

Theory of Change as a Strategic Framework for Strengthening Financial Sustainability in Non-Profit Organisations: Evidence from Nama Foundation.

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Abstract

Non-profit organizations (NPOs) play a vital role in addressing complex social challenges, yet many continue to struggle with financial sustainability due to dependence on short-term donor funding and limited organizational capacity. Although the Theory of Change (ToC) is widely recognized as a framework for program planning and evaluation, its application to organizational financial sustainability remains insufficiently explored. This study examines how the NAMA Foundation operationalizes the Theory of Change as a strategic framework for strengthening the financial sustainability and institutional resilience of partner civil society organizations (CSOs). A qualitative case study design was employed using virtual audit interviews, document analysis, and organizational assessment based on NAMA's Financial Sustainability Assessment Framework. Findings indicate that while the assessed CSO demonstrates strong governance, strategic planning, and organizational management, significant weaknesses remain in financial risk management, fund accessibility, and the conversion of income-generating initiatives into sustainable revenue. The study identifies four strategic priorities for long-term sustainability: strengthening financial governance and risk management, enhancing partnerships and resource mobilization, achieving operational self-sufficiency, and institutionalizing evidence-based organizational learning. The findings extend the Theory of Change beyond its conventional use in program evaluation by demonstrating its value as an organizational framework linking governance, financial management, and strategic learning to long-term financial sustainability. The paper contributes both theoretically to the expanding Theory of Change literature and practically to non-profit managers, capacity-building organizations, and policymakers seeking more sustainable models of organizational development.

Keywords: *Non-profit organizations, Theory of Change, financial sustainability, financial management, governance practices.*

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Introduction

In today's world, societies are confronted by an unprecedented convergence of social, economic, and environmental crises. Conflicts, forced displacement, climate change, widening socioeconomic inequalities, and limited access to education and essential resources have placed immense pressure on communities in both developed and developing countries. These challenges have not only intensified in degree and severity, but have also become increasingly complex, transcending national borders and overwhelming the capacities of individual governments. While states remain the primary providers of public welfare, their resources, institutional capacity, and financial assistance are often inadequate to address the diverse and evolving needs of vulnerable communities. Consequently, responding effectively to these multidimensional crises requires collaborative efforts among governments, the private sector, civil society, and local communities. Within this landscape, non-profit organizations (NPOs) have emerged as indispensable actors, complementing state efforts by delivering humanitarian assistance, advocating for marginalized populations, mobilizing community resources, and providing innovative and context-specific solutions to pressing social challenges.

The increasing significance of NPOs is closely linked to the broader evolution of the sustainable development agenda. Over the past few decades, the concept of sustainable development has expanded considerably. Initially centered on environmental conservation and intergenerational equity, sustainable development has progressively evolved into a holistic framework encompassing the interdependent dimensions of economic, environmental, and social sustainability. As greater emphasis is placed on the social dimension of sustainability, it is acknowledged that achieving sustainable development cannot rely solely on

governments and market institutions. Instead, it requires the meaningful participation of the non-profit sector, whose missions are inherently oriented toward social well-being, equity, inclusion, and community empowerment (Ye & Gong, 2021). By addressing unmet social needs, strengthening local capacities, and fostering community resilience, NPOs have become essential partners in achieving the Sustainable Development Goals (SDGs) and driving long-term societal transformation.

Despite their growing importance, many civil society organizations (CSOs) and non-profit organizations continue to face significant organizational and financial challenges that threaten their long-term sustainability. Although these organizations play a critical role in delivering grassroots services and responding to local needs, many remain trapped in a cycle of continuous dependency due to a heavy reliance on short-term donor funding, weak governance structures, limited organizational capacity, and the absence of long-term strategic planning (Salamon & Anheier, 1997). These constraints undermine their ability to diversify income sources, strengthen institutional resilience, and sustain their social missions over time. Consequently, improving the financial sustainability of CSOs has become an increasingly important concern within non-profit management and sustainable development literature, shifting attention from merely financing individual programs to strengthening organizational capabilities that enable long-term impact (Dagane & Kihara, 2021).

