

# The Correlation of Financial Management Practices and Controlling Mechanisms for Financial Management Challenges and Issues: The Case of Franciscan Missionaries of Mary Congregation

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## ABSTRACT

*The study analyzed financial management practices and controlling mechanisms for financial management challenges and issues in religious congregations, specifically the Franciscan Missionaries of Mary Congregation. The study was based on a questionnaire survey sent to 305 respondents among the religious sisters. Weighted mean and the Spearman rho coefficient values were applied in the statistical processing of the data. The results showed a significant positive relationship between financial management practices and the controlling mechanisms for financial management challenges and issues, suggesting that lack of controlling mechanisms could lead to the possibility of fraud. The study suggests that good financial management practices impact management resources and decision making. The study highlights the importance of financial management practices for non-profit organizations, as they can be prone to financial challenges and issues due to lack of resources or mismanagement and its effectiveness being crucial for the sustainability, growth, and impact of the organization.*

**Keywords:** *Financial Management; Controlling Mechanisms; Financial Management Challenges; Financial Issues; Sustainability; Growth, Organization*

## INTRODUCTION

Finance is an essential component of any organization. Financial management is one of the three broad categories in finance (Fabozzi & Peterson, 2003). According to Brigham and Houston (2011), financial management is appropriate for both profit and non-profit organizations. Kilonzo and Dennis (2015) presented that financial management practices are significant determinants of growth. McMahan et al. (2008) defined financial management as mobilizing and using sources of funds.

Religious organizations and all employees must ensure that financial practices are followed. Financial management practices dictate that organizations review their policies and procedures considering the continuing developments. Jain, Singh, and Yadav (2013) presented that financial management practices are likely to impact an organization's success significantly. Hudson (1984) and Ahortor (2009), in their studies about the financial management of church organizations, stressed the importance of having an internal control system. To ensure finances are managed well, Henrickson (2006) stressed the need to share duties between several staff members and volunteers in the Church. All organizations, even those with a sacred agenda, must confront the reality of money and accounting to achieve success (Irvine, 2005).

Financial management practices are essential for religious organizations to maintain a sustainable and continued congregation. Henrickson (2012) noted that if only one person handles all financial elements, they will be better able to conceal the wrongdoings. (Derby 2015; Wood & Wood, 2014) found that implementing strong accounting management practices and preparing financial statements following accounting standards will allow charismatic congregations to limit fraud opportunities while meeting their financial obligations. Based on the (FMM General Superior report 2014), there has been a need to take valuable initiatives during the past few years in order to have greater control and information over the invested assets of the Institute. Therefore, religious organizations are always seeking new ways to raise funds and attract benefactors (McGee & Donoghue, 2009)

As found by Scwartz (1993), congregations in the part of Africa have overdrafts which are more than a million units of local currency. Additionally, financial challenges are also inevitable in which there may be limited funds. As mentioned by Florer-Bixler (2021), 'the pandemic struggles for financial footing, church leaders have watched congregations, and budgets shrink and felt a new urgency to address our financial futures.' According to Kluver's (2001) research on budgeting in Catholic parishes, there is a division in the church between members' and clergy's views on the importance of accounting. Kluver (2002) added that budgeting had been described as "a complex behavior that has little impact in a sacred environment."

Ahortor (2009) presented that having sound and dedicated financial controls were challenging for religious organizations. This study is focused on the case of the Franciscan Missionaries of Mary (FMM), a large-scale charity established in 1940. The financial management practices, controlling mechanisms, and financial management challenges are dealt with in this study.

## Literature Review

For many non-profit organizations, one of the biggest challenges is not raising enough funds (Carol, 2001). Internal controls are essential for good business practices and religious organizations. They include the protection of assets, exercising prudence in financial matters, accountability to those who provide monetary support, and compliance with all civil regulations. (Douglas, 2011). Ekhomu (2015) presented that to manage these resources and assets effectively, church leaders must protect the resources and assets with a fraud prevention plan to include appropriate accounting and internal controls. (Mahunyo, 2018). Internal controls developed and implemented vary from one organization to the other, depending on the nature of operations. Church Management Solution (2015) has given the best practices for church financial internal controls.

