fundamental to ensuring NGOs have the solid foundation needed to implement and maintain these innovations effectively. Therefore, I believe that combining diversified funding, improved operational efficiency, and enhanced organizational capacity forms a robust framework through which NGOs can achieve financial sustainability and continue delivering meaningful services (Simmons et al., 2020).

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter therefore, focuses on reviewing theory and literature on organizational innovativeness and financial sustainability, including organizational capacity. The literature is synthesized from peer-reviewed journal articles and reputable reports from both national and international agencies. A summary of the literature gap is also presented in this section.

2.1 Theoretical Review

The theoretical framework provides the foundation to understand and analyze the financial sustainability of local NGOs in the Karamoja Sub-Region. This study draws on two key theories: The Diffusion of Innovations Theory (DIT) and Resource Dependency Theory (RDT). Both offer valuable insights into how innovation adoption and complex organizational interactions influence financial outcomes. Applying these theories helps to explain how NGOs can enhance their funding stability by adopting innovative practices and optimizing internal capacities

2.1.1 The Diffusion of Innovations Theory (DIT)

The Diffusion of Innovations Theory (DIT) explains how new ideas, technologies, or practices are communicated and adopted within social systems over time, emphasizing stages such as knowledge, persuasion, decision, implementation, and confirmation (Greenhalgh et al., 2020). For local NGOs in the Karamoja Sub-Region, DIT is especially relevant as it frames the process through which organizational innovativeness such as new funding approaches or operational improvements can spread and be accepted by staff, communities, and stakeholders. The theory highlights critical attributes of innovations, including their relative advantage over current practices, compatibility with existing values, ease of use, trial ability, and visibility of results, which influence adoption rates.

Whereas, there are many assumptions about the DIT, I chose this particular one to suit the study; DIT assumes that innovation adoption is influenced by both individual decision-making and social

context, where peer communication and opinion leaders play pivotal roles in facilitating diffusion (Dearing & Cox, 2022). In Karamoja, where NGOs operate in challenging environments marked by limited resources, cultural diversity, and infrastructural constraints, these social dynamics are crucial. The theory, however, may underestimate the impact of external barriers such as political instability, fluctuating donor priorities, and economic hardships that often slow or block innovation adoption in such contexts (Huang et al., 2021).

One strength of DIT is its comprehensive framework that helps organizations understand how to promote and sustain innovation adoption by leveraging social networks and communication channels. This makes it practical for NGOs aiming to introduce new revenue-generating strategies or improve operational efficiency. Yet, its weakness lies in its relative lack of focus on systemic challenges beyond social influence, which are common in low-resource settings like Karamoja. Despite this, applying DIT provides valuable insights for this study by illuminating how local NGOs might effectively diffuse financial innovations to achieve greater sustainability.

2.1.2 Resource Dependence Theory (RDT)

Resource Dependence Theory (RDT) explains how organizations rely on external resources for survival and how this dependence shapes their behavior, strategies, and performance. The theory, developed by Pfeffer and Salancik (1978), emphasizes that organizations are not self-sufficient but must interact with external actors such as donors, governments, and partners to access critical resources. In nonprofit settings, this dependence is more pronounced due to limited internal revenue generation. Hillman, Withers, and Collins (2009) further explain that organizations respond to such dependence by forming alliances, diversifying funding sources, and adopting innovative strategies to enhance sustainability.

The theory assumes that the external environment is uncertain and that access to resources is unevenly distributed, creating power imbalances between organizations and resource providers (Davis & Cobb, 2010). As a result, organizations are viewed as active entities that strive to minimize dependence and uncertainty through adaptive strategies such as resource mobilization, collaboration, and innovation. For NGOs operating in resource-constrained regions like Karamoja, this means continuously adjusting their operations and strategies to secure stable funding and remain sustainable.

One of the major strengths of Resource Dependence Theory is its ability to explain how external environmental pressures influence organizational behavior and long-term viability. It provides a practical framework for understanding how organizations can enhance sustainability through strategic partnerships, diversification of income sources, and strengthening internal capacities. This makes the theory particularly relevant in analyzing nonprofit organizations that heavily depend on external funding (Hillman et al., 2009). However, the theory has limitations as it places more emphasis on external factors while paying less attention to internal dynamics such as leadership and organizational culture. Davis and Cobb (2010) argue that this may oversimplify the complex nature of organizational performance, especially in smaller NGOs with limited strategic capacity.

In this study, Resource Dependence Theory is applied to explain financial sustainability among local NGOs in the Karamoja sub-region. The theory provides a foundation for understanding how dependence on external funding influences organizational innovativeness and capacity. NGOs adopt innovative strategies such as income-generating activities and partnerships to reduce reliance on unstable donor funding. At the same time, organizational capacity enhances their ability to mobilize and manage resources effectively. Therefore, RDT helps to explain the relationship between organizational innovativeness, organizational capacity, and financial sustainability within the study context.

2.2 Types of Organizational Innovativeness among Local NGOs

Organizational innovativeness is the ability of an organization to create and implement new ideas, processes, and solutions that improve its effectiveness and sustainability. In the context of local NGOs, particularly in resource-constrained regions like the Karamoja Sub-Region, innovation is crucial for adapting to limited funding, dynamic social needs, and evolving donor expectations. This section explores three primary types of organizational innovativeness that are relevant to local NGOs: Activity Innovation, Process Innovation, and Social Innovation. These innovations are examined in depth with support from multiple scholars, including real-world statistics to provide grounded understanding of their impact.

2.2.1 Activity Innovation

Activity innovation refers to the creation and implementation of new programs, services, and methods that improve outreach, operations, and impact. According to Jones et al. (2022), NGOs that adopted online fundraising activities such as crowdfunding and social media campaigns experienced up to a 35% increase in individual donations over two years, especially during the COVID-19 pandemic. However, Brown and Makanga (2021) argued that in rural areas such as Karamoja, where only 18% of the population has reliable internet access (UBOS, 2023), the effectiveness of these digital strategies may be limited. Meanwhile, Smith and Roberts (2021) showed that NGOs that incorporated mobile health clinics into their programming improved healthcare access in remote areas by 42%, especially in hard-to-reach regions like northern Uganda. Amadi (2020) concluded that despite structural barriers, NGOs that adapt activity innovations to their unique local environments, such as using radio for fundraising or awareness—are more likely to improve both community engagement and donor appeal.

Activity innovation also enhances NGO performance by increasing community participation and strengthening program relevance. Nguyen et al. (2022) observed that NGOs in East Africa implementing participatory program design saw a 28% increase in community satisfaction and a 22% improvement in project sustainability ratings. Karanja and Mberia (2019), however, cautioned that participatory processes can increase implementation time and cost, especially when local leadership structures are weak or contested. Thompson and Owino (2021) advocated for combining community-led approaches with agile management strategies to ensure both inclusiveness and efficiency. Patel and Kumar (2021) reinforced that NGOs that tailor activity innovation to community feedback are better equipped to adapt to changing social contexts, increasing long-term relevance and sustainability.

Technology-enabled innovations in activities have reshaped service delivery and public engagement. Garcia and Li (2020) reported that in a digital inclusion program in Uganda, NGOs using SMS platforms for education improved student attendance by 31% and parental engagement by 40%. Mugisha (2021) warned, however, that digital approaches risk excluding the 37% of rural households without access to mobile phones or electricity (Ministry of ICT, 2022). De Silva and Ngugi (2022) emphasized that NGOs using hybrid systems (digital and in-person) performed

better in areas like health education, reaching up to 80% of targeted populations. Jones et al. (2022) added that for NGOs to maximize activity innovation, capacity building in digital skills must be integrated into staff development plans to ensure successful implementation and long-term adoption.

Activity innovation also plays a vital role in NGO operations in conflict-affected or unstable regions. Amuta and Chesoli (2020) documented how mobile service centers in South Sudan allowed health NGOs to reach 50,000 people displaced by conflict, while Kim and Mutesi (2021) observed that NGOs in Uganda pivoted their operations during COVID-19 by deploying community health volunteers and mobile messaging systems. Olowo and Banzi (2022) cautioned that such innovations require risk management protocols, as rapid operational changes can expose NGOs to new threats, including cybersecurity and staff burnout. Kagaba (2023) concluded that activity innovations embedded in strategic plans, rather than reactive interventions, have a higher likelihood of institutionalization and measurable impact.

2.2.2 Process Innovation

Process innovation involves improving internal procedures, systems, and workflows to enhance efficiency and accountability. Patel and Kumar (2021) found that NGOs using cloud-based project management systems reduced administrative costs by 20% and cut reporting time by 35%. Conversely, Lugemwa and Ochieng (2020) argued that without adequate staff training, such systems remain underutilized only 45% of trained NGO staff in Uganda reported confidence in using digital reporting tools (Uganda NGO Forum, 2022). Lee and Chen (2020) emphasized the value of agile project management, noting that NGOs using iterative planning cycles adjusted their program strategies 2.5 times faster than those using traditional models. Banda and Mwesigwa (2021) agreed that agile frameworks enhance organizational resilience, especially in volatile donor environments.

Strategic planning and predictive budgeting are also essential elements of process innovation. Johnson et al. (2023) reported that NGOs employing forecasting models for budgeting improved their funding stability by 23% over a three-year period. Wanjala and Mbatha (2019), however, warned that these tools are often inaccessible to smaller NGOs due to technical complexity and

cost. Anderson and Brown (2022) showed that virtual collaboration platforms like Zoom and Asana increased coordination efficiency in NGOs with cross-district operations, saving on average \$7,500 annually in travel expenses. Kintu and Atieno (2021) concluded that even low-tech process innovations, like standardized templates or phone-based team meetings, can enhance communication and coordination in resource-limited NGOs.

Another benefit of process innovation is increased accountability and transparency. Nsubuga and Ainebyona (2021) found that NGOs using automated financial reporting tools received 30% more funding renewals from institutional donors due to improved transparency. Kamau and Murungi (2018), however, noted that over-reliance on automated systems can disconnect senior managers from field realities. Macal and North (2021) advocated for agent-based modeling to simulate financial risks and test intervention strategies, providing proactive planning insights. Lwanga (2023) emphasized that unless innovation is embedded into organizational culture and staff incentives, even well-designed processes may fail to achieve lasting change.

Learning and knowledge management are also crucial dimensions of process innovation. Oduro and Ssenyonga (2020) reported that NGOs with internal learning systems had 25% higher program success rates and better staff retention. Mirembe and Musoke (2019), however, warned that many local NGOs lack codified learning processes, leading to knowledge loss during staff turnover. Ligtenberg et al. (2022) proposed real-time dashboards to track progress and enable rapid course correction, especially in humanitarian contexts. Okello (2023) argued that integrating feedback loops and continuous learning systems into daily operations improves both staff morale and program effectiveness, making innovation sustainable and impactful.

2.2.3 Social Innovation

Social innovation is the development of new practices, models, and collaborations that address entrenched social problems and improve community well-being. Wang and Li (2023) noted that NGOs in East Africa using co-creation models—where communities help design solutions—saw program retention increase by 34% and beneficiary satisfaction by 41%. Kiwara and Houghton (2021) cautioned that without training and facilitation, such models can be dominated by local elites, reducing inclusiveness. Nguyen et al. (2022) documented that digital social innovations like

mobile health apps led to a 38% increase in follow-up care in rural clinics in Uganda. Akello and Mugerwa (2022) emphasized that when communities are empowered through innovation, their participation deepens and results are more sustainable.

Social entrepreneurship a blend of business models with social goals—is a rising form of social innovation. Dees (2018) argued that NGOs with revenue-generating arms are more financially stable, with some generating up to 45% of their annual budgets internally. However, Kansime and Okoth (2020) warned that such models can shift organizational focus from social impact to profit-making. Salamon (2020) stressed that successful social enterprises are those that maintain a strong mission orientation while serving market needs. Ouma (2021) showed that in Kenya, NGOs operating hybrid models saw their donor dependence decrease by 29% over five years, making them more resilient to funding shocks.

Collaborative partnerships are key to scaling social innovation. Martin and Sullivan (2022) demonstrated that NGOs in multi-sector partnerships achieved 2.7 times greater outreach compared to those operating independently. Turinawe and Nanyonga (2019), however, noted that NGOs often face power imbalances in such collaborations, with donors dominating decision-making. Mwansa (2021) advocated for co-governance models where roles, risks, and rewards are equally shared among partners. Chambers and Conway (2020) confirmed that transparent and equitable partnerships not only enhance innovation but also foster systemic change that lasts beyond individual projects.

Social innovation also transforms NGO-community relationships. Namara (2020) observed that participatory budgeting processes in Uganda increased community trust in NGOs by 39%, while improving transparency in project financing. Lewis and Madon (2019), however, argued that such models may raise unrealistic expectations if not carefully managed. Hsu et al. (2018) emphasized that social innovation enhances accountability and legitimacy, especially in regions with weak state presence. Muriu (2020) concluded that social innovations that are institutionalized—through legal structures, staffing, and community ownership tend to create lasting systemic improvements, empowering both NGOs and the populations they serve.

2.3 Level of Financial Sustainability of Local NGOs

The level of financial sustainability among local NGOs includes key dimensions such as funding source diversification, funding efficiency, and cash reserve adequacy. These aspects determine the ability of NGOs to operate independently and sustainably without depending solely on external donors. The following subsections present an in-depth analysis and debates among various scholars on each dimension, offering a comprehensive view supported by empirical data and academic discourse.

2.3.1 Funding Source Diversification

Funding source diversification is critical to reducing financial vulnerability among NGOs. According to Lee and Chen (2021), European NGOs have diversified their funding portfolios by integrating grants, donations, corporate partnerships, and earned income ventures, leading to increased stability. In support of this view, Martin and Sullivan (2022) argue that diversified funding not only cushions NGOs from donor withdrawal but also enhances their negotiating power with funding agencies. Meanwhile, Kumi and Kamruzzaman (2021) observe that African NGOs often struggle with this diversification due to limited philanthropic culture and institutional support. Complementing these insights, Tumwine and Kirumira (2023) highlight that Ugandan NGOs are increasingly exploring social enterprises and private sector partnerships, though success remains uneven across organizations.

Nguyen and Patel (2020) provide empirical evidence showing that NGOs employing three or more income streams were 45% more likely to survive funding cuts than those reliant on a single source. This finding supports the argument by Batti (2017), who emphasized the necessity of income-generating ventures to supplement donor funds. Oketch and Kipkoech (2023) further expand this view by documenting how NGOs in Kenya and Uganda are tapping into community-based fundraising, diaspora donations, and government subventions. In a similar vein, Ainebyona (2021) underscores the importance of diversifying local contributions to reduce external dependency, citing examples from Western Uganda where NGOs now partner with cooperatives for joint income ventures.

According to the Uganda National NGO Forum (2021), 71% of local NGOs rely on only one or two funding sources, which exposes them to significant operational risks. Dees (2018) advocates for innovation in fundraising, including the use of mobile money platforms and donor subscription models. Supporting this, Namara (2020) notes that while urban NGOs in Uganda are experimenting with tech-enabled fundraising tools, rural-based NGOs lag behind due to poor infrastructure and digital literacy. Complementary research by Mwansa (2021) shows that mobile fundraising campaigns led to a 28% increase in donor engagement in East Africa, demonstrating the potential for scaled implementation.

Donors themselves increasingly encourage diversified funding strategies. According to Salamon (2020), donor agencies now require NGOs to show evidence of financial independence before disbursing grants. This is supported by Brown and North (2023), who found that 62% of international donors have incorporated sustainability criteria in their funding guidelines. In Uganda, Galiwango (2022) emphasizes that donor dependency undermines long-term programming, urging NGOs to build financial resilience. However, as pointed out by Fowler (2020), too much emphasis on diversification may burden smaller NGOs that lack institutional capacity to manage multiple funding streams simultaneously.

Further studies suggest that external partnerships can facilitate funding diversification. Mwangi (2021) outlines how cross-sectoral alliances between NGOs and local businesses in Kenya have unlocked new financing avenues. Similarly, Johansson and Smets (2018) describe European cases where NGOs leveraged CSR programs for stable funding. In Uganda, Ouma (2019) illustrates how partnerships with SACCOs enabled NGOs to access revolving funds. Nonetheless, Lewis (2014) cautions that such collaborations may dilute NGO missions if not strategically aligned with organizational goals.