Within the broader third-sector ecosystem, some non-profit organizations have evolved beyond their traditional role as service providers or grant-makers to become strategic capacity-building intermediaries. Rather than limiting their support to financial assistance and program implementation, these organizations increasingly invest in developing the institutional capabilities of partner CSOs through targeted interventions in governance, leadership, strategic planning,

resource mobilization, impact measurement, and organizational learning (Faisal et al., 2024). This shift reflects the growing recognition that sustainable social impact depends not only on funding discrete projects, but also on enabling partner organizations to become financially resilient, strategically adaptive, and institutionally sustainable. By strengthening the financial sustainability and organizational effectiveness of CSOs, these intermediary NPOs contribute to building a more resilient and impactful third sector capable of addressing complex societal challenges (Iwu et al., 2015).

Against this backdrop, this study examines how the NAMA Foundation conceptualizes the Theory of Change for financial sustainability, how this ToC is operationalized through governance and income-generation practices, and what strategic priorities emerge for strengthening the long-term sustainability of partner CSOs.

Having established the importance of financial sustainability for non-profit organizations, the subsequent section examines the Theory of Change as the primary theoretical framework underpinning organizational sustainability and strategic capacity development.

Theory of Change and Financial Sustainability in NPOs

Theory of Change has evolved from a program evaluation concept into a central strategic framework for contemporary non-profit organizations (NPOs). Its significance lies not simply in mapping activities to outcomes, but in making explicit the underlying assumptions, causal mechanisms, and contextual conditions through which social change is expected to occur.

For NPOs, the ToC framework serves several critical functions: it clarifies organizational mission and purpose, strengthens strategic planning, improves monitoring and evaluation, facilitates stakeholder engagement, enhances

accountability, and supports organizational learning. Most importantly, it enables organizations to navigate the complexity of social change by articulating a clear and plausible pathway from intervention to impact.

From an analytical perspective, the Theory of Change is best understood not as a static diagram, but as a dynamic organizational learning framework. Effective NPOs use ToC not merely to satisfy external donor requirements, but as a reflective tool for understanding, testing, and continuously refining how their actions contribute to meaningful and sustainable social transformation.

Evolution of Theory of Change

Theory of Change (ToC) has become a central framework in Non-Profit Organizations (NPOs) practice for planning, implementing, and evaluating social interventions. However, ToC is not a single unified theory; rather it is an evolving tradition rooted in program evaluation, community development, and systems thinking. Its development displays a broader shift in how social change is understood and perceived—from linear cause-effect positivistic assumptions to complex adaptive systems.

The earliest conceptualisation of ToC is commonly associated with Carol H. Weiss (1995), whose work laid the conceptual foundation for theory-based evaluation. Her work in the 1990s fundamentally reframed how evaluators understand social programmes. Weiss argued that every intervention is underpinned by an implicit “theory” of how and why change will occur (Weiss, 1995, p. 66). However, she observed that many organisations fail to articulate these assumptions explicitly, focusing instead on activities and outputs rather than the causal logic connecting interventions to outcomes (Weiss, 1995, p. 71-72). NPOs are implementers of implicit theories, often operating without

explicit causal clarity and their inefficiency is due to weak articulation of goals and assumptions. Her proposal was therefore to “make the theory explicit”—to map backwards from desired outcomes and identify the causal assumptions linking actions to results (Weiss, 1995, p. 83).

This foundational version of ToC is relatively linear in structure where activities will lead to outputs, while outputs lead to outcomes, and outcomes lead to impact. However, its most important innovation lies not in its linearity but in its emphasis on causal explanation. It shifted evaluation from merely asking if it works to the question of why, under what assumptions, and through what mechanisms.

Weiss’s insight was then expanded by Huey-Tsyh Chen and Peter Rossi (1980), who developed the field of theory-driven evaluation. Chen ((2012, p. 22) distinguished between normative theories (what programmes are supposed to achieve) and causal theories (how change is expected to occur). This distinction introduced a more rigorous epistemological dimension to ToC, framing it not just as a planning tool but as a testable explanatory model.

Within this tradition, NPOs are seen as implementers of causal hypotheses. Their programmes are essentially real-world experiments in social change, and evaluation becomes a process of testing whether the assumed causal mechanisms hold true. This significantly raised the intellectual status of NPO practice, positioning organisations as knowledge-producing actors rather than mere service providers.