Barry (2021) examined the challenges faced by Roman Catholic Parishes in complying with appropriate internal controls under the five control components. Her findings indicate that the control environment is affected by a lack of focus on internal controls due to financial matters being subordinate to their sacred ministry. Additionally, parishes depend on church volunteers, lack of knowledge of basic controls by priests, employees, and volunteers, financial reports not being required for posting or publication in information and communication controls, and absence of external audits. Ruhaya et al. (2013) found that not all managers of religious non-profit organizations (RNPOs) were familiar with the practice of professional non-profit management. Non-profit organizations rely on donations from the government, businesses, corporations, foundations, institutions, individuals, fees, and lending (Tom Corbett, 2006; Dame Suzi Leather, Sam Younger, 2011). According to Jamieson and Jamieson (2009), practically all churches rely on voluntary donations to carry out their purpose. DePaul University (1998) found that these religious organizations face severe challenges in raising and managing money for their programs.

Crumroy et al. (1998) also emphasized the importance of financial support planning in helping religious organizations achieve their goals. According to Ahortor (2009), to secure a better and more comfortable future, the individual members of the Church should also manage their finances prudently by undertaking some investment projects and planning for their retirement and insurance needs. Studies have shown the importance of and the general inadequacy of internal financial controls in churches (Chester et al., 2017; Edwards, 1990; McEldowney et al., 2016; Deakin, 1995; (Gustvasson, 2000; Lawrence, 1991).). Fundraising has become a critical success factor for the growth of religious organizations; according to (Schwartz & Austin, 2009; Ezebunanwa, 2004), board members, managers, and committees have to equip themselves with the skills of fundraising activities to ensure a continuous flow of funds. Smith (1993) summarized the pressing need for a new emphasis on developing fundraising capacity in church-related colleges.

It is a practice of saving, borrowing, and spending, to gain acceptance of budget goals and increase organizational effectiveness (Aranya, 1990). Brownell (1991) agrees that budget participation in non-profit organizations is critical to ensure sound management and performance. According to Campbell et al. (1983), financial management comprises creating a budget plan. Henrickson (2012) presented financial management

techniques to ensure the Church's long-term financial health, including developing annual budgets. Internal control, fundraising campaigns, and budgeting to prepare for a financial emergency, as well as oversight and accountability, are all essential aspects of Church Financial Management. It creates an avenue for resources to be directed toward specific purposes (Ablorh-Quarcoo, 2015, cited in Nortey, 2019).

Amaral et al. (2016) lack of efficient fundraising, ineffective implementation of policies on budgeting, and lack of transparency in financial dealings. Funds realized are used exclusively for a project or toward assisting members' basic needs or for evangelism and missions. Unfortunately, when funds are raised in a religious organization, the ethical mode of operations is not often considered because of one or more of the following; ignorance, covetousness, lack of planning, lack of objectives, greediness, sinister motive (Oyekanmi, 2013). Matzka (2021) made a list of challenges non-profit organizations may encounter in fundraising: reduction in individual donations, charities relying solely on donations, maintaining trust with the donors, and ensuring compliance across the board. Nitterhouse (1998) argued that the financial management challenges, facing small religious non-profits, are similar but more extreme

Implementing financial management practices and sustaining a long-term allocation of resources for church growth has become the most pressing concern in today's churches (Oluoch, 2016). Poor record keeping and the unwillingness of some churches to avail themselves of their abilities are significant challenges hindering the church from sustaining the cash management practice. (Ocansey, 2022; Ekhomu, 2015). Ahortor (2009), the church must get the right people for the job, monitor its revenue and expenditure flow, and plan. Transparency in financial dealing in the management and administration is seen to play a vital role in the progress of religious organizations. (Gugerty, 2009). The challenge for many churches is that there seem to be no accounting practices and procedures that implement financial transparency. Transparency helps to counter nepotism, theft, and illegal financial activity in both public and private organizations (Ball, 2009).

### Conceptual Framework

Figure 1 illustrates the conceptual paradigm of the study. The independent variables include internal control, fundraising projects, and budgeting as financial management practices. The dependent variables include lack of efficient fundraising, ineffective implementation of policies on Budgeting, and lack of transparency in financial dealings as the controlling mechanisms for financial management challenges and issues the religious congregation faces. The expected output of the study is an analysis of the findings and recommendations to improve the financial management system.