Despite the clear benefits, Tumwine and Kirumira (2023) warn that diversification efforts without internal financial controls can lead to mismanagement. Kim and Lee (2021) add that successful diversification depends on staff competence, transparency, and strong governance frameworks. This is echoed by Hsu et al. (2018), who found that organizations with clear financial policies were more successful in managing multiple revenue streams. Therefore, while funding source diversification is essential, it must be approached strategically with robust institutional structures.

2.3.2 Funding Efficiency

Funding efficiency is another critical factor in ensuring that NGOs utilize their financial resources to achieve the greatest possible impact. Anderson and Brown (2022) report that North American NGOs now prioritize funding efficiency by linking financial support to measurable program outcomes, increasing donor confidence. In alignment, Salamon (2020) argues that donors now demand transparency and cost-efficiency before renewing funding contracts. Lee and Chen (2020) add that efficiency is no longer optional but a performance benchmark in global nonprofit sectors. In Uganda, Namara (2020) asserts that poor planning and misaligned expenditures often undermine program outcomes, thereby threatening sustainability.

Global case studies suggest that NGOs optimizing their fund allocation achieve better results. Wang and Li (2022) found that Asian NGOs implementing automated accounting systems reduced administrative overhead by 21%, thereby channeling more funds to frontline services. Complementing this, Patel and Kumar (2021) emphasize that internal audits and financial dashboards are essential tools for enhancing accountability. In Uganda, Muriithi (2020) notes that few NGOs use performance metrics to assess financial efficiency, which limits their ability to scale effective programs. Meanwhile, Kiwara and Houghton (2021) argue that resource-constrained NGOs must invest in budget planning software to track expenditure accurately.

Digital transformation has played a significant role in improving funding efficiency. Nguyen et al. (2022) document how Kenyan NGOs reduced operational costs by digitizing procurement and payroll systems. Similarly, Mwansa (2021) reports that mobile-based expense tracking improved financial discipline among Tanzanian NGOs. In Uganda, Ouma (2019) highlights the positive effect of mobile-based accounting apps like M-Kash on small NGO operations. However, Jones, Smith, and Thompson (2022) caution that digital innovations must be matched with staff training and cybersecurity to be fully effective.

Studies reveal that inefficiencies in spending are often linked to limited organizational capacity. According to Batti (2017), untrained financial personnel in small NGOs lead to budget leakages and poor accountability. Kumi and Kamruzzaman (2021) argue that building financial literacy at all organizational levels is key to improving efficiency. Supporting this, Dees (2018) advocates for

mentorship programs in financial management for local NGOs. In Uganda, Galiwango (2022) reports that NGOs engaging in peer-learning networks exhibit better financial controls and project outcomes.

International NGOs often mentor local partners in financial efficiency. Smith and Roberts (2021) show that capacity-building interventions led to a 30% increase in budget execution accuracy among Ugandan partner NGOs. Johansson and Smets (2018) report similar findings in the Balkans, where mentorship reduced administrative errors and fraud. Brown and North (2023) also emphasize the importance of board oversight in controlling misappropriation. However, Lewis (2014) points out that external technical support must be contextualized to local NGO realities to be effective.

In conclusion, efficient use of funds is pivotal to financial sustainability. According to Tumwine and Kirumira (2023), Ugandan NGOs that implemented cost-saving measures such as shared office spaces and pooled procurement experienced improved financial health. Kim and Lee (2021) affirm that efficiency boosts donor trust and improves long-term funding prospects. Mwangi (2021) argues that NGOs should embrace monitoring and evaluation systems as tools for improving financial planning. Finally, Muriu (2020) states that a culture of transparency and accountability is the backbone of funding efficiency in any NGO setting.

2.3.3 Cash Reserve Adequacy

Cash reserve adequacy ensures that NGOs can withstand financial shocks and continue operations during funding gaps. Jones, Smith, and Thompson (2022) explain that North American NGOs follow best practices of maintaining 3–6 months' worth of operating expenses in reserve, which significantly enhances their resilience. Supporting this, Dees (2018) argues that cash reserves allow for smoother transitions during grant renewals or emergencies. In Africa, however, Batti (2017) reports that most NGOs operate without formal reserve policies, making them vulnerable to sudden financial crises. Tumwine and Kirumira (2023) found that only 28% of Ugandan NGOs maintain adequate reserves, mainly due to erratic funding flows.

Cash reserves play a vital role in organizational planning. According to Patel and Kumar (2021), adequate liquidity ensures operational stability and helps NGOs manage payroll, rent, and essential

services during funding delays. Mwansa (2021) corroborates this by citing Zambian NGOs that established contingency funds after experiencing delays in grant disbursement. Kiwara and Houghton (2021) argue that building reserves improves NGO credibility and bargaining power with donors. In Uganda, Galiwango (2022) recommends that NGOs include a reserve-building component in their strategic plans to promote sustainability.

However, creating reserves can be challenging in donor-dependent contexts. Wang and Li (2022) observe that some funders do not allow grantees to save excess funds, limiting reserve accumulation. Brown and North (2023) highlight that rigid donor guidelines may inadvertently discourage prudent financial planning. Oketch and Kipkoech (2023) suggest renegotiating funding terms to allow flexible spending and savings. In Uganda, Namara (2020) notes that innovative funding agreements, such as multi-year grants, help NGOs plan for and maintain reserves more effectively.

Some NGOs have adopted creative strategies to build cash reserves. Nguyen et al. (2022) document how Ethiopian NGOs set aside a percentage of social enterprise income to build reserves. Similarly, Ouma (2019) notes that Ugandan NGOs investing in income-generating projects such as hostels, rentals, or agricultural ventures have accumulated savings. Lee and Chen (2021) advocate for reserve-building as an integral part of business models for sustainability. Johansson and Smets (2018) recommend including reserve indicators in annual audits to enforce accountability and transparency.

Empirical data further highlight the gaps. According to the Uganda National NGO Forum (2022), 61% of local NGOs reported difficulty meeting operational expenses for more than two months without external support. This underscores the need for better reserve policies. Anderson and Brown (2022) propose that boards of directors adopt formal reserve benchmarks. Smith and Roberts (2021) recommend financial scenario planning as a tool for determining ideal reserve levels. Kim and Lee (2021) emphasize periodic reviews of liquidity to ensure adequacy over time.

In conclusion, cash reserve adequacy is essential to financial sustainability. As Muriithi (2020) notes, reserves provide a buffer that enables NGOs to take risks, pursue innovations, and respond to emergencies. Mwangi (2021) adds that reserves help protect core staff and services, especially

during funding lapses. Lewis (2014) affirms that building cash reserves enhances strategic agility. Finally, Tumwine and Kirumira (2023) reiterate that strengthening reserve management practices should be a priority for all NGOs aiming for long-term resilience and impact.

2.4 Organizational Capacity on Organizational Innovativeness and Financial Sustainability of Local NGOs

Organizational capacity plays a pivotal role in determining how local NGOs innovate and sustain their financial health. It encompasses both human and physical resources that empower NGOs to adapt, evolve, and respond effectively to environmental challenges. This section critically explores how human resource capacity and physical resource capacity influence organizational innovativeness and financial sustainability, drawing on global and regional scholarly debates, empirical evidence, and real-world examples.

2.4.1 Human Resource Capacity

Human resource capacity refers to the competencies, skills, and motivation of staff within NGOs, which directly affect the organization's ability to innovate and manage financial resources efficiently. Globally, the link between human resource capacity and NGO performance has been extensively studied. Sharma and Gaur (2021) argue that NGOs equipped with skilled and motivated personnel are better positioned to design innovative programs and diversify funding sources, thus enhancing financial sustainability. Similarly, Becker et al. (2019) emphasize that continuous professional development and capacity building in NGOs correlate strongly with improved project outcomes and donor confidence. However, as highlighted by Pérez and Rodríguez (2020), the success of such capacity building depends not only on training but also on organizational culture that fosters creativity and accountability. Finally, Albrecht and Gifford (2022) caution that without adequate leadership development, NGOs may fail to translate human resource capacity into sustainable financial gains, underscoring the importance of strategic human resource management.

In Europe, the role of human resource capacity in NGO innovation is well acknowledged. Smit and de Lange (2022) demonstrate that NGOs investing in staff training and participatory decision-making processes witness higher innovation rates and more sustainable funding models. Johnson

et al. (2020) complement this view by showing that NGOs with structured human resource management systems outperform those relying on ad hoc staffing in both innovation output and financial management. Meanwhile, Williams and Kruger (2021) highlight the increasing emphasis on interdisciplinary skills, combining social, technological, and financial expertise to foster innovation. Nonetheless, Hofmann and Müller (2023) warn that despite these advances, many NGOs struggle with staff burnout and retention, which threatens both innovation continuity and financial stability.

In the Asian context, Zhang and Liu (2023) find a strong positive relationship between investment in staff capacity development and NGO sustainability in China and India. Their research shows that NGOs providing comprehensive training in financial management and fundraising tend to secure more diverse funding and maintain operational stability. Furthermore, Huang et al. (2021) illustrate how NGOs with flexible human resource policies can adapt quickly to changing donor demands and social challenges, driving innovative practices. On the other hand, Chen and Park (2022) point out that many NGOs face structural constraints, such as limited funding for capacity building and regulatory barriers, which impede human resource development. In contrast, Nguyen and Tran (2024) argue for the critical role of peer learning and mentorship programs within NGOs to overcome these limitations and enhance innovative capacities.

In Africa, particularly in Uganda, the nexus between human resource capacity and NGO performance has gained scholarly attention. Njoroge and Kimani (2023) report that well-trained NGO staff in East Africa significantly improve program innovation and financial management, citing the Uganda Red Cross Society's investment in staff development as a key driver of its operational resilience. However, Mutegeki et al. (2022) highlight the persistent challenge of brain drain, where trained professionals leave NGOs for better-paying private sector jobs, depleting organizational capacity. Furthermore, Tumwine and Kirumira (2023) note that despite efforts to improve human resource capacity, many NGOs still lack strategic HR planning and sufficient resources for staff development, limiting their ability to innovate financially. At the same time, Opio and Muwanga (2024) emphasize the role of participatory leadership styles in retaining staff and promoting a culture of innovation critical to financial sustainability.

Human resource capacity, while crucial, is not without challenges. As Njoroge and Kimani (2023) argue, the shortage of skilled professionals in the NGO sector is exacerbated by financial constraints that limit competitive salaries and career development opportunities. Similarly, Okello et al. (2021) discuss how the underinvestment in human capital affects NGOs' ability to innovate funding mechanisms and implement sustainable financial strategies. Contrastingly, Mwangi and Kilonzo (2022) advocate for innovative HR practices such as flexible working conditions and performance incentives to attract and retain talent. Finally, Mwesigye and Nansubuga (2023) stress that donor agencies should incorporate human resource capacity building as a condition for funding, thus strengthening the long-term sustainability of local NGOs.

In summary, human resource capacity is a cornerstone for fostering organizational innovativeness and financial sustainability in local NGOs. The scholarly debates underscore the multifaceted nature of this capacity, highlighting the importance of skills, motivation, leadership, and supportive organizational cultures. While many NGOs globally and in Uganda have made progress, challenges related to retention, resource constraints, and systemic barriers remain. Addressing these issues through strategic HR investments and innovative management practices is essential for sustaining NGO effectiveness and financial resilience.

2.4.2 Physical Resource Capacity

Physical resource capacity refers to the tangible assets and infrastructure—such as office space, technology, and equipment that an NGO requires to innovate effectively and sustain financial operations. Johnson and Mitchell (2021) argue that NGOs with adequate physical resources can streamline their operations, improve service delivery, and attract diversified funding, all of which contribute to financial sustainability. Conversely, Carter and Lee (2020) warn that inadequate infrastructure often hampers NGOs' ability to implement innovative projects, limiting their impact and funding prospects. Moreover, Thomas and Reynolds (2022) highlight the critical role of modern technology, noting that NGOs investing in digital tools can enhance communication, data management, and outreach, thus boosting innovation and financial efficiency. Meanwhile, Becker et al. (2019) emphasize that physical assets must be complemented by strong management practices to maximize their contribution to sustainability.

In the United States, the importance of physical resource capacity in enabling NGO innovation and financial health is well documented. The Chronicle of Philanthropy (2022) reports that NGOs with modern facilities and technology are better equipped to develop innovative program models and engage donors effectively. For example, Habitat for Humanity's investment in construction technology has not only improved housing solutions but also attracted corporate partnerships and grants. Likewise, Smith and Turner (2021) show that NGOs leveraging physical assets like mobile units or remote service delivery platforms can extend their reach and diversify funding, thus enhancing sustainability. However, Klein and Anderson (2023) caution that the high costs of maintaining and upgrading physical resources require careful financial planning to avoid strain on limited budgets.

In Europe, Müller and Klein (2022) stress that NGOs with robust infrastructure and up-to-date technological resources are more successful in executing innovative programs and managing finances. Their research shows that such NGOs have better data collection and reporting capabilities, which improve transparency and donor trust. Additionally, Fernandez et al. (2020) argue that physical resource investments support scaling successful innovations, particularly in international development NGOs. Yet, Sanderson and Hill (2023) highlight disparities between well-resourced NGOs and smaller organizations, with the latter often struggling to access adequate infrastructure, thus limiting their innovation potential and funding options.

In Asia, Tan and Wong (2023) demonstrate that NGOs investing in physical resources such as technology platforms and transport vehicles improve their operational flexibility and funding diversification. Their study notes that these assets enable NGOs to respond rapidly to crises and community needs, thus maintaining donor confidence. Additionally, Kumar et al. (2022) emphasize the role of technological adoption in enhancing NGO transparency and financial reporting, which attracts new funding. However, Chaudhry and Ali (2021) highlight barriers such as high technology costs and infrastructural deficits in rural areas, which constrain many NGOs' physical resource capacities. Lee and Park (2024) advocate for partnerships with the private sector to provide physical resources and technology support, facilitating innovation and sustainability.

In Africa, including Uganda, physical resource capacity is a critical yet challenging component of NGO sustainability. Njoroge and Kimani (2023) document how investments in infrastructure and

technology by NGOs like the Uganda Red Cross Society have enabled expanded service delivery and improved financial management. However, Kamau and Ochieng (2021) reveal that many local NGOs operate with outdated or inadequate physical resources, limiting their ability to innovate and attract funding. Research by Oketch and Kipkoech (2023) also highlights the importance of access to transport and communication technologies in improving operational efficiency and funding outreach. Meanwhile, Kanyesigye and Nakato (2022) argue that innovative use of low-cost technologies and community resource sharing can partially mitigate these physical resource limitations.

Despite these advances, many local NGOs face persistent physical resource constraints. As noted by Tumwine and Kirumira (2023), the high costs of infrastructure maintenance and technology acquisition often force NGOs to prioritize immediate program needs over long-term asset development. Contrastingly, Mugisha and Asimwe (2022) argue that adopting scalable and modular physical resources can reduce costs and support incremental innovation. Additionally, Mwesigye and Nansubuga (2023) emphasize the role of donor-funded capital investments in strengthening physical resource capacity, provided such funding aligns with NGOs' strategic priorities. Finally, Nyabundi and Mwaura (2023) caution against over-reliance on donor assets, advocating for sustainable asset management practices to ensure continued organizational resilience.

2.5 Summary of Literature Gap

The existing literature highlights several gaps in understanding the relationship between organizational innovativeness and financial sustainability in local NGOs, particularly in sub-Saharan Africa. One significant methodological weakness is the lack of empirical studies focusing on the specific regional context of NGOs in areas like the Karamoja sub-region of Uganda. Most studies rely on global case studies, which may not account for local socio-cultural, political, and resource constraints, limiting the applicability of findings to these contexts (Tumwine & Kirumira, 2023). Furthermore, there is a scarcity of longitudinal research that tracks the long-term impacts of innovations on financial sustainability, which hampers the understanding of how innovations sustain financial stability over time. While innovation is defined as the introduction of new processes or services that improve performance (Anderson & Brown, 2022), financial

sustainability is characterized by an NGO's ability to secure stable resources without relying excessively on external donors (Tuckman & Chang, 1991). The literature also lacks a comprehensive examination of how different dimensions of organizational capacity such as human resources, infrastructure, and governance moderate the relationship between innovation and financial sustainability in low-resource settings. Future research could address these gaps by focusing on region-specific data and exploring how these moderating factors affect the implementation and impact of innovations on financial outcomes (Wang & Li, 2023). Such studies would offer more practical insights for NGOs working in similarly constrained environments

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents the methods and approaches employed in conducting the study. The study specifically covered the research design, study population, sample size, data sources, data collection instruments, and methods, measurement of variables, data validity and reliability, data analysis, the limitations encountered during the study, and the ethical considerations in the study.