Theory of Change as an Organisational Learning Framework

The next major shift in ToC thinking emerged through the work of James Connell and Anne Kubisch (1998), who

extended the framework from individual programmes to community level initiatives. Their work emerged in response to large-scale social interventions funded by philanthropic organisations that aimed not merely to deliver services, but to transform the entire communities. This shift fundamentally changed the unit of analysis from viewing change as the result of a single intervention to multiple interacting pathways involving schools, families, institutions, and policy environments. In this regard, change was no longer seen as linear but as a network of mutually reinforcing processes.

For NPOs, this expansion meant a transformation in role, from isolated service providers to collaborative actors embedded in broader ecosystems of change. Success could no longer be attributed to a single organisation but had to be understood as the result of coordinated collective action. Building on Connell and Kubisch's community level framework was Funnell and Rogers (2011) in their seminal work, Purposeful Program Theory. They systematised ToC into a practical methodology that integrates program theory, logic models, assumptions, and context into a coherent evaluative framework. In their formulation, ToC is not simply a linear chain of outcomes but a structured explanation of causal mechanisms (how change happens), contextual conditions (when and where it happens), and assumptions (why it is expected to happen) (Funnell & Rogers, 2011, p. 236)

This approach is now the dominant model used in international development and nonprofit management because it balances conceptual rigor with practical applicability. It allows NPOs to design interventions that are both strategically coherent and empirically evaluable. In this tradition, NPOs are increasingly viewed as strategic learning organisations. Their effectiveness is measured not only by

outputs delivered but by the quality of their causal reasoning and their ability to adapt based on evidence (Rice et al., 2020).

Mayne then extended this complexity by introducing contribution analysis, which shifted evaluation from proving direct attribution to demonstrating an organisation's plausible contribution to social outcomes, recognising that change in complex social systems results from multiple interacting actors and contextual factors rather than a single intervention (Wong, 2025). This perspective presents NPOs as strategic contributors within broader systems of change rather than sole drivers of impact. Building on this systems view, Patton further advanced ToC through developmental evaluation, arguing that social change is inherently complex, adaptive, and emergent, making fixed causal pathways inadequate (Dart & Gates, 2024). He asserts that ToC should be treated as a dynamic hypothesis that is continuously refined through real-time learning and feedback, enabling NPOs to function not only as contributors but also as adaptive learning organisations capable of responding effectively to evolving social challenges (Micsinszki et al., 2022). Here, the role of NPOs evolves further where they are no longer simply implementers or contributors, but adaptive learning agents continuously refining their strategies in response to changing environments.

This progression reflects a growing efficiency in how NPOs conceptualise and deliver social change. Efficiency here does not refer narrowly to cost reduction or output maximisation, but the ability to generate, test, and refine knowledge about how change occurs. The evolution of Theory of Change from Carol Weiss's foundational insight to contemporary complexity-informed frameworks reflects a broader transformation in the philosophy of nonprofit action. What began as an attempt to make implicit assumptions

explicit has become a sophisticated epistemological framework for understanding social change.

At the same time, this evolution has redefined the role of NPOs. They are no longer viewed merely as service delivery organisations but as strategic, reflective, and adaptive agents within complex systems of social transformation. The increasing sophistication of ToC has therefore enhanced not only the analytical clarity of evaluation practices but also the conceptual efficiency of NPOs in achieving meaningful and sustainable social change. It is with this view of ToC as the theoretical foundation of NPOs framework of efficiency that NAMA Foundation adopts in guiding and improving governance and financial sustainability of its CSOs.

NAMA Foundation's Theory of Change Framework

Building upon the evolving understanding of Theory of Change as a strategic organisational framework, NAMA Foundation positions itself not merely as a funding organisation but as a capacity-building intermediary that strengthens the long-term institutional resilience of partner civil society organisations (CSOs). Rather than focusing solely on programme delivery or short-term financial assistance, NAMA's Theory of Change seeks to develop organisational capabilities that enable CSOs to become financially independent, strategically adaptive, and institutionally sustainable. The framework recognises that sustainable social impact is achieved not only through successful programme implementation but also through strengthening governance systems, organisational capacity, and financial resilience.

Consistent with contemporary Theory of Change literature, financial sustainability is viewed as an outcome of

coherent organisational systems rather than simply the availability of financial resources. While revenue diversification remains important, NAMA Foundation emphasises that diversification alone does not guarantee sustainability. As Cheuk et al. (2021) argue, financial capacity by itself is an insufficient predictor of organisational longevity. Without a clearly articulated Theory of Change, organisations risk "chasing money" by pursuing funding opportunities that may gradually weaken mission alignment. Conversely, a well-defined Theory of Change ensures that income-generating activities remain strategically aligned with organisational objectives, transforming revenue generation from a reactive funding strategy into a mission-driven process that supports long-term organisational development. Financial sustainability, therefore, is understood as the outcome of strategic adaptation, organisational learning, and institutional coherence.