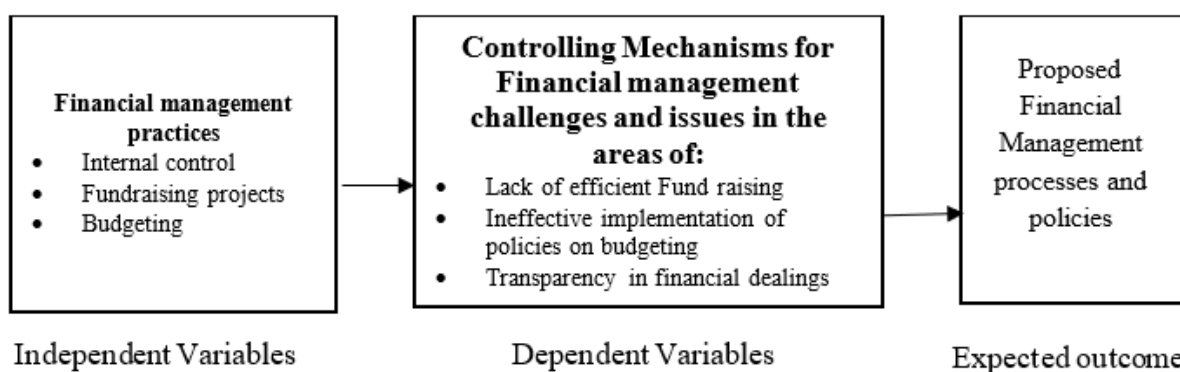


Figure 1. Conceptual Paradigm

This research examines the extent to which financial management practices are implemented by the FMM congregation, considering the degree of seriousness of financial management challenges. The conceptual framework presents the interplay of variables used in this study, showing that financial management practices such as internal control, fundraising projects, and budgeting affect the organizational management system.

### Aims and Hypoththesis

In light of the preceding discussions, the specific problems that this research aims to answer are the following research problems:

1. What is the extent to which the FMM congregation implements the financial management practices, namely: (1.1) Internal control, (1.2) Fundraising projects, and (1.3) Budgeting?
2. What is the extent of implementation of controlling mechanisms for financial challenges and issues

as experienced by the FMM congregation in the aspects of: (2.1) Lack of efficient Fundraising, (2.2) Ineffective implementation of policies on budgeting, and (2.3) Lack of transparency in financial dealings?

3. What is the relationship between financial management practices and the controlling mechanisms for financial challenges and issues?

Ha: There is a significant positive relationship between financial management practices and the controlling mechanisms for financial challenges and issues.

## METHODS

The study used a descriptive survey method using a questionnaire as a primary tool in order to determine the financial management practices and the controlling mechanisms that were implemented in order to respond to and deal with financial management challenges and issues. A survey is an effective tool to gather information and to gather ample information from samples in order to answer the specific research questions of the study. This method section provides the research design used, the data-gathering procedure, and the treatment of the data.

### Research Design

A descriptive correlational study was utilized to examine the relationship between financial management practices and controlling mechanisms for financial management challenges and issues. Descriptive correlational design was used in research studies that aim to provide static pictures of situations as well as establish the relationship between different variables (McBurney & White, 2009). Participants are chosen based on the outcome status or cohort studies, where participants are selected based on exposure status (Setia, 2016). The researcher narrowed the target population to 1277 FMM Sisters from 12 countries in the Asian continent, requesting their consent and support through an informed consent form. They also took steps to protect their anonymity and identity.

### Data Gathering Tool

A quantitative approach using questionnaires was used to probe research hypotheses, generate data relevant to the study, and validate the data gathered. Structured questionnaires were distributed to the sisters of Franciscan Missionaries of Mary regardless of their years of service and mission station. The data-gathering tool addresses two problems: the extent of financial management practices and the degree of seriousness of the controlling mechanisms for financial management challenges and issues faced by a religious organization. A pre-test was conducted to establish the reliability of the questionnaire, and thirty (30) respondents from a religious congregation were asked to answer the questionnaire. The researcher ensured that the respondents in the pre-test had similar characteristics as those who were answering the questionnaires in the actual data-gathering process.

### Statistical Treatment of the Data

The data obtained from the questionnaires were tabulated and processed using the latest free student version of the Statistical Package for the Social Sciences (SPSS) version. The data were treated using the simple mean to determine the level of implementation of financial management practices and the level of implementation of controlling mechanisms for financial challenges and issues. Each indicator was described by numerals. The respondents were instructed to check the numeral corresponding to their response. Each item was measured on a 7-point Likert Scale. The corresponding hypothetical mean ranges were used are shown in table 1.