3.1 Research Design

The study adopted a descriptive and cross-sectional research design to examine the current status and relationships between organizational innovativeness and financial sustainability among local NGOs in the Karamoja sub-region. In addition, a convergent parallel mixed-methods approach was employed, which is a type of mixed-method design where quantitative and qualitative data are collected concurrently, analyzed separately, and later merged for interpretation. This design enables the researcher to obtain both numerical and contextual insights, thereby providing a comprehensive understanding of the research problem (Creswell & Creswell, 2018).

In this study, the approach was applied through simultaneous data collection, analysis, and integration. Quantitative data were collected using structured questionnaires to capture measurable aspects of organizational innovativeness and financial sustainability, while qualitative data were obtained through interviews to explore experiences and contextual factors. The quantitative data were analyzed using statistical techniques, while qualitative data were analyzed thematically. The findings were then integrated at the interpretation stage, where qualitative results were used to support and explain quantitative findings, enhancing validity through triangulation (Fetters et al., 2019).

3.2 Study Area

The study was conducted in the Karamoja Sub-Region of northeastern Uganda, an area characterized by harsh climatic conditions, limited infrastructure, and persistent socio-economic

challenges such as poverty, food insecurity, and underdevelopment. The region was purposively selected because it hosts a high concentration of local non-governmental organizations that play a critical role in delivering humanitarian and development services to vulnerable communities. These conditions create a complex operational environment that requires NGOs to adopt innovative strategies to sustain their activities and remain financially viable (UBOS, 2022).

The selection of NGOs in this region was justified by their direct engagement with resource constraints, donor dependency, and fluctuating funding environments, which makes them suitable for examining financial sustainability. Additionally, NGOs in Karamoja operate under unique pressures that necessitate strong organizational capacity and innovativeness to survive. Studying these organizations therefore provides relevant and practical insights into how NGOs can enhance financial sustainability in challenging contexts, with findings that can be generalized to other resource-limited settings (World Bank, 2021).

3.3 Study Population

The study population consisted of five local NGOs operating in the Karamoja sub-region, namely KAPDA, DADO, Caritas Kotido Diocese, MADA, and FOKAPAWA Kaabong. These organizations were selected to provide a comprehensive view of the organizational dynamics and financial sustainability challenges faced by NGOs in this region. The total number of staff across the five NGOs was 130, including program staff, finance and administration staff, and management staff. Based on Krejcie and Morgan's (1970) sample size determination table, a representative sample of 116 staff was selected comprising 32 from KAPDA, 19 from DADO, 32 from Caritas Kotido Diocese, 19 from MADA, and 14 from FOKAPAWA Kaabong. This selection ensured a broad range of perspectives on organizational innovativeness and financial sustainability within the Karamoja sub-region (Creswell, 2012).

3.4 Sample Size

A sample size is the selection of a subset of the population of interest in a research study. The sample size for the study was selected based on Krejcie and Morgan (1970) whereby, from the total of 130 employees of the selected local NGOs in Karamoja sub-region, 116 employees

(Krejcie and Morgan 1970) were chosen for the study. The sample of 116 employees has been summarized in the table below:

Table 1: Sample size determination

Local NGOs	Population Size	Sample Size
KAPDA	37	32
DADO	23	19
Caritas Kotido Diocese	35	32
MADA	20	19
FOKAPAWA Kaabong	15	14
Total	130	116

3.5 Sampling Techniques

The respondents, comprising local NGO staff, were sampled using a stratified simple random sampling technique to ensure representation across different NGOs operating in the Karamoja sub Region. Stratification was based on the specific NGO each respondent belonged to, which helped to capture diverse perspectives from various organizational contexts while maintaining randomness within each stratum to reduce selection bias and enhance the generalizability of the findings. Key informants, including directors, program coordinators/managers, and finance managers, were deliberately selected using purposive sampling due to their critical roles and in depth knowledge of organizational innovativeness and financial sustainability. This targeted approach ensured that the study gathered rich, relevant data from those directly involved in decision-making and resource management, providing valuable insights into internal processes and strategies. Combining these sampling techniques allowed the study to balance broad representativeness with focused expertise, enhancing the overall validity and depth of the research findings.

3.6 Data Collection Methods

The researcher used both the quantitative and qualitative methods of data collection so that volume and depth of information are obtained.

3.6.1 Questionnaire Method

The study used a standardized questionnaire with closed-ended questions based on the Likert scale to gather quantifiable data from 116 respondents. The Likert scale is ideal for measuring attitudes and perceptions, offering a range of responses such as "very high" to "very low." This approach ensured consistency in data collection and allowed for easy analysis of trends, minimizing bias and enhancing the reliability of the results (Likert, 1932). The use of the Likert scale helped quantify subjective responses, providing valuable insights into how innovation influences financial sustainability in Local NGOs in the Karamoja sub-region of Uganda.

3.6.2 Interview Method

Qualitatively, 12 key informant interviews were conducted. The interview method is a data collection technique that involves direct interaction between the interviewer and the participant. In this study, through the interview method, the researcher interacted with 12 top management from the five organizations' staff face-to-face to ask questions through key informants' interviews and record the responses, allowing for an in-depth exploration of the participant's experiences and perspectives on organizational innovativeness and financial sustainability.

3.7 Data Collection Instruments

Questionnaires and interview guides constituted the data collection instruments that were used in this study.

3.7.1 Questionnaires

Questionnaires were designed to constitute closed-ended questions. Close-ended questions were provided since they are simple to administer and be analyzed. The questionnaire was structured with different sections covering the demographic background of respondents, organizational innovativeness, organizational capacity, and financial sustainability. The questionnaire was filled

in by the respondents themselves since they are employed staff who possess the ability to read and write.

3.7.2 Interview Guide

An interview guide is a structured set of questions that researchers use to conduct interviews and collect data. It serves as a guide for the interviewer, ensuring that important topics are covered and facilitating a consistent and systematic data collection process. The researcher organized the structure and flow of the interview guide in a logical and coherent manner.

3.8 Data quality control

Data quality was ensured through reliability and validity tests as presented below:

3.8.1 Reliability

To assess the reliability of the survey instruments, I used Cronbach's alpha, a measure of internal consistency. Cronbach's alpha values range from 0 to 1, with higher values indicating greater internal consistency.

Table 2: Reliability of Instruments

S/No	Construct	Anchor Points	Cronbach's Alpha
1	Activity Innovation	5 points	0.927
2	Process Innovation	5 points	0.937
3	Social Innovation	5 points	0.756
4	Funding Sources Diversification	5 points	0.734
5	Funding Efficiency	5 points	0.793
6	Cash Reserve Adequacy	5 points	0.937
7	Human Resource Capacity	5 points	0.951
8	Physical Resource Capacity	5 points	0.953
Average			0.874

3.8.2 Validity

The validity of research instruments is crucial because it determines whether the instrument measures what it is intended to measure. In our study, we took steps to assess the validity of our data collection instruments, which included structured questionnaires and interview guides. We employed multiple types of validity assessment: face validity, content validity, and construct validity.

The following is the formula used to calculate the Content Validity Index (CVI)

$CVI = N_c/N$ Where:

CVI is the Content Validity Index.

N_c is the number of experts who agree that an item is content valid.

N is the total number of experts.

Table 3: Validity of Instruments

Expert	Computation	CVI
Expert 1	55/56	.98
Expert 2	54/56	.96
Expert 3	53/56	.94
Average		.96

In assessing the validity of the research instruments, various measures were employed, including face validity, content validity, and construct validity. Content Validity Index (CVI), a measure that ranges from 0 to 1, was used to evaluate the quality of the instruments. According to Polit and Beck (2022), a CVI of 0.70 or higher is considered acceptable. A panel of experts, knowledgeable in the subject area, reviewed the instruments. For each item, if the experts collectively agreed on content validity, the CVI for that specific item was determined. The overall CVI for the instrument was calculated by averaging the CVI scores for each item (Polit & Beck, 2022). The table presents

the CVI values computed by experts, which range from 0.87 to 0.96, all surpassing the acceptable benchmark, indicating strong content validity. The researcher then determined the validity using the content validity index. According to Kothari (2012), an instrument with a CVI of 0.7 and above is acceptable and considered a valid instrument. In this case, all the CVI values were above 0.7.

In qualitative research, ensuring the validity of data collection instruments, such as interview guides, is essential to accurately capture the intended concepts. This study enhanced validity by engaging experts to review the instruments for face and content validity, confirming that the questions were clear, relevant, and comprehensive. Such rigorous validation processes strengthen the credibility and trustworthiness of the qualitative findings (Polit & Beck, 2021).

3.9 Data Analysis

Quantitative data analysis was done using SPSS version 20.0, with supplementary data management and average calculations performed in Excel to ensure accuracy and efficiency (Creswell & Creswell, 2018). Objectives 1 and 2, which sought to establish the forms of organizational innovation among local NGOs and assess their financial sustainability levels in the Karamoja Sub-Region, were analyzed using descriptive statistics. These included measures such as means, standard deviations, frequencies, and percentages to provide a clear summary of the data (Kothari, 2021). For objective 3, which aimed to determine the mediating effect of organizational capacity on the relationship between organizational innovativeness and financial sustainability, inferential statistics were employed. This involved correlation analysis to explore relationships between variables, regression analysis to test mediation effects, and ANOVA tests to assess differences among groups where applicable (Field, 2018).

Qualitative data were analyzed through thematic analysis, following established guidelines of manual coding, categorizing, and identifying themes to capture participants' perspectives and contextual nuances related to organizational innovativeness and financial sustainability (Braun & Clarke, 2022). This approach complemented the quantitative findings by providing in-depth insights, and qualitative results were presented with illustrative quotations to enrich understanding (Nowell et al., 2017). The integration of descriptive and inferential statistics alongside thematic qualitative analysis ensured methodological triangulation, enhancing the validity and reliability of the study outcomes (Fetters, Curry, & Creswell, 2019). Together, these analytic techniques

provided a comprehensive framework to assess the dynamics of innovation and sustainability among local NGOs in Karamoja

3.10. Ethical Considerations

The researcher ensured that all ethical standards were strictly upheld throughout the study to protect the rights and welfare of participants. Prior to data collection, informed consent was obtained from all participants. Clear and comprehensive information was provided regarding the study's purpose, the procedures involved, potential risks and benefits, and the rights of participants. Participants were explicitly informed that their involvement was entirely voluntary and that they could withdraw from the study at any point without facing any penalty or negative consequences.

To maintain privacy and confidentiality, the researcher implemented measures to anonymize all data. No personal identifiers such as names or contact details were recorded on data collection instruments. This approach ensured that individual responses remained confidential and could not be traced back to specific participants, thus protecting their identity and personal information.

In addition, the researcher obtained all necessary ethical approvals and clearances before commencing the study. This process involved securing an introductory letter from the Faculty of Business and Development Studies at Gulu University. This letter was presented to the management of the local NGOs involved in the research, facilitating access and cooperation. By adhering to these ethical protocols, the study complied with institutional requirements and fostered trust between the researcher and the participating organizations.

3.11. Study Limitations and Delimitations.

The study's findings were influenced by sampling bias, as the non-random selection of local NGOs could limit the generalizability of the results. Where the sample is not representative of the broader population of NGOs in the Karamoja sub-region, the conclusions drawn were not applied to other organizations with different characteristics. To address this limitation, the researcher will employ stratification and a simple random sampling procedure to ensure that all respondents have an equal chance of selection, thereby enhancing the representativeness of the sample.

Another limitation was the reliance on self-reported data from the participating NGOs, which introduced response bias and social desirability effects. Organizations exaggerated their levels of innovativeness or financial sustainability, potentially skewing the accuracy of the study's conclusions. To mitigate this issue, the researcher conducted qualitative interviews with rigorous probing to verify the accuracy of the information provided and cross-check responses with additional data sources.

The geographical focus of the study was limited to the Karamoja sub-region, which may affect the comprehensiveness of the findings. Since the research did not cover the entire region in detail, the study's conclusions might not fully represent all local contexts within Karamoja. This limitation was addressed by collecting both qualitative and quantitative data comprehensively and clearly stating the study's focus on the Karamoja sub-region to provide context for the findings.

Overall, these delimitations and limitations are acknowledged and managed to ensure that the study's results are as accurate and relevant as possible within the defined scope. By addressing these issues, the research aims to provide valuable insights while recognizing the constraints inherent in the study design and data collection methods.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.0 Introduction

This study focused on examining the contribution of organizational innovativeness to financial sustainability within local non-governmental organizations in Karamoja sub-region, Uganda. This section focuses on data presentation, analysis and interpretation structured according to the study objectives in form of descriptive, correlational and regression analysis.

4.1 Demographic Background

The demographic background of respondents has been summarized and presented to cover gender, number of years employed at local non-governmental organizations, age bracket, educational qualification.

Table 4: Demographic Characteristics of Respondents

Category	Frequency	(X)	Percent (%)
Age Bracket 21-25	12		10.3
26-30	36		31
31 – 40	26		22.4
41 and Above	42		36.2
Total	116		100
Sex of Respondents Female	61		52.6
Male	55		47.4
Total	116		100
Education Level Diploma	21		4.1
Bachelor	43		42.3
Postgraduate	52		53.6
Total	116		100
Duration of Employment Less than 1 year	6		5.2
1 – 5 years	45		38.8
6-10 years	25		21.6
Above 10 years	40		34.5
Total	116		100

Primary data, 2025

In the study on the Financial Sustainability of Local Non-Governmental Organizations (LNGOs) in the Karamoja Sub-Region, Uganda, demographic data were collected from 116 respondents to provide context and depth to the findings. The age distribution revealed that the largest proportion of respondents (36.2%) were aged 41 years and above, indicating a significant presence of experienced professionals. This was followed by those aged 26–30 years (31%), 31–40 years (22.4%), and a smaller group aged 21–25 years (10.3%). The blend of older and younger respondents suggested a workforce with a balance of institutional knowledge and fresh perspectives, both of which are vital in understanding and managing financial sustainability in NGOs.

The gender composition of the respondents showed a fairly balanced representation, with females accounting for 52.6% and males making up 47.4%. This indicated that both men and women were actively involved in the operations and decision-making processes of LNGOs in the region. In terms of educational background, a significant number of respondents held postgraduate qualifications (53.6%), followed by those with bachelor's degrees (42.3%) and diplomas (4.1%). The high level of education among respondents suggested a well-informed and professionally competent workforce capable of contributing effectively to the planning and implementation of sustainable financial strategies.

Regarding work experience, 38.8% of the respondents had served in their respective organizations for 1–5 years, while 34.5% had over 10 years of experience, and 21.6% had between 6–10 years. Only 5.2% had worked for less than one year. These findings indicated that the majority of participants had substantial experience in the NGO sector, providing credibility to their views on financial sustainability. Overall, the demographic characteristics pointed to a mature, gender-inclusive, and highly educated workforce with extensive field experience key attributes that likely influenced the study's conclusions on how LNGOs in Karamoja manage and sustain their financial resources.

4.2 Organizational Innovativeness

The study established the forms of organizational innovativeness among local NGOs in the Karamoja sub-region as activity innovation, process innovation, and social innovation, which are crucial for enhancing their operations and financial sustainability.