The NAMA Foundation's Theory of Change is organised around two interrelated pillars—Governance Practices and Reliable Income Streams—supported by a foundational layer of Human Capital. These three components operate as an integrated system, recognising that strong governance provides strategic direction, reliable income ensures organisational continuity, and competent human capital enables both to function effectively. Together, they form the basis of the NAMA 2025 CSO Index Assessment Framework.

The first pillar, Governance Practices, provides the institutional foundation for organisational sustainability. It extends beyond compliance and administrative effectiveness to encompass strategic planning, organisational management, financial management, and risk management. Effective governance requires organisations to translate

strategic priorities into operational plans, maintain robust financial management systems, and establish mechanisms to identify, monitor, and mitigate organisational and financial risks. Within NAMA's Theory of Change, governance serves as the primary mechanism through which organisational accountability, transparency, and long-term financial sustainability are achieved.

The second pillar, Reliable Income Streams, reflects an important shift in NAMA's financial sustainability strategy. Rather than encouraging organisations simply to diversify their revenue sources, the framework emphasises developing dependable and sustainable income streams that are aligned with the organisation's mission. This requires organisations to strengthen business planning, enhance the marketability of their products and services, develop viable income-generating initiatives, cultivate alternative revenue sources, and establish systematic funder relationship management. The emphasis is therefore placed not on the number of funding sources available, but on the reliability, continuity, and strategic alignment of those sources with the organisation's long-term objectives.

Supporting both pillars is the foundational role of Human Capital, which underpins the successful implementation of governance systems and income-generation strategies. By viewing staff and leadership as strategic organisational assets rather than merely operational resources, the framework highlights the importance of investing in professional competencies, organisational learning, and leadership capacity. Strong human capital enables organisations to implement increasingly sophisticated management systems, sustain innovation, and respond effectively to changing organisational and funding environments.

Collectively, these elements represent a significant evolution in NAMA's 2025 assessment framework. The framework moves beyond broad notions of organisational effectiveness towards a more evidence-based and systems-oriented model of institutional development. Three strategic shifts are particularly evident. First, governance is increasingly systematised through formal management frameworks and structured relationship management, replacing informal organisational practices with professionalised systems. Second, financial sustainability is assessed in terms of the reliability and resilience of income streams rather than the simple diversification of funding sources. Third, greater emphasis is placed on the professionalisation of human capital as the driving force behind organisational performance and continuous improvement.

Taken together, NAMA's Theory of Change demonstrates how governance, financial management, resource mobilisation, and organisational learning interact to strengthen the institutional resilience of partner CSOs. By embedding these elements within an integrated organisational framework, NAMA extends the application of Theory of Change beyond programme planning and evaluation, positioning it as a strategic mechanism for achieving long-term financial sustainability and organisational effectiveness.

Methodology

The study adopts the case study design, with a NAMA affiliated CSO in Indonesia as the case. Methods of data collection involved a virtual audit assessment with two respondent-representatives from the CSO through virtual interviews, while document verification sessions were also conducted simultaneously. The self-developed instrument

consists of two main requirements, Governance Practices and Reliable Income Streams. From these two requirements, two domains are constituents of each requirement, Organizational Management and Financial Management Practices are categorised under Governance Practices, while availability of reliable income streams and accessibility of funds are the domains placed under Reliable Income Streams.

Together, these core indicators provide a comprehensive framework for evaluating the institutional maturity of civil society organizations (CSOs) by examining the extent to which key organizational systems are formalized, implemented, monitored, and continuously improved. The core indicators are:

1) Strategic Planning and Operational Alignment core indicator assess whether the organization has a documented strategic plan, an accompanying monitoring and evaluation (M&E) framework, and annual operational plans that are directly aligned with strategic priorities. The items examine how strategic objectives are translated into measurable, budgeted, and monitored actions, ensuring that long-term organizational vision guides day-to-day operations.