**Table 1.** *Seven-point Rating Scale with Descriptive Equivalent/Interpretation*

Numerical Rating	Statistical Limit	Level of Implementation
1	1.86	Never
2	1.87 – 2.72	Weak
3	2.73 – 3.58	Below Average
4	3.59 – 4.44	Average
5	4.45 – 5.30	Above Average
6	5.31 – 6.16	Good
7	6.17 – 7.00	Excellent

To determine the correlation of financial management practices and the controlling mechanisms for financial challenges and issues, the data were subjected to a normality test. A normality test was conducted using Shapiro-Wilk Test and the result reveals that the significance value is lower than 0.05 indicating that the data significantly deviates from a normal distribution. Hence, a non-parametric test specifically Spearman's rho was used to measure the strength of association between the two (2) variables. The degree of linear relationship can be interpreted by using a range of values for Spearman's rho Coefficient of Correlation enumerated as shown in the Table 2 (Dancey & Reidy, 2004).

**Table 2.** Spearman rho Coefficient Values with Descriptive Interpretation

Spearman rho	Interpretation
0	None
±0.01 to ± 0.20	No to a very weak relationship
± 0.21 to ± 0.40	Weak relationship
± 0.41 to ± 0.60	Moderate relationship
± 0.61 to ± 0.80	Strong relationship
± 0.81 to ± 0.99	Very strong relationship

## RESULTS AND DISCUSSIONS

After the surveys were distributed, the data was assessed with the necessary statistical techniques. Specifically, the researcher used frequency count and weighted mean to look into Franciscan Missionaries of Mary Congregation's financial management in internal control practices, fundraising projects, and budgeting. The same statistical tools were used in analyzing the financial management challenges faced by the congregation in terms of efficient fundraising, budgetary practices, and transparency in financial dealings. Moreover, Pearson correlation was utilized in studying the strong relationship between the two (2) variables: financial management practices and financial management challenges. The following table was used in interpreting the results.

### Level of Financial Management Practices

Table 3 presents the result of the Level of Internal Control Practice. The result shows that the FMM congregations have a 'good' level of implementation of internal control practice. This means that internal control has been given importance and policies for implementation have been defined and provided. Also, the FMM congregation had been complying with the present laws and regulations in their locations, they follow the congregation's policy, they understood the objectives of internal control, they secure the digital data to their computer, and they are being annually audited by certified public accountants (CPAs).

**Table 3.** Level of Internal Control Practice

	Internal Control Practices	Weighted Mean	Qualitative Description
1	The congregation demonstrates the importance of integrity and ethical values through its words and actions.	6.77	Excellent
2	The Sisters have sufficient financial knowledge to serve effectively.	5.10	Above average
3	There is a designated council/committee to review the monthly financial reports of the province or congregation.	6.21	Excellent
4	There is a designated council/committee to review the report of the external auditors.	5.97	Good
5	The province or congregation reduces or distributes workloads when necessary.	5.28	Good
6	The congregation has clear objectives regarding reporting activities, such as the preparation of financial reports.	6.53	Excellent
7	The congregation has clear objectives regarding compliance with laws and regulations.	6.33	Excellent
8	The congregation has assigned personnel who are taken to identify the possibility of fraud.	4.99	Above average
9	The congregation has clear lines for reporting fraud.	5.41	Good
10	The congregation performs fraud risk analysis.	5.23	Above average



11	The congregation system is providing for the segregation of duties between custody of and accountability of assets. (e.g., the cashier is not also the bookkeeper)	6.08	Good
12	Access to computer data is being controlled such as the use of passwords.	6.42	Excellent
13	The antivirus software is properly installed.	6.35	Excellent
14	There is an adequate backup of computer data.	6.37	Excellent
15	The congregation has a policy identifying authorized check signers and the number of signatures required on checks in excess of specified amounts.	6.72	Excellent
16	The congregation has an annual, independent audit of its financial statements, prepared by a certified public accountant.	6.51	Excellent
17	The congregation has written policy and procedure manuals that are strictly followed.	6.51	Excellent
<b>Grand Weighted Mean</b>		<b>6.05</b>	<b>Good</b>

The findings of the COSO's framework of internal control indicate that church congregations follow financial and accounting management practices to limit fraud opportunities and meet their financial obligations (COSO, 1992). The findings meet the expectations in the study of Derby (2016). The highest observed indicator is "the congregation demonstrates the importance of integrity and ethical values through its words and actions". This corroborates the findings of Henrickson (2006) and Derby (2016) that charismatic congregations follow strong accounting management practices and follow accounting standards in terms of preparing financial statements. The lowest observed indicator is that the congregation has limited personnel to track financial activities and records that would ensure that financial fraud will not happen. This may entail risk as it was presented in the study of Jokipii (2010) that a lack of monitoring and internal control could lead to business/operational failures. The findings imply the need to follow the suggestion of Baharin (2011) Non-profit organizations must enhance their internal financial strength by integrating activities related to internal control and monitoring.