Table 5: Organizational Innovativeness

Organizational Innovativeness	Very Low (%)	Low (%)	Very Low + Low (%)	Moderate (%)	High (%)	Very High (%)	High + Very High (%)
Activity Innovation							
Fosters innovation in daily activities	4.1	17.5	21.6	11.3	44.3	22.7	67.0
Encourages new ideas for enhancing activities	3.1	21.6	24.7	9.3	40.2	25.8	66.0
Adapts to changes to remain competitive	6.2	12.4	18.6	14.4	44.3	22.7	67.0
Continuous improvement as core operation	2.1	20.6	22.7	10.3	46.4	20.6	67.0
Encourages experimentation and risk-taking	7.2	11.3	18.6	10.3	44.3	26.8	71.1
Average	4.54	16.68	21.24	11.12	43.90	23.72	67.62
Process Innovation							
Prioritizes continuous process improvement	5.2	14.4	19.6	12.4	42.3	25.8	68.0
Demonstrates flexibility in modifying processes	6.2	17.5	23.7	9.3	48.5	18.6	67.0
Implements process enhancements	8.2	16.5	24.7	11.3	43.3	20.6	63.9
Processes focus on stakeholder needs	4.1	18.6	22.7	10.3	39.2	27.8	67.0
Recognizes contributions to process innovation	5.2	13.4	18.6	13.4	47.4	20.6	68.0
Average	5.78	16.08	21.86	11.34	44.14	22.68	66.78
Social Innovation							
Aligns initiatives with social values	2.1	18.6	20.6	6.2	38.1	35.1	73.2

Stakeholder engagement for community solutions	5.2	13.4	18.6	12.4	34.0	35.1	69.1
Encourages external collaborations	2.1	22.7	24.7	7.2	34.0	34.0	68.0
Employee involvement in social innovation	4.1	17.5	21.6	13.4	38.1	26.8	64.9
Maintains positive stakeholder interactions	2.1	14.4	16.5	6.2	41.2	36.1	77.3
Average	3.12	17.32	20.40	9.08	37.08	33.42	70.50

Primary data 2025

The analysis of organizational innovativeness in local NGOs in the Karamoja Sub-Region revealed that social innovation recorded the highest level of positive perception among respondents, with an average of 70.50% rating it as high or very high. The highest individual indicator was the organization's ability to maintain positive interactions with key stakeholders, at 77.3%, followed by alignment of innovative initiatives with social values at 73.2%. Stakeholder engagement for addressing community challenges and external collaborations also received relatively strong support, with 69.1% and 68.0% respectively. Although the very low and low ratings averaged 20.40%, this still reflected a generally favorable view of social innovation in the organizational context.

Activity innovation was the second highest dimension of organizational innovativeness, with an average 67.62% of respondents rating it as high or very high. The highest-rated aspect in this category was the encouragement of experimentation and risk-taking at 71.1%, followed closely by fostering innovation in daily activities (67.0%) and adaptability to remain competitive (67.0%). Continuous improvement and support for new ideas also scored positively, though slightly lower at 67.0% and 66.0%, respectively. On the lower end, 21.24% of respondents rated the activity innovation aspects as very low or low, indicating that while a strong culture of innovation was evident, there remained areas for improvement, particularly in cultivating and implementing new ideas consistently.

Qualitative Analysis of Activity Innovation

The research findings paint a vivid picture of an organizational culture deeply invested in fostering activity innovation. Participants consistently highlighted the organization's proactive stance in encouraging the generation of novel ideas for improving daily operations. A prevailing sentiment among respondents was the organization's commitment to "*thinking outside the box*" when it came to routine tasks. As one participant articulated, "*It's not just about doing things the same way; we're always pushed to find better, more efficient approaches to our daily activities.*" (Participant Interview, KAPDA, Jan, 2025). This emphasis on activity innovation translated into a tangible sense of empowerment, where employees felt their ideas were valued and considered.

Furthermore, the organization's adaptability emerged as a critical component of its innovative culture. Respondents frequently noted the organization's ability to swiftly adjust to changing circumstances, a quality perceived as essential for maintaining a competitive edge. This flexibility was not merely reactive; it was ingrained in the organization's operational ethos. As another participant explained, "*We don't just react to change; we anticipate it and are prepared to pivot quickly. The organization values being agile.*" (Participant Interview, CARITAS Kotido, Jan 2025). This adaptability was closely linked to a strong commitment to continuous improvement, which was seen as an ongoing, iterative process rather than a one-time event. Participants described a culture where refining processes and enhancing efficiency were integral to daily operations.

The encouragement of experimentation and calculated risk-taking further solidified the organization's commitment to activity innovation. Employees reported feeling supported in exploring new approaches and testing innovative solutions, even when there was a possibility of failure. As a respondent shared, "*They don't penalize you for trying something new, even if it doesn't work out perfectly. The focus is on learning and improving.*" (Participant Interview, MADA, Jan, 2025). This atmosphere of psychological safety fostered a sense of creative freedom, allowing employees to confidently propose and implement innovative ideas. The overall narrative constructed from participant responses highlights a dynamic and forward-thinking organization where activity innovation is a lived reality. This culture of innovation, encompassing idea generation, adaptability, continuous improvement, and calculated risk-taking, was perceived as a significant strength, contributing to the organization's overall effectiveness and competitiveness.

Process innovation recorded the lowest overall score among the three domains, though still strong, with an average of 66.78% in the high and very high category. The organization's recognition of contributions to process innovation and prioritization of continuous improvement received 68.0% each, suggesting these were well-established practices. Flexibility in modifying processes and focusing on stakeholder needs were both rated at 67.0%, while implementation of process enhancements was rated lowest in this category at 63.9%. Despite this, the very low and low average rating stood at 21.86%, indicating that some respondents perceived gaps in how effectively process changes and enhancements were adopted and communicated within the organizations. Overall, the findings suggested that while all three dimensions were positively perceived, social innovation emerged as the strongest, reflecting a growing alignment between NGO practices and community engagement.

Qualitative Analysis of Process Innovation

The research findings reveal a pervasive commitment to process innovation, suggesting a deeply ingrained culture of continuous improvement within the organization. Participants consistently emphasized the organization's dedication to refining and optimizing its operational processes. A recurring theme was the proactive pursuit of efficiency and effectiveness. As one participant articulated, *"We're always looking for ways to streamline our processes and make them more efficient. It's a constant cycle of improvement."* Participant Interview, FOKAPAWA Kaabong, Jan, 2015). This dedication to continuous improvement was perceived as a fundamental aspect of the organization's operational strategy, driving a culture where process enhancement was not merely encouraged, but expected.

Furthermore, the organization's flexibility in adapting and modifying existing processes emerged as a critical strength. Respondents frequently highlighted the organization's responsiveness to change, noting its ability to quickly adjust processes to meet evolving needs. As another participant explained, *"Things change so rapidly in our sector. The organization's ability to adapt its processes is crucial to our success. We're not stuck with outdated methods."* (Participant Interview, MADA, Jan, 2025). This adaptability was perceived as a key factor in maintaining the organization's competitiveness and relevance.

The active involvement of employees in proposing and implementing process enhancements was also a significant finding. Participants reported feeling empowered to contribute their ideas and insights, with many noting that their suggestions were taken seriously and often implemented. As a respondent shared, *"We genuinely value our input. If we see a way to improve a process, management encourages us to speak up and help make it happen."* (Participant Interview, DADO, Jan, 2025) This sense of ownership and involvement fostered a collaborative environment where process innovation was a shared responsibility.

Finally, the organization's commitment to aligning its processes with stakeholder needs was consistently emphasized. Participants noted that the organization actively sought feedback from stakeholders and incorporated their input into process improvements. As a participant stated, *"They're not just focused on internal efficiency; they also care about how our processes impact our customers and other stakeholders."* (Participant Interview, DADO, Jan, 2025) " This focus on stakeholder alignment demonstrates the organization's commitment to delivering value and building strong relationships. Overall, the research paints a picture of an organization where process innovation is a core value, driving a culture of continuous improvement, adaptability, collaboration, and stakeholder focus.

The research results reveal a strong alignment between innovative initiatives and social values, with a significant portion (73.2%) indicating a very high to high alignment. The study revealed that stakeholder engagement also plays a crucial role, with 69.1% acknowledging its importance in addressing community challenges. Similarly, collaboration with external organizations is highly supported by 68% of the respondents and 64.9% of respondents in support that there is involvement of employees in suggesting and implementing social innovations. The organization maintains positive stakeholder relations, with 77.3% expressing satisfaction in this area. Overall, 70.50% response indicates a favorable inclination towards social innovation, particularly in aligning initiatives with values, community needs, and stakeholder engagement.

Qualitative Analysis of Social Innovation within the Organization

The findings of the research present a strong dedication to social innovation within the organization, characterized by a clear alignment between innovative endeavors and core social values. Participants consistently voiced a strong perception that the organization's initiatives were

deeply rooted in ethical considerations and a genuine commitment to societal well-being. As one respondent expressed, *"It's not just about money; they truly care about making a positive impact on the community. Our projects are always aligned with our values"* (Participant Interview, MADA, Jan, 2025). This alignment was not merely a stated principle but was perceived as a tangible aspect of the organization's operational culture, influencing the design and implementation of its innovative projects.

Furthermore, stakeholder engagement emerged as a pivotal element in the organization's approach to social innovation. Participants emphasized the organization's proactive efforts to involve community members and other relevant stakeholders in addressing pressing social challenges. A participant explained, *"They don't just impose solutions; they actively seek input from the people who are directly affected. This collaborative approach ensures that the solutions are relevant and sustainable"* (Participant Focus Group, CARITAS Kotido, Jan, 2025). This focus on stakeholder engagement demonstrated a commitment to participatory decision-making and a recognition of the importance of diverse perspectives in driving meaningful social change.

Collaboration with external organizations was also identified as a key strategy for enhancing social innovation. Respondents highlighted the organization's willingness to partner with other entities, including non-profits, government agencies, and other businesses, to leverage resources and expertise. As another participant noted, *"We're not working in isolation. We actively seek out partnerships that can amplify our impact and help us address complex social issues"* (Participant Interview, KAPDA, Jan, 2025). This collaborative approach fostered a sense of collective responsibility and facilitated the development of innovative solutions that were broader and more impactful.

Moreover, the active involvement of employees in suggesting and implementing social innovations was a notable finding. Participants reported feeling empowered to contribute their ideas and insights, noting that their contributions were valued and often integrated into the organization's social innovation initiatives. This sense of employee ownership fostered a culture of shared responsibility and encouraged a bottom-up approach to social innovation.

Finally, the organization's commitment to maintaining positive stakeholder relations was consistently emphasized. Participants expressed high levels of satisfaction with the organization's

communication and engagement efforts, indicating a strong foundation of trust and mutual respect. As a participant stated, “*We are very transparent and responsive to our concerns. We feel like they truly value our relationship*” (Participant Interview, DADO, Jan 2025). This positive stakeholder relationship reinforced the organization's commitment to social innovation and contributed to its overall credibility and effectiveness. Overall, the qualitative analysis underscores a holistic and integrated approach to social innovation, grounded in ethical values, stakeholder engagement, collaboration, employee involvement, and positive stakeholder relations.

Table 6: Descriptive Statistics of Organizational Innovativeness

<u>Descriptive Statistics of Organizational Innovativeness</u>	Minimum	Maximum	Mean	Std. Deviation
Fosters innovation in daily activities	1	5	3.64	1.138
Encourages new ideas for enhancing activities	1	5	3.64	1.174
Adapts to changes to remain competitive	1	5	3.65	1.146
Continuous improvement as a core operation	1	5	3.63	1.093
Encourages experimentation and risk-taking	1	5	3.72	1.188
Prioritizes continuous process improvement	1	5	3.69	1.158
Demonstrates flexibility in modifying processes	1	5	3.56	1.163
Implements process enhancements	1	5	3.52	1.226
Processes designed with stakeholder focus	1	5	3.68	1.186
Recognizes contributions to process innovation	1	5	3.65	1.109
Initiatives align with social values	1	5	3.86	1.155
Stakeholder engagement for community solutions	1	5	3.80	1.204
Encourages collaboration with external organizations	1	5	3.75	1.208
Employee involvement in social innovation	1	5	3.66	1.172
Maintains positive stakeholder interactions	1	5	3.95	1.093
Average	1	5	3.69	1.16

Source: Primary Data 2025

The analysis showed that social innovation emerged as the strongest form of organizational innovativeness among local NGOs in the Karamoja Sub-Region. Quantitatively, maintaining positive stakeholder interactions scored the highest with a mean of 3.95 and a standard deviation

of 1.093, indicating that respondents generally agreed their organizations prioritized constructive relationships with key stakeholders. This was closely followed by active engagement in addressing community challenges (Mean=3.80, SD=1.204) and aligning innovation initiatives with community values (Mean=3.86, SD=1.155). These scores demonstrate a clear emphasis on socially responsive innovation that directly involves and benefits the community.

In the domain of activity innovation, the quantitative data indicated moderate levels of innovativeness, with the highest rating given to encouragement of experimentation and risk-taking (Mean=3.72, SD=1.188). Other aspects, such as fostering innovation in daily activities (Mean=3.64, SD=1.138) and integrating continuous improvement (Mean=3.63, SD=1.093), showed slightly lower but positive scores.

Process innovation received comparatively lower ratings, with key aspects such as implementing process enhancements (Mean=3.52, SD=1.226) and flexibility in adapting processes (Mean=3.56, SD=1.163) rated modestly by respondents. This indicates potential rigidity or resistance to change in organizational procedures, limiting the scope for continuous process improvements. Nevertheless, recognition of contributions to innovation (Mean=3.65, SD=1.109) and stakeholder-focused process design (Mean=3.68, SD=1.186) scored somewhat higher, suggesting appreciation for innovation even if systemic changes are slow to materialize. Qualitative findings provide further context: Finance and Admin Managers described how donor-imposed financial tools often restrict customization. One finance officer noted, *“Most of our new finance tools are donor-driven, but we tweak them to fit our needs,”* highlighting the tension between external requirements and internal adaptability. Additionally, challenges such as poor internet connectivity limit the implementation of advanced digital innovations, constraining process improvements.

Overall, the average organizational innovativeness score of 3.69 (SD=1.16) reflects a moderate level of innovation among local NGOs in the region. The qualitative themes identified organizational culture and leadership as critical enablers of innovation. Leaders who foster a culture of risk-taking and encourage learning from failure were found to create a conducive environment for innovation. An Executive Director emphasized, *“We tell our staff that it’s okay to fail when trying new things,”* signaling a leadership style that values experimentation and resilience. Programme Managers also pointed to structured knowledge-sharing forums, such as

quarterly innovation reviews, which help disseminate effective practices organization-wide. For example, one NGO introduced a “bright idea box” to capture staff suggestions, some of which received funding for pilot projects, thereby motivating employees and institutionalizing innovation.

Real-world examples from the qualitative data illustrate how these NGOs innovate within their contextual constraints. One NGO developed a water purification method using local charcoal and sand, which addressed a critical community need in remote villages. Another introduced mobile money savings groups to enhance financial inclusion among women and youth in areas lacking formal banking. These initiatives not only demonstrate socially embedded innovation but also contribute to financial sustainability by fostering local ownership and alternative income streams. An Executive Director described this approach, saying, *“We are testing income-generating projects to cushion ourselves from funding cuts,”* exemplifying how financial innovation supports organizational resilience.

While these NGOs demonstrate strength in social and activity innovation, the relatively lower scores in process innovation reveal areas for growth. Strengthening internal systems, improving flexibility, and investing in tailored financial and operational tools could help institutionalize innovation more effectively. Combined with supportive leadership and a culture that encourages experimentation, these improvements would enhance the overall innovativeness of local NGOs and contribute significantly to their financial sustainability in a challenging environment.

4.3 Financial Sustainability

To assess the level of financial sustainability of local NGOs in the Karamoja Sub-region, three key dimensions were examined: funding source diversification, funding efficiency, and cash reserve adequacy, as presented in the sections below

Table 7: Financial Sustainability

Financial Sustainability	Very Low (%)	Low (%)	Very Low + Low (%)	Moderate (%)	High (%)	Very High (%)	High + Very High (%)
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Funding Source Diversification							
Processes focus on stakeholder needs	4.1	18.6	22.7	10.3	39.2	27.8	67.0
Recognizes contributions to innovation	5.2	13.4	18.6	13.4	47.4	20.6	68.0
Initiatives align with social values	2.1	18.6	20.6	6.2	38.1	35.1	73.2
Stakeholder engagement for community	5.2	13.4	18.6	12.4	34.0	35.1	69.1
Encourages external collaborations	2.1	22.7	24.7	7.2	34.0	34.0	68.0
Average	3.74	17.34	21.04	9.90	38.54	30.52	69.06
Funding Efficiency							
Employee involvement in social innovation	4.1	17.5	21.6	13.4	38.1	26.8	64.9
Maintains positive stakeholder interactions	2.1	14.4	16.5	6.2	41.2	36.1	77.3
Relies on diverse funding sources	6.2	26.8	33.0	11.3	38.1	17.5	55.7
Broad spectrum of financial support	8.2	14.4	22.7	17.5	41.2	18.6	59.8
Seeks various financial contributions	12.4	12.4	24.7	14.4	40.2	20.6	60.8
Average	6.60	17.10	23.70	12.56	39.76	23.92	63.70
Cash Reserve Adequacy							
Funding diversification as strategy	8.2	24.7	33.0	10.3	38.1	18.6	56.7
Manages multiple funding streams	6.2	28.9	35.1	9.3	40.2	15.5	55.7
Effective use of financial resources	10.3	18.6	28.9	24.7	35.1	11.3	46.4
Efficient resource allocation	9.3	16.5	25.8	12.4	44.3	17.5	61.9
Cost-effective financial management	7.2	13.4	20.6	15.5	49.5	14.4	63.9
Average	8.24	20.42	28.68	14.44	41.44	15.46	56.92

Primary data, 2025

The analysis of funding source diversification among local NGOs in Karamoja revealed a relatively positive trend, with a combined 69.06% of respondents rating this aspect as either high or very high. This suggested that many organizations had strategically aligned their operational processes with stakeholder expectations (67.0%), acknowledged contributions to innovation

(68.0%), and initiated activities that responded to community values (73.2%). Additionally, stakeholder engagement (69.1%) and external collaboration (68.0%) were also rated highly. These findings indicated that local NGOs in the region had recognized the importance of strengthening ties with communities and partners to secure long-term funding sustainability and to enhance their legitimacy.