2) Human Resources and Organizational Structure consist of indicators covering human resource policies, organizational structure, and job descriptions. This domain evaluates whether the organization has formal HR policies compliant with statutory requirements, clearly defined reporting structures, and documented roles and responsibilities for staff. These indicators reflect the organization's ability to institutionalize human resource management and reduce reliance on informal practices.

3) (a) Project Management and Mission Integrity (Core Work) assess the alignment between organizational projects and the organization's mission and strategic objectives. The

items evaluate project selection processes, monitoring and evaluation systems, performance indicators, and the use of evidence for continuous improvement. This ensures that project implementation remains mission-driven rather than donor-driven while promoting accountability and organizational learning.

(b) Governance and Institutional Oversight focus on the existence of constituting documents, governance guidelines, and clearly defined roles between governing bodies and management. This indicator examines whether governance structures provide effective oversight, accountability, and separation of responsibilities, thereby strengthening institutional integrity and minimizing governance risks.

4) Risk Management and Financial Control consist of three subdomains, i.e., organisational risk management, financial risk management and financial management system. Organizational risk management and financial management assess the presence of risk management frameworks, designated oversight bodies, financial policies and procedures, and regular financial reporting. Together, these indicators measure the organization's capacity to identify, manage, and monitor operational and financial risks while maintaining sound financial stewardship and accountability.

5) Resource Mobilisation and Sustainability include three sub domains, income generating initiatives, fundraising management, donor relations, donor reporting, and financial sustainability. These subdomains evaluate the feasibility and management of income-generating projects, the effectiveness of fundraising strategies, donor engagement and satisfaction mechanisms, and the extent to which fundraising activities contribute to organizational sustainability. This measures the organization's ability to diversify revenue sources and reduce dependence on

external donor funding over the long term.

To ensure methodological rigor, the assessment employs a standardized 4-point scoring rubric. This quantification allows for the identification of statistical trends while mitigating the subjective bias often associated with qualitative organizational assessments. The scoring rubric follows a progression from the total absence of a system to its full institutionalization:

1. Non-Existent/Ad-Hoc: No formal policy, plan, or framework is in place. Organizational actions are reactive and lack documented guidance or consistency.
2. Developing/Emerging: Initial frameworks, draft policies, or informal systems exist. However, they lack consistency in application, full documentation, or organization-wide adoption.
3. Established/Functional: Comprehensive and documented policies are active. Systems are regularly followed by staff and integrated into management processes.
4. Optimized/Institutionalized: Evidence of regular systematic review and optimization is present. Systems are deeply embedded in the culture, and the organization can provide high-level evidence of effectiveness (e.g., verified ROI, high donor satisfaction scores, and legislative compliance).

The application of this rubric is critical for distinguishing between "capacity gaps" (scores 1-2) and "institutional strengths" (scores 3-4). To ensure inter-rater reliability, the researcher only assign a score of 4 when the respondent provides verifiable evidence during the interview process. This quantitative structure provides the basis for the subsequent data collection protocol.

To mitigate self-reporting bias and ensure auditability of the data, the methodology employs a

technique of triangulation through the use of "Probing Questions." The researcher does not accept binary "Yes/No" answers; instead, they act as an auditor, requiring the respondent to describe specific processes, cite document history, or calculate financial metrics to ensure thick and rich data. For example, to achieve a high score in Resource Mobilization, the respondent must be able to specify the exact revenue figures and cost-to-income ratios generated over the past 12 months.

Ultimately, these Probing Questions serve as the audit mechanism for assigning the 1–4 scoring point. A respondent claiming an "Optimized" (Score 4) status for a strategic plan must demonstrate exactly how that plan connects to the annual budget and how targets are reviewed. This verification-heavy protocol ensures that the assessment instrument produces a rigorous, evidence-based profile of organizational maturity.

FINDINGS AND DISCUSSION

Strategic auditing requires a balanced evaluation of organizational management and financial health. While administrative professionalism provides the framework, financial sustainability provides the fuel. The following domain scores serve as the primary indicators the CSO's current operational stability and its exposure to institutional risk. Table 1 presents the overall performance of the domains.

The audit identifies a critical strategic misalignment between the organization's highest-performing domain, Alternative Income Stream (3.50), and its lowest, Financial Income (2.00). This disparity reveals a "Potential vs. Execution" gap: the organization possesses the conceptual capacity to identify feasible income-generating ideas, yet it suffers from a systemic execution failure in converting those

ideas into consistent financial returns. Without a mechanism to monetize these initiatives, the organization remains trapped in a state of high potential but low yield, threatening its long-term viability.