**Table 4.** Level of Financial Practices on Fundraising Projects

	<b>Fundraising projects</b>	<b>Weighted Mean</b>	<b>Qualitative Description</b>
1	The congregation has written accounting procedures on collection activities regarding its fundraising projects.	4.28	Average
2	The congregation has written accounting procedures on disbursement activities regarding its fundraising projects.	4.29	Average
3	The congregation used some of the funds collected to invest in a unit trust (e.g., cooperatives and others).	3.19	Below average
4	The congregation prepares an annual report on the returns or dividends received on investments that have been made.	4.76	Above average
5	The congregation has allowed its community to participate in its fundraising activities.	4.96	Above average
<b>Grand Weighted Mean</b>		<b>4.30</b>	<b>Average</b>

Table 4 shows that the FMM congregation is not fully implementing financial management practices related to fundraising projects, contradicting what Schwartz and Austin (2009) proposed. Ahortor (2009) give emphasis on undertaking fundraising projects yet ensuring appropriate financial practices so that religious organizations can thrive and would have a comfortable future. This negates what Crumroy et al. (1998) had emphasized that fundraising activities and control procedures are important.

The highest observed indicator is that the congregation has allowed its community to participate in its fundraising activities, which indicates that the fundraising activities involve participants from communities in terms of fundraising projects and also in terms of missionary activities. This corroborates the study of Crumroy et al. (1998) who mentioned that financial support from religious organizations is important to achieve their goals such as in meeting their roles to the communities. The lowest observed indicator is "the congregation used some of the funds collected to invest in a unit trust" which is numerically interpreted as below average. Similarly, Davis (1987), posited that there are technical difficulties in terms of investing activities, such as budgeting methods, record keeping, comparing data to the budget, and generating balance sheets. This contradicts what is stated in 1 Timothy 6: 18-19, which states that people should utilize their money for good and contribute to those in need.

Table 5 shows that the level of budgeting practice of the FMM congregation is excellent, with a mean of 6.36. This shows that the congregation gives importance to budgeting procedures and activities, which can be beneficial for their operation, ability to meet emergencies, attract donors and investors, and meet their financial goals. This corroborates the findings of Campbell et al. (1983) that firms with adequate budgeting practices are more effective in their financial management strategies and activities. Kluver (2001), Budgeting requires the participation of the people and clergy.

**Table 5.** Level of Budgeting Practice

	<b>Budgeting</b>	<b>Weighted Mean</b>	<b>Qualitative Description</b>
1	Periodic billings and collection of all accounts are properly documented.	6.57	Excellent
2	Periodic inventories are monitored against theft.	5.55	Good
3	The congregation has documented a set of internal controls, including handling cash and deposits.	6.47	Excellent
4	The congregation has documented its approval of spending and disbursements.	6.56	Excellent
5	The congregation has a comprehensive annual budget that includes all sources and uses of funds for all aspects of operations.	6.52	Excellent
6	The Bursar plays an active role in the development of budgets for programs under her direction.	6.28	Excellent
7	The General Council formally authorizes the annual budget and revisions to the budget.	6.59	Excellent
<b>Grand Weighted Mean</b>		<b>6.36</b>	<b>Excellent</b>

The highest observed indicator “the General Council formally authorizes the annual budget and revisions to the budget”. This indicates that the FMM congregation has established an appropriate organizational structure to ensure the adequate implementation of budget. The lowest indicator is “periodic inventories are monitored against theft”. Indicating inadequate monitoring of inventories in order to prevent theft. This corroborates the findings of Snyder et al. (2018) who mentioned that non-profit organizations face financial fraud risks due to unsupervised financial management tracking and inventory monitoring.

### **Controlling Mechanisms for Financial Management Challenges and Issues**

The FMM congregation is aware of potential challenges and issues in finance and needs to implement controlling and monitoring mechanisms to minimize or deal with them. This is challenging in terms of administering, developing, and supervising, so it is important to assess and determine the present financial management challenges and issues, and determine the ongoing controlling and monitoring mechanism.