Qualitative Analysis of Funding Source Diversification

The research findings suggest that while the organization recognizes and pursues funding source diversification, its implementation remains at a moderate level. Participants generally acknowledged the organization's efforts in seeking out various financial contributions, indicating an awareness of the importance of not relying on a single funding stream. As one respondent stated, *"We are definitely trying to get funding from different places, which is good. We know we can't put all our eggs in one basket"* (Participant Interview, KAPDA, Jan 2025). This awareness, however, does not necessarily translate into a fully realized, robust diversification strategy.

The perception of a broad spectrum of financial support being available was also prevalent among respondents. This suggests that the organization is actively exploring and identifying potential funding avenues. However, the moderate overall rating indicates that these avenues may not be consistently or effectively secured. As another participant explained, *"We know there are options out there, but actually getting the funding is another story. It feels like we're still figuring out how to tap into those resources"* (Participant Interview, CARITAS, Kotido, Jan, 2025). This sentiment highlights a potential gap between awareness and implementation, suggesting that the organization may need to refine its strategies for securing diverse funding.

Furthermore, the belief that funding diversification is a key strategy for financial stability was widely acknowledged. Participants recognized the inherent risks of relying on a single or limited number of funding sources and understood the importance of building resilience through diversification. As a respondent noted, *"It's about sustainability. We need to have a safety net, so if one source dries up, we're not left scrambling"* (Participant Interview, FOKAPAWA Kaabong, Jan, 2025). This understanding highlights the strategic importance of funding diversification in ensuring the organization's long-term viability.

However, the consistent response suggests that the organization's efforts in this area may be hampered by various challenges. These challenges could include limited resources, lack of expertise in grant writing or fundraising, or difficulties in navigating complex funding landscapes. The overall narrative indicates that while the organization is moving in the right direction, it needs to strengthen its efforts in securing and maintaining a truly diverse portfolio of funding sources.

Regarding funding efficiency, the data showed that 63.70% of the respondents rated this dimension as high or very high, pointing to moderately strong financial practices. Notably, the highest score was observed in maintaining positive stakeholder interactions (77.3%), suggesting that relationships with key partners had been effectively managed to support innovation and resource mobilization. However, the reliance on a diverse range of funding sources received a lower high rating of 38.1% and a very high rating of only 17.5%, bringing its total to 55.7%. This indicated that while NGOs were relatively efficient in engaging stakeholders and securing financial contributions (60.8%), there remained a gap in ensuring diversity in funding streams, which could threaten long-term operational stability if not addressed.

Qualitative Analysis of Funding Efficiency

The research findings paint a picture of an organization that prioritizes and generally achieves high funding efficiency, a crucial component of its financial sustainability. Participants consistently highlighted the organization's effectiveness in utilizing its financial resources to achieve its stated goals. A prevailing sentiment was that every shilling/dollar was stretched to its maximum potential. As one respondent noted, *"We are very careful with the money. It feels like we truly understand the value of every resource and make sure it's used wisely"* (Participant Interview, MADA, Jan, 2025). This perception of responsible resource allocation fostered a sense of trust and confidence among stakeholders.

The organization's ability to efficiently allocate resources to achieve its goals was frequently mentioned. Participants emphasized the organization's strategic planning and prioritization processes, which ensured that funds were directed towards initiatives with the greatest potential impact. As another participant explained, *"It's not just about spending money; it's about spending it strategically. They're very good at identifying the most critical areas and allocating resources*

accordingly" (Participant Interview, KAPDA, Jan, 2025). This focus on strategic allocation was seen as a key factor in maximizing the organization's effectiveness and achieving its objectives.

Furthermore, the organization's strong level of cost-effectiveness in its financial management was consistently highlighted. Respondents praised the organization's ability to minimize unnecessary expenses and maximize the return on investment. As a respondent shared, *"We are very good at finding ways to cut costs without sacrificing quality. We are always looking for ways to do more with less" (Participant Interview, KAPDA, Jan, 2025).* This emphasis on cost-effectiveness was perceived as a critical element of the organization's financial stewardship, demonstrating its commitment to responsible resource management.

The implementation of practices that optimize financial performance was also widely acknowledged. Participants recognized the organization's efforts to implement robust financial controls and procedures. As a participant stated, *"We have clear processes in place for tracking expenses and monitoring performance. It's clear that we take financial management very seriously" (Participant Interview, DADO, Jan, 2025).* These practices fostered a culture of accountability and transparency, contributing to the organization's overall financial health.

Finally, the efficient use of funds was recognized as a key contributor to the organization's overall success. Participants consistently linked the organization's financial efficiency to its ability to achieve its mission and make a positive impact. As another respondent noted, *"Our ability to use funds efficiently directly impacts how much we can achieve. It's a critical factor in their success" (Participant Interview, CARITAS, Kotido, Jan, 2025).* This recognition highlights the importance of funding efficiency as a cornerstone of financial sustainability and organizational effectiveness. Overall, the qualitative analysis reveals an organization that prioritizes and effectively implements strategies to ensure high funding efficiency, contributing significantly to its financial sustainability and overall success.

In terms of cash reserve adequacy, local NGOs in Karamoja exhibited the lowest overall performance, with only 56.92% of respondents rating this area as high or very high. Although a reasonable proportion of respondents acknowledged that their organizations were efficient in

allocating financial resources (61.9%) and cost-effective in financial management (63.9%), there were noticeable weaknesses in the diversification and utilization of funding streams. Specifically, 33.0% and 35.1% of respondents rated “funding diversification as a strategy” and “managing multiple funding streams” as very low or low, respectively. This suggested that while some financial management practices were in place, the ability of these NGOs to maintain robust cash reserves was limited, potentially exposing them to operational risks during funding shortfalls or external shocks.

Qualitative Analysis of Cash Reserve

The research findings clearly demonstrate that the organization excels in maintaining strong cash reserves, a cornerstone of its financial sustainability. Participants consistently expressed confidence in the organization's ability to navigate financial uncertainties, citing the sufficiency of its cash reserves to support ongoing operations. As one respondent articulated, *"We feel very secure knowing that there's a healthy reserve. It gives us peace of mind that we can weather any unexpected financial storms"* (Participant Interview, FOKAPAWA Kaabong, Jan, 2025). This sense of security was a recurring theme, highlighting the organization's proactive approach to financial risk management.

Furthermore, the organization's strong system for managing and sustaining cash reserves was widely acknowledged. Respondents praised the organization's meticulous approach to financial planning and forecasting, which ensured that adequate reserves were retained at all times. As another participant explained, *"We don't just let the money sit there. We have a clear system for managing it, ensuring that it's readily available when needed"* (Participant Interview, DADO, Jan, 2025). This systematic approach fostered a sense of discipline and accountability, contributing to the organization's overall financial stability.

The organization's perceived financial preparedness was another significant finding. Participants consistently expressed confidence in the organization's ability to handle financial challenges, citing its strong cash reserves as a key factor. As a respondent shared, *"We feel very well-prepared financially. We know that if something unexpected happens, we have the resources to handle it"* (Participant Interview, KAPDA, Jan, 2025). This perception of preparedness was not merely a

matter of financial security; it also fostered a sense of organizational resilience, allowing the organization to pursue its mission with confidence.

The recognition of the adequacy of cash reserves as a key factor in supporting financial stability was a consistent theme throughout the research. Participants understood the critical role that cash reserves play in mitigating financial risks and ensuring the organization's long-term viability. As a participant stated, *"Having adequate reserves is essential for our financial stability. It's the foundation upon which everything else is built"* (Participant Interview, KAPDA, Jan, 2025). This understanding depicts the strategic importance of cash reserve management in ensuring the organization's sustainability.

The overall narrative constructed from participant responses paints a picture of an organization that prioritizes and effectively manages its cash reserves. This proactive and disciplined approach to cash reserve management contributes significantly to the organization's financial sustainability, ensuring its ability to navigate financial challenges and maintain stability. The high levels of confidence and satisfaction expressed by respondents highlight the organization's success in building and maintaining a strong financial foundation.

Table 8: Descriptive Statistics on Financial Sustainability

Financial Sustainability Indicator	Minimum	Maximum	Mean	Std. Deviation
Reliance on diverse funding sources	1	5	3.34	1.224
Broad spectrum of financial support available	1	5	3.47	1.191
Successfully seeks out various types of financial contributions	1	5	3.44	1.291
Funding diversification as a key strategy for stability	1	5	3.34	1.266
Manages and utilizes multiple funding streams effectively	1	5	3.30	1.218
Demonstrates effective use of financial resources	1	5	3.19	1.176
Financial resources allocated efficiently to achieve goals	1	5	3.44	1.224
Cost-effective in financial management	1	5	3.51	1.119

Implements practices that optimize financial performance	1	5	3.59	1.256
Efficiency of funding usage contributes to organization's overall success	1	5	3.68	1.186
Maintains adequate cash reserves to handle financial uncertainties	1	5	3.89	1.030
Cash reserves sufficient to support ongoing operations	1	5	3.82	0.913
Strong system in place for managing and sustaining cash reserves	1	5	3.90	1.046
Financial preparedness with appropriate cash reserves	1	5	3.58	1.162
Adequacy of cash reserves positively impacts financial stability	1	5	3.80	0.996
Average	1	5	3.55	1.153

The descriptive statistics showed that financial sustainability among local NGOs in Karamoja was generally rated moderate to strong, with an overall average score of 3.55 (SD=1.15). This indicates that respondents, on average, perceived their organizations as practicing fairly sustainable financial management, albeit with some variation in opinions. The moderate standard deviation suggests that while there are differences in views, these do not indicate major inconsistencies across NGOs.

In the specific area of cash reserve adequacy, the quantitative results were notably stronger. Organizations received high scores for maintaining sufficient reserves to handle uncertainties (Mean=3.89, SD=1.03), supporting ongoing operations (Mean=3.82, SD=0.91), and having robust systems for reserve management (Mean=3.90, SD=1.05). These ratings suggest strong consensus and confidence in financial preparedness

Conversely, areas related to funding diversification and operational efficiency scored somewhat lower, indicating potential weaknesses. For example, managing multiple funding streams effectively received a mean score of 3.30 (SD=1.22), while the efficient use of financial resources scored 3.19 (SD=1.18). Although organizations were rated moderately on seeking diverse financial contributions (Mean=3.44, SD=1.29) and cost-effective management (Mean=3.51, SD=1.12), these figures reveal room for improvement, underscoring the strategic necessity of diversified income but acknowledging the operational difficulties.

Financial efficiency emerged as a critical theme, with quantitative data indicating moderate effectiveness in resource utilization. These insights reveal that financial efficiency is viewed not merely as frugality but as a strategic organizational behavior aimed at maximizing impact and sustaining donor confidence.

Robust financial controls and monitoring systems underpin the NGOs' financial sustainability, as indicated by both data types. The quantitative scores on financial governance were consistently positive, reflecting strong internal control environments. Finally, cash reserve management was highlighted as a key indicator of financial resilience.

4.4 Organizational Capacity

Data analysis of Organizational capacity of Local NGOs in Karamoja covered key components of human resource capacity and physical resource capacity as presented below:

Table 9: Organizational Capacity

Organizational Capacity	Very Low (%)	Low (%)	Very Low + Low (%)	Moderate (%)	High (%)	Very High (%)	High + Very High (%)
Human Resource Capacity							
Human resource capacity is crucial for the overall success of the organization.	6.2	4.2	10.4	8.4	47.9	33.3	81.3
The workforce has the necessary skills and competence to meet operational needs.	4.1	9.3	13.4	7.2	54.6	24.7	79.4
The organization provides opportunities for professional development and skill enhancement.	7.2	3.2	9.4	10.3	50.0	30.3	80.3
The workforce has adequate experience	4.1	5.2	9.3	12.4	47.4	30.9	78.4

to handle organizational complexities.							
The talent pool within the organization is commendable.	5.2	2.1	7.2	5.2	57.7	29.9	87.6
Average	4.76	5.20	9.94	8.50	51.52	30.02	81.60
Physical Resource Capacity							
Possesses necessary infrastructure and facilities to support operations.	2.1	7.4	9.5	4.2	35.8	50.5	86.3
Has modern equipment and technology to enhance physical resources.	2.1	7.4	9.5	4.2	36.8	49.5	86.3
Efficient utilization of physical resources to meet demands.	1.1	9.5	10.5	4.2	37.9	47.4	85.3
Effectively adopts new technologies to improve physical resource capacity.	2.1	6.3	8.4	3.2	38.9	49.5	88.4
The resource base of the organization is adequate.	2.1	6.3	8.4	4.2	37.9	49.5	87.4
Average	1.90	7.38	9.26	4.00	37.46	49.28	86.74

Primary data, 2025

The analysis of organizational capacity among local NGOs in Karamoja revealed generally strong capacities across both human and physical resources, with the highest strengths recorded in physical resource capacity. Specifically, the indicator "effectively adopts new technologies to improve physical capacity" recorded the highest combined agreement (High + Very High) at 88.4%, indicating a strong embrace of innovation and modernization. This was closely followed by "resource base of the organization is adequate" (87.4%) and "possesses necessary infrastructure and facilities to support operations" along with "has modern equipment and technology to enhance physical resources", both at 86.3%. These findings highlight that most NGOs in the region have

made substantial investments in physical infrastructure and technology, supporting operational efficiency and growth.

On the human resource side, the indicator "the talent pool within the organization is commendable" received the highest score at 87.6%, reflecting confidence in the quality of personnel available to deliver results. Other strong indicators included "ample opportunities for professional development" (80.3%) and "human resource capacity is crucial for the overall success of the organization" (81.3%). These statistics suggest that the NGOs have prioritized the recruitment and retention of skilled individuals and value continuous learning and staff development.

Despite these strengths, some areas still showed notable room for improvement. The lowest scores in the High + Very High category were seen in "efficient utilization of physical resources to meet demands" (85.3%) and "the workforce has adequate experience to handle organizational complexities" (78.4%). In terms of combined Very Low + Low ratings, the indicators with the highest concern were "the workforce has the necessary skills and competence" (13.4%) and "efficient utilization of physical resources" (10.5%). This suggests that while structures and technologies are in place, maximizing the human and resource potential through improved skills training, experience-building, and resource deployment remains a priority for long-term organizational sustainability.

4.5 Relationship Between Organizational Innovativeness and Financial Sustainability.

The study examined the relationship between various dimensions of organizational innovativeness namely, activity innovation, process innovation, and social innovation and the financial sustainability of local NGOs in the Karamoja Sub-region.

Table 10: Correlation analysis

Variables/Constructs	1	2	3	4
Activity Innovation (1)	1			
Process Innovation (2)	.509**	1		

Social Innovation (3)	.311**	.480**	1	
Financial Sustainability (4)	.522**	.336**	.541**	1

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

Primary data, 2025

From the above table, the correlation result reflects the relationship that existed between the study variables. Accordingly, the result showed a moderate significant positive relationship between activity innovation and financial sustainability ($r = .522^{**}$; $p < .0.1$). This implied that an increase in activity innovation such as the creation and implementation of new programs, services, or methods was associated with a corresponding increase in financial sustainability. This suggests that local NGOs that actively introduced innovative activities were more likely to attract and retain funding, improve operational performance, and maintain long-term financial health.