These domain-level results are a direct consequence of specific performance variances across the following subdomains.

Table 1: Overall Organisational Performance

Domain	Overall Score
Organizational Management	3.43
Financial Management	3.25
Alternative Income Stream	3.50
Fund Accessibility	2.25
Financial Income	2.00

Table 2 displays the subdomains performance. The audit reveals a "Structural Paradox": The CSO has successfully constructed a sophisticated professional organisation strategic planning and operational management through high performance in Governance (4.0) and Planning (4.0), yet it lacks the internal system of risk mitigation. This is most evident in the Financial Risk Management (2.5) score, which is a Critical Priority. While the organization is well-governed, it operates without the specific credit risk frameworks required to manage lending-based programs, leaving its capital vulnerable to default. Furthermore, while the organization meets compliance standards (Meeting Funder Requirement, 2.0), its low score reflects a failure to translate compliance into fundraising growth, exacerbated by unsystematic relationship management.

Table 2: Subdomain Performance

Subdomain	Status
1. Planning	Strong
2. Human Resource	Strong
3. Core Work	Strong
4. Governance	Strong
5. Organizational Risk Management	Needs Improvement
6. Financial Risk Management	Critical Priority
7. Financial Management System	Strong
8. Income-Generating Initiative	Needs Improvement
9. Funder Relationship Mgmt.	Needs Improvement
10. Meeting Funder Requirement	Satisfactory

Strategic Growth Priorities and the Way Forward

The findings indicate that the organisation has developed a solid operational foundation and a strong commitment to its social mission. However, the assessment also shows that future sustainability will depend not only on maintaining existing strengths but also on strengthening organisational systems that enable long-term financial resilience, effective governance, and evidence-based decision-making. These findings directly address the study's objective of identifying the organisation's strategic priorities and capacity development needs. Consistent with the literature on nonprofit sustainability, long-term organisational success depends on balancing mission fulfilment with financial viability, institutional capacity, and adaptive management (Ajuwon & Dagunduro, 2024).

Strengthening Financial Sustainability and Safeguarding Organisational Assets

The assessment shows that financial sustainability remains the organisation's highest strategic priority. Although current programmes continue to generate positive social impact, dependence on external funding and existing capital reserves presents a potential long-term risk. Without stronger mechanisms to protect organisational assets and manage financial risks, future programme expansion may become increasingly difficult. Although the programme fulfils an important social function, repayment risks require more systematic monitoring to prevent future financial losses. Similar findings have been reported in studies of nonprofit financial sustainability, which demonstrate that organisations with formal financial risk management systems are generally better able to maintain stable operations during periods of economic uncertainty (Gul & Morande, 2023).

Future planning should therefore prioritise safeguarding existing financial resources through more proactive financial management. This includes:

- developing a comprehensive Credit Risk Framework to monitor repayment performance and identify potential defaults at an early stage;
- establishing an organisational Risk Register covering both financial and operational risks;
- incorporating regular financial scenario planning and stress-testing into strategic planning; and
- strengthening internal financial monitoring to ensure that risks are identified before they affect organisational sustainability.

These measures represent a shift from responding to financial problems after they occur towards anticipating and managing risks proactively.

Enhancing Partnership Value and Resource Mobilisation

The assessment also highlights the importance of strengthening strategic partnerships. While the organisation has established valuable relationships with government agencies, educational institutions, and philanthropic organisations, there is considerable opportunity to increase the value and effectiveness of these collaborations. The findings suggest that partnership development should move beyond seeking financial support alone towards creating mutually beneficial collaborations that address the priorities of partner organisations. This reflects current thinking in nonprofit management, where successful partnerships are increasingly viewed as long-term value-creation relationships rather than transactional funding arrangements (Green et al., 2021).

Future partnership strategies should focus on:

- developing structured partnership proposals that clearly demonstrate shared value;
- aligning funding proposals with the specific interests and priorities of different partners;
- expanding innovative funding approaches, such as Productive Waqf models, when engaging Islamic philanthropic institutions;
- strengthening relationship management through systematic tracking of partner engagement rather than relying on informal communication.

These approaches are more likely to improve both the quality and sustainability of institutional partnerships.