**Table 6.** Level of Implementation of Controlling Mechanism for Lack of Efficient Fundraising

	<b>Lack of efficient fundraising</b>	<b>Weighted Mean</b>	<b>Qualitative Description</b>
1	The congregation raised money to reach its fundraising goals this year.	3.62	Average
2	Compared to last year, the congregation found that it is more difficult to find volunteers for its fundraising activities.	3.82	Average
3	Every year the congregation hosts types of fundraising activities.	2.89	Below Average
4	There are people in charge of supervising the congregation’s fundraising activities.	3.73	Average
5	Members of the congregation are informed before a fundraising activity.	4.43	Average
6	Members of the congregation involved in setting dates for the fundraising activity.	4.39	Average
<b>Overall Weighted Mean</b>		<b>3.81</b>	<b>Average</b>

The FMM congregation experienced inefficiency in fundraising activities due to inadequate implementation of a controlling mechanism. This result corroborates the findings of Matzka (2021) who found that the non-profit organization faces inefficiency due to challenges related to internal control and failure to ensure compliance across the board. Fundraising is critical to the success of church organizations, and as mentioned by Schwartz (1993), organizations must take seriously the process such as ensuring accuracy, proper monitoring, and effective control systems. The highest indicator of “members of the congregation are informed before a fundraising activity” is 4.43, which indicates that the congregation is being informed about their fundraising activity, which will gain support

from the members and allow them to communicate the fundraising to the community. This corroborates Knox and Wang (2016) who mentioned that an organization-wide effort in terms of activities can guarantee participation. The lowest indicator is “every year the congregation hosts types of fundraising activities” with a mean of 2.89, which is numerically interpreted as below average. Fundraising activities are crucial to the operation of the church congregation, whether for the general fund or for the mission trips of the clergy members.

**Table 7.** Level of Implementation of Controlling Mechanisms for Ineffective Budgetary Practices

	<b>Ineffective Budgetary Practices</b>	<b>Weighted Mean</b>	<b>Qualitative Description</b>
1	The congregation makes corrective action for control deficiencies.	5.89	Good
2	The congregation maintains a separate bank account for every source of income.	5.91	Good
3	The congregation calculates the cash balance.	6.50	Excellent
4	There is a system for recording the budgeted and the actual spending.	6.64	Excellent
5	There is a system that records how much has been spent on each budget heading and how much remains to be spent.	6.51	Excellent
<b>Grand Weighted Mean</b>		<b>6.29</b>	<b>Excellent</b>

The FMM congregation has established adequate controlling mechanisms for ineffective budgetary practices, such as developing and formulating their fiscal budget and collaborating to gather, evaluate, and update their income, spending, and cash flows for the future fiscal or calendar year. This corroborates the findings of Ahortor (2009; Allmond, 2021). Every church will face a budget shortfall at some point or another. The highest observed indicator is “there is a system for recording the budgeted and the actual spending” which is numerically interpreted as ‘excellent’. This shows that the congregation gives importance to recording budgeted and actual spending, which allows them to monitor whether their budgeted financial resources are the same as the actual spendings. Olouch (2016) posited that poor record keeping can put churches in significant financial challenges that hinder them from having a sustainable cash flow. The lowest indicator is “the congregation makes corrective action for control deficiencies”, which suggests that while the congregation has adequate control mechanisms for ineffective budgeting, they are still being challenged in terms of implementing corrective actions when there are control deficiencies. This negates the Nairobi Security Exchange’s (2018) requirement for effective financial management practices and corrective actions for deficiencies and errors in terms of funds.

**Table 8.** Controlling Mechanisms to Ensure Transparency in Financial Dealings

	<b>Transparency in financial dealings</b>	<b>Weighted Mean</b>	<b>Qualitative Description</b>
1	The congregation makes prompt follow-ups on unusual variances in the budget.	6.48	Excellent
2	There are reports prepared about deficiencies or problems in internal control.	6.30	Excellent
3	The congregation is confident that their financial recording system is able to produce relevant and timely reports.	6.48	Excellent
4	The Congregation allows professional accountants to assess and examine their financial reports	6.56	Excellent
5	Payment to suppliers is recorded in the congregation’s system and receipts are filed properly.	6.62	Excellent
6	There are reports that present how funds are used, thus increasing accountability and transparency.	6.57	Excellent
<b>Grand Weighted Mean</b>		<b>6.50</b>	<b>Excellent</b>

The FMM congregation has excellent controlling mechanisms to ensure transparency in financial dealings, with a mean of 6.50. The highest indicator is “payment to suppliers is recorded in the congregation’s system and receipts are filed properly”. This adheres to Ocansey (2022); Gugerty (2009) that churches must set up good financial records in order to effectively channel the church’s financial resources and also to ensure accountability and ethical responsibility of the members. The lowest indicator of “there are reports prepared about deficiencies or problems in internal control” is 6.30, which is numerically interpreted as ‘excellent’. However, there are indications that the FMM congregation is not strict in implementing policies that require the missionaries to report deficiencies or problems. This corroborates the findings of Barry (2021) that church congregations are possibly not complying with appropriate internal controls due to a lack of focus on internal controls and financial reports not being required for posting or publication in information and communication controls.