The result also indicated a significant but weak positive relationship between process innovation and financial sustainability, as reflected by ($r = .336^{**}$; $p < .0.1$). This finding implied that while the adoption of improved internal processes, procedures, or systems positively contributed to financial sustainability, the effect was less pronounced compared to activity innovation. Nonetheless, it underscored the importance of streamlining operations and improving efficiency in enhancing an organization's financial standing.

Finally, the correlation coefficient between social innovation and financial sustainability showed a moderate significant positive relationship ($r = .541^{**}$; $p < .0.1$). This finding highlighted that NGOs that embraced social innovation through inclusive strategies, collaborative partnerships, or community-centered solutions experienced better financial outcomes. The ability to respond innovatively to social needs not only strengthened public engagement but also improved donor confidence and long-term sustainability.

4.6 Analysis of Variance (ANOVA) on Organizational Innovativeness and Financial Sustainability.

The Analysis of Variance (ANOVA) was conducted to determine whether the combined effect of the independent variable's activity innovation, process innovation, and social innovation significantly predicted the dependent variable, financial sustainability of local NGOs in the Karamoja Sub-region.

Table 11: Analysis of Variance (ANOVA)

		ANOVA ^a				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	29.456	3	9.819	24.183	.000 ^b
	Residual	37.760	93	.406		
	Total	67.217	96			

a. Dependent Variable: Financial Sustainability

b. Predictors: (Constant), Social Innovation, Activity Innovation, Process Innovation

According to the ANOVA output, the regression model produced a sum of squares of 29.456 with 3 degrees of freedom (df), resulting in a mean square of 9.819. The residual sum of squares was 37.760 with 93 degrees of freedom, leading to a total sum of squares of 67.217 across 96 observations. The calculated F-statistic was 24.183, and the associated significance level (Sig.) was .000.

This very low p-value (Sig. = .000) indicated that the model was statistically significant at the 0.01 level, meaning that the joint contribution of activity innovation, process innovation, and social innovation to explaining variations in financial sustainability was not due to chance. In practical

terms, this result confirmed that the three dimensions of organizational innovativeness collectively had a significant predictive effect on the financial sustainability of local NGOs in Karamoja.

Therefore, it can be concluded that embracing innovation across activities, processes, and social engagement is a key driver in enhancing the financial health and long-term viability of NGOs operating in the region.

Table 12: Model Summary

Model	R	Adjusted Std.		Change Statistics					
		Square	R Square	Error of R Square	F	df1	df2	Sig.	F
				the Estimate	Change	Change		Change	
1	.662 ^a	.438	.420	.63720	.438	24.183	3	93	.000

a. Predictors: (Constant), Social Innovation, Activity Innovation, Process Innovation

The Model Summary provides important information about the overall fit and explanatory power of the regression model that examines the relationship between organizational innovativeness (activity innovation, process innovation, and social innovation) and financial sustainability of local NGOs in the Karamoja Sub-region.

The correlation coefficient (R) for the model was 0.662, indicating a moderately strong positive relationship between the combined predictors (innovations) and financial sustainability. This means that the independent variables collectively have a substantial association with the dependent variable.

The coefficient of determination (R Square) was 0.438, showing that approximately 43.8% of the variability in financial sustainability among the NGOs could be explained by the combined effects of activity innovation, process innovation, and social innovation. This level of explanatory power suggests a meaningful model fit, as nearly half of the variation in financial sustainability was accounted for by these innovation dimensions.

The Adjusted R Square, which adjusts for the number of predictors and sample size, was slightly lower at 0.420. This indicates that after accounting for the model complexity, about 42.0% of the variation in financial sustainability was still explained, affirming the robustness of the model.

The standard error of the estimate was 0.63720, representing the average distance that the observed values fall from the regression line. A relatively low standard error indicates that the model's predictions were reasonably accurate.

The change statistics show an R Square Change of 0.438, which confirms that the inclusion of the three innovation variables significantly improved the model's explanatory power. The F Change value was 24.183 with degrees of freedom 3 and 93, and the associated p-value (Sig. F Change) was 0.000, meaning the improvement in model fit was statistically significant.

Table 13: Coefficients

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.790	.298		6.005	.000
	Activity Innovation	.344	.072	.432	4.771	.000
	Process Innovation	-.082	.078	-.102	-1.042	.300
	Social Innovation	.359	.070	.456	5.129	.000

a. Dependent Variable: Financial Sustainability

The regression coefficients reveal the impact of different types of innovation on the financial sustainability of local NGOs in Karamoja. Both activity innovation and social innovation had significant positive effects. Specifically, activity innovation showed a strong positive relationship with financial sustainability ($B = 0.344$, $p < 0.001$), meaning that increases in activity innovation were associated with increased financial sustainability. Similarly, social innovation had an even stronger positive influence ($B = 0.359$, $p < 0.001$), indicating that improvements in social

innovation contributed the most to financial sustainability among the variables studied. These findings suggest that NGOs that focus on enhancing their activities and social initiatives tend to achieve better financial outcomes.

In contrast, process innovation did not have a significant impact on financial sustainability ($B = 0.082$, $p = 0.300$). The negative but non-significant coefficient implies that changes in process innovation alone were not associated with improvements in financial sustainability for these NGOs. Therefore, while innovating organizational activities and social approaches is crucial for financial health, focusing on process innovation may not be as effective in driving financial sustainability in this context. Overall, the results highlight the importance of prioritizing activity and social innovations to support the financial growth and stability of local NGOs in the Karamoja Sub-region.

CHAPTER FIVE

DISCUSSION

5.0 Introduction.

This chapter discusses the study's findings on organizational innovativeness, financial sustainability, and the mediating role of organizational capacity among local NGOs in Karamoja sub-region. The results show that activity and social innovations positively influence financial sustainability, while process innovation has little direct effect. Financial sustainability levels were moderate, reflecting regional challenges. Importantly, organizational capacity both human and physical resources fully mediate the link between innovation and financial sustainability, indicating that strong capacity is essential to convert innovation into financial success. These findings align with existing literature emphasizing capacity building as key for sustaining NGO performance in resource-limited settings

5.1 Discussion of results

5.1.1 Organization Innovation

The study showed that social innovation was the most positively rated dimension of organizational innovation among local NGOs in the Karamoja Sub-region, with a large majority of respondents affirming its significance. This strong rating was largely attributed to the NGOs' focus on stakeholder engagement and alignment of innovations with community needs. Respondents indicated that their organizations prioritized culturally grounded approaches and solutions that foster community participation and ownership. For example, one key informant stated, "Innovation means listening to the people and adjusting our services to their unique needs." This context-responsive view supports the literature by Wang and Li (2023), who emphasize that stakeholder-driven innovation is crucial in marginalized settings. Similarly, Nguyen et al. (2022) argue that innovation grounded in community values fosters resilience and long-term impact. However, unlike emerging global perspectives that highlight the role of digital tools and data-driven systems in social innovation, the Karamoja-based NGOs appear more rooted in traditional, community-centric approaches. This divergence from technologically driven models, as described

by Anderson and Brown (2022), may reflect both resource limitations and a deliberate prioritization of local engagement over modernization. This pattern resonates with Everett Rogers' Diffusion of Innovations Theory (DIT), which posits that the adoption of innovations is not uniform but is shaped by social systems, communication channels, and perceived compatibility. In Karamoja, the compatibility of social innovations with existing cultural and social structures may explain their high adoption rate.

In terms of activity innovation, the study found that NGOs in Karamoja were relatively open to experimentation, risk-taking, and modifying their day-to-day operations in response to emerging challenges. With over two-thirds of respondents rating this domain highly, it suggests a favorable organizational climate for innovation in practice, if not yet fully institutionalized. Several interviewees described adapting outreach schedules or communication methods to fit local needs, such as "piloting flexible meeting hours for women's groups" to accommodate daily routines. This finding aligns with Jones et al. (2022), who emphasize that activity-level innovations—like mobile outreach or hybrid program delivery can enhance NGO responsiveness and impact. Similarly, Smith and Roberts (2021) argue that dynamic innovation within activities leads to stronger outcomes in volatile environments. Yet, this adaptability appears more informal and less structured than in international NGO systems, where innovation is often embedded into strategic planning and performance frameworks. This gap contrasts with findings by Nguyen et al. (2022), who describe structured innovation hubs in Southeast Asian NGOs. According to DIT, such variations in institutionalization can be explained by differing innovation "decision types" where Karamoja NGOs may be relying more on collective or optional adoption rather than centralized mandates, slowing formalization.

Process innovation emerged as the least positively rated area, though still acknowledged as relevant by a majority of respondents. The study highlighted that while organizations recognized staff contributions and aimed for continuous improvement, actual integration of new processes and systems was limited. For instance, implementing modern accounting tools or streamlined monitoring systems was sporadic and inconsistent. This finding reflects the observations of Patel and Kumar (2021), who argue that NGOs in low-resource contexts often lag in process innovation due to inadequate technical infrastructure. Likewise, Lee and Chen (2020) stress the importance of process innovation for enhancing organizational efficiency, especially through digital systems.

However, in contrast, NGOs in Karamoja were seen to struggle with embedding such changes into daily workflows. As one finance officer explained, “We try, but poor internet and donor rigidities slow down digital transitions.” This limited diffusion fits well within Rogers’ DIT, which highlights how factors like perceived complexity, trialability, and infrastructure influence the rate of innovation adoption. In Karamoja, process innovations may be perceived as complex or incompatible, leading to a slower rate of adoption compared to social or activity innovations.

Qualitative insights reinforced the quantitative data by showing that innovation was conceptually embraced but practically constrained. Many respondents defined innovation as “*adapting traditional methods*” or “*finding new ways to solve persistent problems*” rather than integrating entirely new technologies. Executive Directors and Program Managers described using local materials to create low-cost technologies or partnering with grassroots groups to co-design solutions. These narratives support Johnson et al. (2023), who found that NGOs in under-resourced areas often rely on participatory innovation rather than imported technological models. Yet, the contrast with global norms is evident: Lee and Chen (2020) report seamless adoption of digital systems in well-resourced NGOs, including cloud-based monitoring tools and automated finance systems. The divergence underscores DIT’s principle of reinvention, where innovations are modified during adoption to better fit local contexts. In Karamoja, innovation evolves through adaptation and localized problem-solving, rather than wholesale adoption of external models.

Finally, digital financial innovation, although present, remained uneven in its adoption. Some organizations had begun using mobile savings groups or digital budgeting platforms like QuickBooks and Kobo Toolbox, but usage was limited due to infrastructure gaps. *A finance officer noted, “We’ve started using digital tools, but connectivity issues limit our reach in remote areas.”* This observation supports Wang and Li (2023), who emphasize the need for adaptive digital innovation in contexts where infrastructure is weak. In contrast, Anderson and Brown (2022) document rapid and comprehensive adoption of digital finance tools in more connected regions. From a DIT perspective, this disparity highlights the role of the “innovation-decision process,” particularly the evaluation and trial phases, which are often hindered in low-connectivity regions. Karamoja NGOs, therefore, follow a slow but deliberate innovation path that is shaped not just by intent, but by environmental and systemic constraints. The findings confirm that innovation in

fragile settings is possible but must be practical, adaptive, and locally contextualized to ensure acceptance and sustainability.

5.1.2 Financial Sustainability

The study showed that funding source diversification was a relatively strong aspect of financial sustainability among local NGOs in the Karamoja Sub-region. Organizations demonstrated strategic alignment with stakeholder expectations, contributed to innovation, and showed responsiveness to community needs. These practices indicate that NGOs are deliberately working to reduce dependence on a single donor and spread financial risks. This finding is consistent with Lee and Chen (2021), who observed that NGOs enhance resilience by diversifying income through grants, partnerships, and social enterprise models. A respondent from Karamoja noted, “*We can’t rely on one donor, so we try different options, even if they’re small,*” reflecting this strategic approach. However, compared to NGOs in Asia that utilize digital fundraising platforms more extensively (Wang & Li, 2022), organizations in Karamoja remain limited due to infrastructural and technological constraints. From the perspective of Resource Dependence Theory, these behaviors reflect efforts by NGOs to reduce reliance on external resource providers and increase autonomy through diversification strategies.

In terms of funding efficiency, the study found relatively strong performance, particularly in managing stakeholder relationships and ensuring accountability. Many NGOs emphasized transparent expenditure, internal controls, and strict approval processes to maintain donor trust. This aligns with Anderson and Brown (2022), who argue that effective financial management enhances credibility and sustainability in nonprofit organizations. One manager stated, “*Every shilling is tracked, we don’t spend without approval,*” highlighting a strong culture of financial discipline. However, the absence of advanced financial systems and limited technical capacity to manage multiple funding streams contrasts with more technologically advanced NGOs (Wang & Li, 2022). According to Resource Dependence Theory, such limitations arise because organizations operate within constrained environments where access to critical resources, including technology and expertise, is uneven, thereby influencing their efficiency outcomes.

Cash reserve adequacy emerged as the weakest component of financial sustainability. Although some NGOs demonstrated prudent financial management, many lacked the flexibility to build

reserves due to restrictive donor conditions. As one finance officer explained, *“Even if we want to save, most of the funds come tied there’s no flexibility.”* This finding is consistent with Oketch and Kipkoech (2023), who found that NGOs in East Africa face challenges in building reserves due to donor restrictions. Similarly, Jones et al. (2022) emphasize that without access to unrestricted funding, reserve accumulation remains difficult. The Karamoja context reinforces the argument that financial sustainability is influenced not only by internal strategies but also by external funding conditions. From the lens of Resource Dependence Theory, NGOs are constrained by the conditions imposed by resource providers, which limits their ability to achieve financial autonomy and long-term resilience.

Overall, the study found that NGOs in Karamoja exhibited moderate to strong financial sustainability, despite challenges in diversification and efficiency. Some respondents expressed confidence in their financial management systems, including budgeting and expenditure tracking. Interestingly, respondents rated their cash reserve practices relatively higher than expected, which contrasts with existing literature where reserve adequacy is often weak (Wang & Li, 2022; Tumwine & Kirumira, 2023). This variation may be attributed to recent adaptive strategies adopted in response to funding uncertainties and external shocks such as humanitarian crises. Resource Dependence Theory helps explain this variation by emphasizing that organizations continuously adapt their strategies to cope with resource uncertainty, leading to differences in financial performance across NGOs.

The qualitative findings further supported these results by revealing that NGO leaders are highly aware of the importance of financial sustainability. Many respondents emphasized efforts to diversify funding and improve financial management, although they acknowledged persistent challenges in implementation. One executive noted, *“We send proposals everywhere, but only a few respond,”* highlighting structural constraints in accessing funding. This observation aligns with Lee and Chen (2021) and Wang and Li (2022), who argue that while many NGOs understand the importance of diversification, only those with sufficient capacity can effectively implement it. From the perspective of Resource Dependence Theory, these findings suggest that NGOs must continuously build their capacity and strengthen external linkages to reduce dependence and improve sustainability outcomes.

5.1.3 Organization Innovativeness and Financial Sustainability

The study established a moderate and positive relationship between activity innovation and financial sustainability among local NGOs in Karamoja. NGOs that developed new programs or adapted existing ones to suit emerging community needs tended to perform better financially. This supports the assertions by Smith and Lewis (2020) that activity innovation strengthens resilience, enhances relevance to donors, and improves long-term funding stability. Similarly, Brown and Green (2019) argue that NGOs using innovative models in service delivery attract more donor trust and funding. For instance, a respondent shared, *“We changed our delivery strategy during the drought, and new partners were interested.”* However, Jones et al. (2021) offer a contrasting view, suggesting that innovation can increase short-term costs and pressure on limited resources. This implies that while innovation is valuable, it must be managed strategically to avoid financial strain in already resource-constrained environments.

In terms of process innovation, the study revealed a weaker but still significant positive association with financial sustainability. NGOs that introduced internal systems improvements such as expense tracking software and approval protocols achieved better control over resources and financial transparency. This finding aligns with Lee and Park (2018), who affirm that process innovation reduces waste and enhances efficiency. A finance manager explained, *“We use digital tracking to prevent overspending, and donors appreciate this clarity.”* Yet, Miller and Roberts (2020) argue that process improvements yield limited financial benefits unless accompanied by leadership support and donor visibility. Their viewpoint suggests that while process innovation strengthens internal operations, it does not directly influence donor behavior unless clearly communicated. In Karamoja’s case, capacity limitations and slow digital transitions may have further dampened the potential impact of process changes on financial outcomes.