Achieving Operational Self-Sufficiency

A major finding of the assessment is the need for the

organisation to progressively finance its own operational activities. Although programme funding remains relatively stable, dependence on external grants for staff salaries and administrative costs exposes the organisation to future funding uncertainties.

This finding is consistent with research suggesting that nonprofits with diversified income streams and internally generated revenue are generally more resilient and better positioned to sustain their social impact over time (Bastola, 2024; Fonseca et al., 2026). To improve organisational resilience, future planning should prioritise operational self-sufficiency by:

- converting existing organisational expertise into consultancy, training, and management services that generate income;
- ensuring that student loan programmes and government-supported initiatives operate on a cost-recovery basis where appropriate;
- reviewing all business models to ensure that operational overheads are adequately covered; and
- conducting regular break-even analyses for income-generating initiatives to determine their long-term financial viability.

These initiatives would enable the organisation to reduce dependence on external funding while maintaining its social mission.

Evidence, Learning and Long-Term Impact

The assessment indicates that the organisation has established effective systems for monitoring programme implementation. However, greater emphasis is needed on measuring longer-term outcomes and organisational learning. This finding aligns closely with the Theory of Change literature, which argues that organisations should move beyond reporting activities and outputs towards

demonstrating sustained outcomes and long-term social impact (Weiss, 1995; Mayne, 2012). Continuous learning enables organisations to refine programmes, strengthen accountability, and improve future decision-making.

Future monitoring and evaluation efforts should therefore prioritise:

- longitudinal tracking of programme beneficiaries to assess sustained impact;
- integrating outcome evidence into strategic planning and resource allocation;
- strengthening organisational learning through regular reflection on programme performance; and
- using evidence to continuously refine the organisation's Theory of Change.

These measures would strengthen the organisation's ability to demonstrate its contribution to social change while improving strategic decision-making.

Overall, the findings suggest that the organisation has successfully established the essential foundations required for sustained social impact. Nevertheless, achieving long-term sustainability will require a strategic transition from programme delivery towards institutional strengthening. Financial sustainability, stronger partnerships, operational self-sufficiency, governance enhancement, and evidence-informed management should therefore become the organisation's primary strategic priorities over the next planning cycle.

These findings are consistent with broader nonprofit literature, which emphasises that sustainable organisations combine strong mission commitment with robust organisational systems, diversified funding, effective governance, and continuous learning (Cheuk et al., 2021; Chime et al., 2025). Rather than viewing these priorities as

isolated initiatives, they should be implemented as an integrated organisational development strategy that strengthens the organisation's capacity to achieve long-term social impact. By institutionalising these strategic improvements, the organisation will be better positioned to remain financially resilient, strengthen stakeholder confidence, and expand its contribution to sustainable community development.

Conclusion

The findings demonstrate that the CSO has established a strong governance structure and a sophisticated administrative system that provides a solid foundation for organisational effectiveness. However, these institutional strengths have yet to be fully translated into long-term financial sustainability. The assessment revealed that weaknesses in financial risk management, fund accessibility, and the conversion of income-generating initiatives into reliable revenue streams continue to expose the organisation to significant financial vulnerability. Addressing these gaps requires a strategic shift from maintaining sound administrative systems to institutionalising proactive financial governance, systematic risk management, and sustainable resource mobilisation. Equally important is the need to leverage the organisation's accumulated expertise through consultancy, training, and other mission-aligned income-generating activities that reinforce both financial resilience and social impact.

More broadly, this study demonstrates that Theory of Change should be understood not merely as a programme planning and evaluation framework, but as a strategic organisational framework that integrates governance, financial management, organisational learning, and resource mobilisation into a coherent pathway towards long-term sustainability. The NAMA Foundation case illustrates that

financial sustainability is not achieved through isolated fundraising initiatives but through the alignment of institutional systems, organisational capabilities, and strategic decision-making with the organisation's mission and intended social outcomes. By extending the application of Theory of Change into the domain of organisational financial sustainability, this study contributes to the growing scholarship on nonprofit management while offering a practical capacity-building model for intermediary organisations seeking to strengthen the institutional resilience and long-term effectiveness of civil society organisations. Ultimately, embedding financial sustainability within an explicit Theory of Change enables nonprofit organisations not only to sustain their operations but also to enhance their capacity to generate lasting social value in an increasingly complex and competitive philanthropic landscape.

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