## The Correlation of Financial Management Practices and Controlling Mechanisms for Financial Challenges and Issues

This section draws the correlation of financial management practices and controlling mechanisms for financial challenges and issues.

**Table 9.** The Correlation of Financial Management Practices and the Control Mechanisms for Financial Challenges and Issues

Variable	Spearman's rho	Lack of Efficient Fundraising	Ineffective Budgetary Practices	Transparency in Financial Dealings
Internal Control Practices	Corr. Coeff.	0.0750	0.4578	0.4744
	Sig. (2-tailed)	.1916	0.000**	0.000**
Fundraising Projects	Corr. Coeff.	0.4773	0.2935	0.2142
	Sig. (2-tailed)	0.000**	0.000**	0.000**
Budgeting	Corr. Coeff.	0.2321	0.6084	0.6099
	Sig. (2-tailed)	0.000**	0.000**	0.000**

**Note:** \*\*p-value<0.05: Reject  $H_0$ , therefore there is a significant association between the variables.

The study used a non-parametric test specifically Spearman's rho Coefficient in order to measure the strength of the association of financial management practices and with the controlling mechanisms for financial challenges and issues. Table 9 shows the correlation of the variables while Table 10 provides the overall relationship.

**Internal Control Practices and Controlling Mechanisms for Lack of Efficient Fundraising.** As observed in the results, there is no significant relationship between internal control practices and the controlling mechanisms for the lack of efficient fundraising. This may indicate that the financial management processes and activities being implemented by the congregation have no direct relationship with the fundraising activities of the missionaries and the local churches. This means that the fundraising activities are based on the determined needs of the congregation and on the initiatives and collaborative efforts of the congregation and the community. The result manifests that internal control practices are focused on the normal operation of the congregation.

**Internal control practices and controlling mechanisms for ineffective budgetary practices.** The result shows a positive significant relationship between internal control practices and the controlling mechanism for ineffective budgetary practices. The coefficient is 0.4578 and the relationship is interpreted as a 'moderate relationship'. This denotes that the level of internal control practices is similar to the controlling mechanism. This corroborates what Isaac et al. (2015) mentioned, that budgeting and internal controls are both necessary and indispensable to an organization. When budgets are effectively utilized, they serve as a means of achieving and coordinating organizational plans and actions, communicating plans to those responsible for their execution, motivating managers and employees, and serving as a standard for measuring actual performance. This premise implies that when budgeting practices are well implemented, lesser inefficiency is experienced in managing the budget of the congregation.

**Internal control practices and controlling mechanisms for ensuring transparency in financial dealings.** There is a positive significant relationship between internal control practices and the controlling mechanism for ensuring transparency in financial dealings. The coefficient of the relationship is 0.4744, indicating that there is a direct relationship between the two. The degree of relationship is moderate, signifying a definite and substantial correlation between the variables. The result corroborates the findings of Morehead (2007) and Fang and Zhou (2012) that organizations with better internal controls are likelier to have greater disclosure transparency. It also suggests that when internal control is well implemented, there will be lesser inefficiency experienced in transparency in the financial dealings of the congregation.

**Fundraising projects and controlling mechanisms for lack of efficient fundraising.** There is a positive moderate significant relationship between fundraising projects and the controlling mechanism for lack of efficient fundraising. This implies that when the congregation implements fundraising projects, there is a necessity for them to implement controlling mechanisms to prevent them from having inefficient fundraising. Effective fundraisers do not hesitate to ask for money to further the cause or the mission, and strategic planning and careful execution can make the organization's cost/benefit ratio worthwhile.

**Fundraising projects and controlling mechanisms for ineffective budgetary practices.** The result shows

a positive but weak significant relationship between fundraising projects and the controlling mechanism for ineffective budgetary practices. Fundraising projects are frequently done while controlling mechanisms for ineffective practices are being implemented, indicating that the management of fundraising affairs must have adequate internal control. This corroborates the findings of Chester et al. (2017) and McEldowney et al. (2016) in which internal control practices are necessary when churches raise funds.

**Fundraising projects and controlling mechanisms for transparency in financial dealings.** The result shows a positive yet weak significant relationship between fundraising projects and the controlling mechanism for transparency in financial dealings. This indicates that when the congregation implements fundraising projects, the congregation sets up controlling mechanisms that could foster transparency in financial dealings. The result corroborates the findings of Schwartz and Austin (2009) who found that religious organizations can depend on their fundraising projects and they can succeed. However, stakeholders are expecting accountability and transparency hence religious organizations have to ensure proper monitoring of the utilization of the funds raised.