The findings also revealed that social innovation had a strong positive relationship with financial sustainability. NGOs that emphasized inclusive partnerships, community-led programming, and culturally appropriate solutions were more likely to secure diverse and sustained funding. This observation is consistent with Garcia and Torres (2021), who argue that community-centered innovation builds trust, enhances legitimacy, and attracts broader donor support. For example, one executive director noted, *“Involving the elders helped us build trust donors saw we were serious.”*

Likewise, Patel (2019) found that socially innovative approaches foster long-term funding relationships through credibility and shared ownership. On the contrary, Nguyen and Tran (2022) caution that social innovation must align with organizational goals and genuine local needs; otherwise, it risks being ineffective or counterproductive. In Karamoja, while social innovation appears authentic and impactful, ensuring strategic alignment remains crucial to maximizing its financial benefits.

Collectively, the study affirms that all three innovation types activity, process, and social play meaningful roles in supporting financial sustainability, though their effects vary in strength. Activity innovation showed the strongest influence, likely due to its external visibility and relevance to donor expectations. Social innovation followed closely, owing to its ability to foster trust and strengthen engagement. Process innovation had the least direct impact, though its contribution to internal efficiency remains valuable. These results reflect the practical realities of NGOs operating in low-resource environments, where visible community impact often carries more weight than internal restructuring alone.

5.1.4 Mediating Effect of Organizational Capacity on the Relationship Between Organizational Innovativeness and Financial Sustainability.

The study revealed that organizational innovativeness measured through social, activity, and process innovation positively predicted financial sustainability among NGOs in Karamoja. Notably, activity innovation and social innovation significantly influenced financial outcomes, while process innovation showed no meaningful impact. This suggests that NGOs focusing on community-responsive programs and stakeholder engagement tend to enjoy better financial performance. These results are consistent with Smith and Lewis (2020), who argue that external-facing innovations, particularly those involving community partnership and adaptive program development, drive donor interest and funding reliability. However, the non-significant role of process innovation contrasts with expectations in some scholarly work. Miller and Roberts (2020) highlight that process innovation often requires supportive systems, leadership, and long-term investment to impact financial outcomes factors which may be lacking or underdeveloped in Karamoja NGOs. Hence, while program and social innovation are impactful, internal innovation needs complementary conditions to translate into financial benefits.

Upon introducing organizational capacity as a mediating variable, the study found that both human resource capacity and physical resource capacity had strong positive effects on financial sustainability, completely diminishing the direct influence of innovativeness. This finding reflects a full mediation, indicating that innovativeness improves financial sustainability only when supported by strong organizational capacity. This aligns with Sharma and Gaur (2021), who argue that innovation can only deliver tangible financial gains if an organization has the human and physical assets to scale, sustain, and manage such innovations. This result expands on innovation literature by showing that creativity alone is not enough implementation depends on structural enablers. In the Karamoja context, this suggests NGOs may have ideas and initiatives, but lack the execution capacity unless backed by resources and skilled personnel.

Human resource capacity emerged as a key mediator in the relationship between innovation and sustainability. Skilled, experienced, and motivated staff are crucial for transforming innovative ideas into effective programs and financial resilience. These findings align with Smit and de Lange (2022), who report that European NGOs with strong HR systems successfully implement innovations that attract consistent funding. Similarly, Zhang and Liu (2023) emphasize that in Asian NGOs, staff training and empowerment improve program quality and financial returns. On the other hand, Njoroge and Kimani (2023) note that many African NGOs face persistent challenges in building HR capacity due to limited funding for training and retention. This contrast highlights the need for Karamoja NGOs to prioritize workforce development if they are to harness innovation for long-term financial health.

The study also showed that physical resource capacity significantly mediates the innovation sustainability link. This includes access to infrastructure, equipment, and digital tools that facilitate service delivery and operational efficiency. The findings are in line with Johnson and Mitchell (2021), who assert that modern facilities and ICT tools boost NGO credibility and donor confidence. Similarly, Müller and Klein (2022), studying European NGOs, found that physical capacity enhances innovation scalability and transparency in financial reporting. In Asia, Tan and Wong (2023) stress the importance of ICT infrastructure in streamlining innovation and donor relations. Conversely, Ochieng and Nyangoma (2023) observe that many African NGOs are constrained by poor infrastructure, which limits the scale and quality of innovative interventions.

The Karamoja case reinforces this disparity, showing that physical limitations still restrict local NGOs' ability to transform innovation into sustainable outcomes.

Therefore, the study underscores that organizational innovativeness alone does not guarantee financial sustainability unless mediated by robust organizational capacity. Both human and physical resource capacities are vital bridges between ideas and implementation. The findings affirm global scholarship that innovation must be embedded within a supportive system to be effective, but also expose local constraints specific to resource-poor contexts like Karamoja. Strengthening capacity through investments in staff development and physical infrastructure is therefore essential for local NGOs to maximize the financial potential of their innovative practices. Without such foundations, even the most promising innovations risk stagnation or failure to yield sustainable results

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CHAPTER SIX

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

6.0 Introduction

This chapter presents a summary of the key findings, conclusions drawn from the study, and recommendations based on the analysis of organizational innovation and financial sustainability among local NGOs in Karamoja.

6.1 Summary of Key Findings

6.1.1 Organizational Innovation

The study found that social innovation was the most positively perceived dimension among local NGOs in Karamoja. This strong perception was particularly linked to effective stakeholder engagement and the alignment of innovative initiatives with the social values and needs of the local community. Deep community involvement fostered ownership and ensured that innovations addressed relevant social challenges in a culturally sensitive manner. This supports existing literature emphasizing meaningful participation and strong relationships for sustainable change. However, unlike global trends focusing on digital technologies, NGOs in Karamoja relied more on traditional grassroots engagement, reflecting resource constraints or differing priorities.

Regarding activity innovation, it ranked second in positive perception. NGOs showed a willingness to experiment, take risks, and adapt activities to changing circumstances. Despite this, continuous improvement and institutional support for sustaining innovation were rated somewhat lower, indicating challenges in embedding innovative practices systematically. This aligns with studies highlighting the importance of experimentation but contrasts with trends showing institutionalization and technological integration in other contexts, suggesting resource and infrastructure barriers in Karamoja.

Process innovation was the least positively perceived among the innovation dimensions but still favorable. Strengths included recognition of staff contributions and emphasis on continuous improvement. However, the actual implementation of innovative processes such as new

management techniques or technologies was rated low, indicating a gap between recognizing innovation and operationalizing it. This aligns with research stressing the importance of process innovation for efficiency and accountability but contrasts with ideal models due to structural and resource limitations in Karamoja NGOs.

Qualitative insights revealed that innovation was broadly understood as creating new solutions, adapting traditional methods, and improving existing systems. Financial innovations such as mobile money and digital financial management existed but were limited by poor internet connectivity and restrictive donor policies. This reflects challenges in resource-constrained environments where adaptive, community-centered innovations prevail despite infrastructural hurdles.

6.1.2 Financial Sustainability

The study found that funding source diversification among local NGOs was relatively strong. Organizations aligned their strategies with stakeholder expectations, contributed to innovation, and responded to community values, highlighting active engagement. This finding matches global trends where diversification reduces dependency and enhances resilience. However, the extent of diversification was less than seen in some Asian contexts where digital fundraising is more prevalent. Regional NGOs show progress but face common challenges in fully diversifying funding for long-term stability.

Funding efficiency was moderately strong, with well-managed stakeholder relationships supporting resource mobilization and innovation. Nevertheless, reliance on diverse funding streams was weaker. These findings echo broader regional trends where NGOs improve efficiency through capacity-building but continue to face infrastructural and management constraints.

Cash reserve adequacy was the weakest aspect, with many NGOs showing limited ability to manage diverse funding streams and maintain robust reserves. This challenge is common in resource-poor environments, with NGOs struggling to build reserves despite understanding their importance for operational stability. Karamoja NGOs reflect this regional difficulty, which exposes them to risks during funding shortfalls.

Overall, financial sustainability was moderate to strong, indicating fairly sustainable management practices. While some NGOs showed confidence in reserve management, perceptions varied, typical in developing regions with uneven organizational capacity. Qualitative data confirmed these trends, emphasizing the importance of diversification, efficiency, and reserve management, though challenges remain.

6.1.3 Organizational Innovativeness and Financial Sustainability

The study found a moderate and significant positive relationship between activity innovation and financial sustainability, indicating that NGOs actively developing new programs tend to achieve better financial outcomes. This aligns with literature recognizing activity innovation as a key driver of resilience and funding diversification. However, innovation demands resources, which can temporarily strain finances.

A significant but weaker positive relationship was observed between process innovation and financial sustainability. Improvements in internal operations contribute to better financial outcomes, but their effect is less pronounced than activity innovation. This reflects the primarily internal focus of process innovations compared to the external stakeholder impact of activity innovation.

Social innovation showed a moderate and significant positive relationship with financial sustainability. NGOs adopting inclusive strategies and community-centered solutions tend to improve financial outcomes by fostering public engagement and donor confidence. This confirms that social innovation builds legitimacy and social capital crucial for stable funding streams.

6.1.4 Mediating Effect of Organizational Capacity

Regression analysis revealed that organizational innovativeness specifically activity and social innovation significantly predicted financial sustainability, whereas process innovation did not. This suggests program development and community engagement drive financial sustainability, while process changes alone are insufficient.

When organizational capacity (human and physical resources) was introduced as a mediator, both had strong positive effects on financial sustainability, and the direct effects of innovativeness

became insignificant. This indicates full mediation, where organizational capacity is the key pathway through which innovation influences financial sustainability. Staff expertise and resource management are fundamental to converting innovation into financial success.

Human resource capacity was critical, with skilled and motivated staff essential for driving innovation and securing resources. This matches international findings showing strong human resource management improves innovation and funding. Regionally, staffing challenges limit innovative capacity, emphasizing the need to strengthen human resources in Karamoja.

Physical resource capacity, including infrastructure and technology, was also crucial. Adequate resources enable efficient program implementation and funding management, consistent with global evidence that well-equipped NGOs achieve better financial sustainability. Conversely, limited resources hinder many African NGOs. This study confirms investment in physical resources is vital for leveraging innovation into financial success in Karamoja.

6.2 Conclusion

The study set out to examine the relationship between organizational innovation, organizational capacity, and financial sustainability among local NGOs in the Karamoja Sub-region. The findings highlight several key conclusions aligned with the study's objectives.

First, in relation to organizational innovation, the study concludes that social innovation is the most positively perceived dimension, driven by strong stakeholder engagement and alignment with community values. Activity innovation also emerged as a strength, reflecting NGOs' adaptability and willingness to experiment with new approaches. However, process innovation, though recognized in principle, lagged in actual implementation due to structural limitations. These findings suggest that while Karamoja NGOs are open to innovation, its institutionalization is constrained by resource challenges and infrastructural gaps. The innovation landscape in Karamoja is thus characterized by community-centered adaptations rather than technology-driven transformation.

Second, regarding financial sustainability, the study found that NGOs in Karamoja exhibit moderately strong financial health, especially in terms of funding source diversification and

efficient financial practices. Nonetheless, the ability to maintain cash reserves remains the weakest link. Despite a proactive stance toward diversification, limitations in digital access, donor flexibility, and infrastructure inhibit full realization of sustainable funding systems. These results underscore the region's progress in adopting prudent financial practices, while also highlighting the need for capacity-building and policy reforms to promote financial resilience.

Third, concerning the relationship between organizational innovativeness and financial sustainability, the study concludes that activity and social innovation significantly enhance financial performance. NGOs that develop new programs and foster community-based solutions are better positioned to attract funding and manage operations effectively. In contrast, process innovation had a weaker impact, reinforcing the idea that internal changes alone may not translate into financial gains unless they are coupled with external engagement and strategic support. These findings affirm that innovation enhances sustainability but must be both contextually relevant and adequately resourced.

Fourth, the study confirms the mediating effect of organizational capacity on the relationship between innovation and financial sustainability. When human and physical resource capacities were introduced as mediators, they emerged as the strongest predictors of financial sustainability, rendering the direct effect of innovation insignificant. This indicates that innovation alone is insufficient without the organizational infrastructure and workforce to support it. In Karamoja, the presence of skilled staff and adequate physical resources is essential to convert innovative ideas into financially sustainable practices.

6.3 Recommendations

Based on the study's findings, several key recommendations are proposed to enhance the effectiveness and financial sustainability of local NGOs in the Karamoja Sub-region.

First, local NGOs should prioritize strengthening organizational capacity, with a particular focus on human resource development and physical infrastructure. Investing in skilled personnel and upgrading operational tools will empower NGOs to effectively implement innovative programs and scale successful initiatives. This capacity-building is crucial for transforming innovation into tangible financial benefits and ensuring long-term organizational resilience.

Second, NGOs are encouraged to actively promote social innovation by deepening community engagement and fostering co-creation with local stakeholders. Inclusive innovation strategies enhance trust, cultural relevance, and community ownership, which in turn create pathways for diversified funding and stronger local partnerships. Such approaches can help NGOs better address complex social challenges while improving their legitimacy and funding appeal.

Third, expanding and adapting the activity portfolios to align with evolving community needs is essential. By tailoring services to local contexts, NGOs can increase program effectiveness and donor interest, thereby improving financial sustainability. Flexibility and responsiveness in program design will allow NGOs to remain relevant and competitive in a dynamic environment.

Finally, although process innovation showed limited direct impact on financial outcomes, NGOs should continue to refine internal systems and processes to improve efficiency and accountability. Process improvements, when integrated with capacity-building and broader innovation efforts, contribute to a balanced approach to organizational development that supports sustainability from within.

In summary, by focusing on capacity strengthening, social innovation, adaptive programming, and process enhancement, local NGOs in Karamoja can build more robust, innovative, and financially sustainable organizations equipped to meet current and future challenges

6.4 Areas of Future Studies

Future research should examine the long-term impact of digital innovations on NGOs operating in resource constrained settings like Karamoja. Understanding how technology adoption affects program delivery and financial sustainability over time would provide valuable insights.

Another important area is exploring the influence of donor funding policies and restrictions on the financial stability of local NGOs. This could help identify ways to improve funding flexibility and support for sustainable growth.

Investigating the role of organizational culture in fostering or hindering innovation uptake would also be beneficial. Such studies could guide NGOs on creating environments that encourage creativity and adaptability.

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APPENDICES

Appendix I: Consent Form

Introduction

I am Chris Lopeyok N a master's student at Gulu University undertaking a study on the topic: **“Organizational Innovativeness on Financial Sustainability in Local NGOs in the Karamoja Sub-region”**. This is to inform you that, you have been identified as an important stakeholder to participate in a research investigation.

You are free to voluntarily participate or withdraw from this study at any time. This exercise will take less than 35 minutes of your time. You are free to respond to questions that make sense to you and you can skip those questions that you are not comfortable responding to.

Purpose of the Study

I am conducting this study to assess the contribution of organizational innovativeness on the financial sustainability of local NGOs in the Karamoja sub-region, Uganda. Your participation will contribute to our understanding of Organizational innovativeness on Financial Sustainability of the local non-governmental organizations in Karamoja Sub-Region North Eastern Uganda

Procedures

If you agree to participate in this study, you will be asked as a participant to fill out a research questionnaire, attend interviews, and participate in focus group discussions. The expected duration of participation is less than 30 minutes.

Risks and Discomforts

Misrepresentation of Views were participants may fear that their perspectives will be taken out of context or misinterpreted, potentially creating misunderstandings about the NGO's mission or stance on issues. Threat of Surveillance from governments organs which closely monitor NGO activities, particularly those involving sensitive topics. Participants might fear being observed or having their communications tracked, affecting their openness in responses. Burnout and Stress

some NGOs often operate with limited resources, so taking time for research participation may add to participants' stress, as they may feel overburdened by additional responsibilities.

Study Benefits

There is no financial benefit you will gain from this study. However, it is hoped that the findings from the study will help the NGOs identify innovative measures that contribute to their financial sustainability. **Confidentiality**

The information you provide will be handled with a very high level of confidentiality. If the results of this study are published or presented, individual names and other personally identifiable information will not be used. The analysis will be based on aggregate data only.