**Budgeting and Controlling Mechanisms for Lack of Efficient Fundraising.** There is a positive yet weak significant relationship between budgeting and the controlling mechanism for lack of efficient fundraising. Based on Spearman's rho, the coefficient is 0.2321 which is interpreted as a 'weak relationship'. This indicates that the implementation of budgeting practices considers the possibility of fundraising in order for missionaries and local churches to meet their organizational goals. The result affirms what Davis (2013) mentioned that poor budgeting and planning can result in fundraising losing money, failure to entice new sponsors, public relations problems, and loss of morale among stakeholders. Therefore, there is a need to implement budgeting practices in terms of fundraising to prevent inefficient activities and implementation of fundraising programs.

**Budgeting and controlling mechanisms for ineffective budgetary practices.** The result shows a positive significant relationship between budgeting and the controlling mechanism for ineffective budgetary practices. Based on Spearman's rho, the coefficient is 0.6084, which is interpreted as 'moderate relationship'. This indicates that when budgeting is implemented by the congregation, the controlling mechanisms to avoid ineffective budgetary practices are also implemented. This supports Madlela and Kapepiso (2020) and Henrickson (2012) who mentioned that the Church's long-term financial health goes with developing annual budgets and ensuring internal control, as well as oversight and accountability.

**Budgeting and controlling mechanisms for transparency in financial dealings.** The result shows a positive significant relationship between budgeting and the controlling mechanism for transparency in financial dealings. The coefficient is 0.6099 which is interpreted as a 'moderate relationship'. This indicates that the FMM's implementation of budgeting would help the congregation to impose transparency in their financial dealings. To maximize results and meet event expectations, every member must invest their time in planning and training for successful fundraising events. When fundraising projects are well implemented, there will be lesser inefficiency experienced in managing fundraising in the congregation.

**Table 10.** The Overall Correlation of Financial Management Practices and the Control Mechanisms for Financial Challenges and Issues

Variable	Spearman's rho	Overall Control Mechanisms for Financial Challenges and Issues
Overall Financial Management Practices	Correlation Coefficient	0.5273
	Sig. (2-tailed)	0.000**
	N	305

**Note:** \*\*p-value<0.05: Reject  $H_0$ , therefore there is a significant association between the variables.

The research findings revealed that a relationship between financial management practices and the control mechanisms for financial challenges and issues, with a coefficient of 0.5273. Financial management practices of the FMM congregation are related to their controlling mechanisms to address and monitor their financial management challenges and issues. Robert and Victoria (2004) found a positive relationship between financial management practices and financial performance. Based on this, a lack of financial management practices often leads to poor financial performance and improper handling of financial resources that lead to financial challenges and issues. The findings bring a practical implication wherein church organizations must implement effective financial management practices in order for them to implement better controlling mechanisms that could prevent them from having financial challenges and issues. Such as improved net worth, growth, and satisfy stakeholders. Brigham and Ehrhardt (2004) and Beutler and Mason (1987) and Davis (1988) have highlighted the importance of implementing these practices to prevent financial challenges and issues.

## CONCLUSIONS

Financial management practices are crucial for the sustainability, growth, and impact of non-profit organizations like the Franciscan Missionaries of Mary (FMM) congregation. While the FMM congregation has a good implementation of internal control practices and an average level of fundraising projects, they still need to develop strong controlling mechanisms to prevent fraud and ensure transparency in financial dealings. Adopting financial management policies, such as budgeting, budgetary controls, and revenue management, can help address financial challenges and sustainability issues. The FMM congregation should also consider seeking outside consultants with skills and fundraising experience to assist with fundraising decisions. By implementing these practices, the FMM congregation can better serve their community and achieve their mission. Financial challenges can be caused by a lack of resources or mismanagement of resources, as well as misbehaviors of individuals, members, or any organizational actor. To ensure transparency in financial dealings, the congregation should take into account the potential for fraud and develop a strong control practice to monitor and supervise their transaction. Revenues management is essential for sustainability, growth, and impact, and must be done well to ensure a reliable resource for the congregation and the community. Outside consultants with skills and fundraising experience should be considered to help with fundraising decisions.

Given the limited understanding of how internal regulation works in congregations, the research agenda still has many possibilities. The researcher suggests a more intensive investigation for each control component, particularly those with low compliance, considering the congregation's size. Future researchers may conduct similar studies with a larger sample size.

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