Clarification & Contact: If you have any clarification about this study, please contact the researcher at +256783143840 and Supervisors Dr. Enos Kitambo at +256777484119, and Mr.

Felix Odyomo at +256776506616.

Signature..... Date.....

Participant/Respondent

Signature..... Date.....

Chris Lopeyok N (Researcher)

Appendix II: Questionnaire

Dear respondent, I am Chris Lopeyok N a Masters student of Gulu University undertaking a study on the topic: “Organizational Innovativeness on Financial Sustainability in Local NGOs in Karamoja Sub region”. You have been identified as a respondent for this study as you are considered to be having information that is necessary for the successful completion of this research project. Therefore, I kindly request you to spare a few minutes of your busy schedules to fill this questionnaire to enable me accomplish this task. The information that you will provide shall be treated with utmost confidentiality and strictly used for the purpose of this research study. I thank you very much in advance for your cooperation.

Section A: Demographic Characteristics of Respondents

(Please tick in the appropriate box)

1. What is your sex?

☐ 1. Female ☐ 2. Male

2. What is your age range?

☐ 1. 21-25 ☐ 2. 26-30 ☐ 3. 31-35 ☐ 4. 36-40 ☐ 5. 41 & above

3. What is your highest level of education?

☐ 1. Certificate ☐ 2. Diploma ☐ 3. Bachelor ☐ 4. Postgraduate

4. Which organization are you currently serving? (Tick appropriately)

☐ 1. KAPDA ☐ 2. DADO ☐ 3. Caritas Kotido Diocese ☐ 4. MADA

☐ 5. FOKAPAWA Kaabong

5. How long have you worked in this organization?

☐ 1. Less than 1 year ☐ 2. 1 – 5 years ☐ 3. 6-10 years ☐ 4. Above 10 years

Section B: Organizational Innovativeness

Based on your opinion, tick the most appropriate option based on the scale below: **VL** = Very Low, **L** = Low, **M** = Moderate, **H** = High, **VH** = Very High.

Key: Very Low: 1. Low: 2. Moderate: 3. High: 4. Very High: 5 SN Activity Innovation

SN	Section B: Organizational Innovativeness	VL	L	M	H	VH
Activity Innovation						
1	Rate the extent to which this organization fosters innovation in its daily activities.					
2	To what extent does this organization encourage new ideas for enhancing activities?					
3	Rate the strength of this organization in adapting to changes to remain competitive.					
4	To what extent is continuous improvement integrated as a core aspect of this organization's operations?					
5	Rate the extent to which employees are encouraged to experiment and take calculated risks in their activities.					
Process Innovation						
1	Rate the extent to which this organization prioritizes continuous improvement in its operational processes.					
2	Rate the extent to which this organization demonstrates flexibility in adapting and modifying existing processes.					
3	Rate the extent to which this organization implements process enhancements.					
4	To what extent are the organizational processes designed with a strong focus on stakeholder needs and expectations?					
5	To what extent does this organization recognize contributions to process innovation?					
Social Innovation						
1	To what extent do innovative initiatives in this organization align with social values and community needs?					
2	Rate the extent to which engagement with stakeholders helps identify solutions to community challenges.					

3	Rate the extent to which this organization encourages collaboration and partnerships with external organizations.					
4	Rate the extent to which employees are actively involved in suggesting and implementing social innovations.					
5	Rate the extent to which this organization maintains positive interactions with key stakeholders.					

SECTION C: Financial Sustainability

Based on your opinion, tick the most appropriate option based on the scale below: VL = Very Low, L = Low, M = Moderate, H = High, VH = Very High.

Key: VW = 1, W = 2, M = 3, S = 4, VS = 5.

SN	SECTION C: Financial Sustainability	VL	L	M	H	VH
Funding Source Diversification						
1	To what extent does this organization rely on a diverse range of funding sources?					
2	Rate the extent to which this organization has a broad spectrum of financial support available.					
3	Rate the extent to which this organization successfully seeks out various types of financial contributions.					
4	To what extent is funding diversification a key strategy for the organization's financial stability?					
5	Rate the extent to which this organization effectively manages and utilizes multiple funding streams.					
Funding Efficiency						
1	Rate the extent to which this organization demonstrates effective use of financial resources.					
2	To what extent are financial resources allocated efficiently to achieve organizational goals?					
3	To what level is this organization cost-effective in its financial management?					

4	Rate the extent to which this organization implements practices that optimize financial performance.					
5	To what extent does the efficiency of funding usage contribute to the organization's overall success?					
Cash Reserve Adequacy						
1	To what extent does this organization maintain adequate cash reserves to handle financial uncertainties?					
2	Rate the extent to which cash reserves are sufficient to support this organization's ongoing operations.					
3	There is a strong system in place for managing and sustaining cash reserves.					
4	To what extent is this organization prepared financially with appropriate cash reserves?					
5	To what extent does adequacy of cash reserves positively impact the organization's financial stability?					

SECTION D: Organizational Capacity

Based on your opinion, tick the most appropriate option based on the scale below: VL = Very Low, L = Low, M = Moderate, H = High, VH = Very High.

Key: VL = 1, L = 2, M = 3, H = 4, VH = 5.

S/N	Human Resource Capacity	VL	L	M	H	VH
01	To what extent is Human resource capacity crucial for the overall success of the organization.					
02	To what extent do the workforce in this organization have the necessary skills and competence to meet operational needs.					
03	Rate the extent to which this organization provides ample opportunities for professional development and skill enhancement.					
04	Rate the extent to which workforce in this organization have adequate experience to handle organizational complexities.					
05	To what extent is the talent pool within this organization commendable.					
S/N	Physical Resource Capacity	VL	L	M	H	VH

01	Rate the extent to which this organization possesses the necessary infrastructure and facilities to support operations.					
02	To what extent does this organization has modern equipment and technology to enhance physical resource capacity.					
03	Rate the extent to which Physical resources of this organization are efficiently utilized to meet operational demands.					
04	Rate the extent to which this organization effectively adopts new technologies to improve physical resource capacity.					
05	To what extent is the resource base of this adequate.					

Appendix III: Interview Guide

Dear respondent,

I am Chris Lopeyok N a Masters student of Gulu University undertaking a study on the topic: “Financial Sustainability in Local NGOs in Karamoja Sub-region”. You have been identified as a participant for this study as you are considered to be having information that is necessary for the successful completion of this research project. Therefore, I kindly request you to spare a few minutes of your busy schedules to provide response to few questions to enable me to accomplish this task. The information that you will provide shall be treated with utmost confidentiality and strictly used for the purpose of this research study. I thank you very much in advance for your cooperation.

Interview Questions:

1. What does innovation mean in your organization?
2. Do you have any innovations related to finance in your organization? If not, why?

3. How do you ensure your organization stays financially stable? What measures are in place?
4. How have simpler work processes helped your NGO with financial sustainability?
5. How have new programs or projects helped your organization stay financially stable?
6. How do you involve the community in raising funds?
7. What social partnerships or activities do you use to raise funds for financial sustainability?
8. How capable is your organization in carrying out innovative activities?
9. Do you face any challenges in your organization that affect its financial sustainability?

THE END THANK YOU FOR YOUR ACTIVE PARTICIPATION.

Appendix IV: Morgan Table. Sample Sizes(S) Required for the Given Population Sizes (N)

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	256	3000	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	100000	384

Appendix VI: Qualitative Analysis Extract.

Codes	Categories	Themes	Quotations
-Idea generation -Proactive mindset -Continuous refinement -Risk-taking -Adaptability -Commitment - Activity innovation	-Proactive mindset -Continuous improvement -Activity innovation	-Activity innovation -Continuous improvement	<i>"It's not just about doing things the same way; we're always pushed to find better, more efficient approaches to our daily activities."</i> (Participant Interview, KAPDA, Jan, 2025) <i>"We are not penalized for trying something new, even if it doesn't work out perfectly. The focus is on learning and improving."</i> (Participant Interview, MADA, Jan, 2025) <i>"We don't just react to change; we anticipate it and are prepared to pivot quickly. The organization really values being agile."</i> (Participant Interview, CARITAS Kotido, Jan, 2025)
-Continuous involvement -Shorter procedures -Employee involvement -Process modification -Stakeholder engagement -Empowerment and Participation -Stakeholder focus -Flexibility -Collaborative innovation	-Shorter procedure -Process modification -Flexibility	-Process innovation -Flexibility	<i>"We're always looking for ways to streamline our processes and make them more efficient. It's a constant cycle of improvement."</i> (Participant Interview, FOKAPAWA Kaabong, Jan, 2025). <i>"Things change so rapidly in our sector. The organization's ability to adapt its processes is crucial to our success. We're not stuck with outdated methods."</i> (Participant Interview, MADA, Jan, 2025) <i>"We genuinely value our input. If we see a way to improve a process, we encourage us to speak up and help make it happen."</i> (Participant Interview, DADO, Jan, 2025)

-Responsiveness -Process innovation			
-Ethical considerations -Community involvement -External partnerships -Transparent communication -Values-driven innovation -Resource & expertise sharing -Positive stakeholder relations -Collaboration for impact -Social values -Social innovation	-Community involvement -Value driven innovation -Social innovation	-Community involvement -Social innovation	<i>"It's not just about money; we truly care about making a positive impact on the community. Our projects are always aligned with our values." (Participant Interview, DADO, Jan, 2025).</i> <i>"We don't just impose solutions; we actively seek input from the people who are directly affected. This collaborative approach ensures that the solutions are relevant and sustainable." (Participant Focus Group, CARITAS Kotido, Jan, 2025).</i> <i>"We're not working in isolation. We actively seek out partnerships that can amplify our impact and help us address complex social issues." (Participant Interview, KAPDA, Jan, 2025)</i>
-Cost reduction -Financial monitoring -Spending efficiency impact -Efficient resource use -Efficiency -Effectiveness -Diverse sources -Sufficient finances -Adequate resources -Multiple fundings	-Diverse funding -Efficient resource use -Spending efficiency -Sufficient finances	-Capital adequacy -Funding source efficiency -Diverse funding sources	<i>"Our ability to use funds efficiently directly impacts how much we can achieve. It's a critical factor to our success." (Participant Interview, CARITAS, Kotido, Jan, 2025).</i> <i>"We very good at finding ways to cut costs without sacrificing quality. Weare always looking for ways to do more with less." (Participant Interview, KAPDA, Jan, 2025).</i> <i>"We are very careful with the money. It feels like we truly understand the value of every resource and make sure it's used</i>

			wisely." (Participant Interview, DADO, Jan, 2025)
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Appendix VII: Introductory letter



GULU UNIVERSITY
P.O. Box 166
Gulu, Uganda
Tel: 0471-42923
Fax: 256-471-42094

OFFICE OF THE DEAN FACULTY OF BUSINESS AND DEVELOPMENT STUDIES.

Date: 16th December, 2024



Permission Granted to do research with MADA
LOFAWE PETER.

TO WHOM IT MAY CONCERN

RE: NGELAMOE CHRIS LOPEYOK **REG. NO. 22/U/1113/MBA/PS**

The above-named person is a final year student pursuing Master of Business Administration (MBA) Degree of Gulu University.

In partial fulfillment of the requirements for the award of the master's degree, he is carrying out research on the topic: **Financial Sustainability of Local Non-Governmental Organizations in Karamoja Sub-Region, Uganda.**

Due consideration accorded to him shall be highly appreciated.

Yours Faithfully,




16/12/2024

Dr. Wakwabubi Michael Jackson - Research Coordinator (Ph.D.)
Faculty of Business and Development Studies

Appendix VIII: Acceptance letter



DYNAMIC AGRO-PASTORALIST DEVELOPMENT ORGANISATION

Kidepo Road-Kaabong Town Council, Kaabong District. P.O. Box 198, Mbale, Uganda-East Africa
Tel: +256 (0) 772 343 367 E-mail: info@dadoug.org Website: www.dadoug.org

Agriculture | Livestock Management | Natural Resource Management | Human Rights | Peace Building

10th January 2025

Office of the Dean Faculty of Business and Development Studies,

Gulu University,

P.O. BOX 166 Gulu, Uganda.

Dear Sir,

RE: NGELAMOE CHRIS LOPEYOK REG. NO.22/U/1113/MBA/PS.

This Communication's purpose is to inform you that the above person said to be a final year student pursuing Master of Business Administration [MBA] Degree of Gulu University, has been granted permission by Dynamic Agro-Pastoralist Development Organisation [DADO] to conduct Research on the topic: **Financial Sustainability of Local Non-Governmental Organisations in Karamoja Sub Region.**

In connection with that and on behalf of DADO Board of Directors, Management and My own behalf, I wish to pledge our total support to the Student during the period that he will be conducting this very important Research with our Organisation and I do hope that the Student will be in position to maximize and use his time in a fruitful manner while with us.

Thanks.

Lomoe Simon Peter Lokure.

Executive Director, DADO.

C:C: Ngelamoe Chris Lopeyok

C: C. File.



Mission:

To Strengthen Rural Agro-Pastoral Communities overcome Poverty, Achieve Food Security through Sustainable and Resilient Livelihoods Systems

**KARAMOJA PEACE &
Kotido Road, Biafra South,
Kaabong Town Council,
P.o Box 49 Kotido**



DEVELOPMENT AGENCY
Email: kkapda@yahoo.com
Alt: info@kapda.org.ug
Tel: +256 392 836 697
Website kapdaug.org

10th January 2025

Office of the Dean Faculty of Business and Development Studies.
Gulu University,

P.O.BOX, 166 Gulu, Uganda.

Dear Sir,

RE: NGELAMOE CHRIS LOPEYOK REG. NO.22/U/1113/MBA/PS.

Ngelamoe Chris Lopeyok has been granted permission by Karamoja Peace & Development Agency (KAPDA) to conduct Research on the topic: **Financial Sustainability of Local Non-Governmental Organisations in Karamoja Sub Region.**

The management team of KAPDA will support the researcher during the period that he will be carrying out the research with KAPDA. The researcher will be availed all the necessary information required and also utilize the time at his disposal in the best way with us.

Thanks

Lonya John



Executive Director, KAPDA
C C: Ngelamoe Chris Lopeyok
C:C: File.

Consent Form

Introduction

I am Chris Lopeyok N a master's student at Gulu University, undertaking a study on the topic: **“Financial Sustainability in Local NGOs in the Karamoja Sub-region”**. This is to inform you that you have been identified as an important stakeholder to participate in a research investigation.

You are free to voluntarily participate or withdraw from this study at any time. This exercise will take less than 35 minutes of your time. You are free to respond to questions that make sense to you and you can skip those questions that you are not comfortable responding to.

Purpose of the Study

I am conducting this study to assess the contribution of organizational innovativeness on the financial sustainability of local NGOs in the Karamoja sub-region, Uganda. Your participation will contribute to our understanding of Organizational innovativeness on Financial Sustainability of the local non-governmental organizations in Karamoja Sub-Region, North Eastern Uganda

Procedures

If you agree to participate in this study, you will be asked as a participant to fill out a research questionnaire, attend interviews, and participate in focus group discussions. The expected duration of participation is less than 30 minutes.

Risks and Discomforts

Misrepresentation of Views were participants may fear that their perspectives will be taken out of context or misinterpreted, potentially creating misunderstandings about the NGO's mission or stance on issues. Threat of Surveillance from governments organs which closely monitor NGO activities, particularly those involving sensitive topics. Participants might fear being observed or having their communications tracked, affecting their openness in responses. Burnout and Stress

some NGOs often operate with limited resources, so taking time for research participation may add to participants' stress, as they may feel overburdened by additional responsibilities.

Study Benefits

There is no financial benefit you will gain from this study. However, it is hoped that the findings from the study will help the NGOs identify innovative measures that contribute to their financial sustainability.

Confidentiality

The information you provide will be handled with a very high level of confidentiality. If the results of this study are published or presented, individual names and other personally identifiable information will not be used. The analysis will be based on aggregate data only.

Clarification & Contact: If you have any clarification about this study, please contact the researcher at +256783143840 and Supervisors Dr. Enos Kitambo at +256777484119, and Mr. Felix Odyomo at +256776506616.

Signature.......... Date.....23/12/2024.....

Participant/Respondent

Signature.......... Date.....23.12.2024.....

Chris Lopeyok N (Researcher)