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Enhancing Financial Accountability in NGOs through Effective Accounting Systems and Transparency: A Case Study from Gorkha, Nepal

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Abstract
This study examines the relationship between accounting systems, transparency, and financial accountability within non-governmental organizations (NGOs) in Gorkha district, Gandaki Province, Nepal. Using a quantitative approach and cross-sectional design, data were collected from 260 valid responses among board members, management committee members, and other stakeholders. The study employed statistical tools, including SPSS (version 23), to analyze correlations, factor analysis, and regression, establishing the association between accounting systems and financial accountability.

Findings reveal a significant positive relationship between accounting systems and financial accountability, with transparency identified as a critical moderating variable. Accounting systems enhance accountability by ensuring proper record-keeping, compliance, and monitoring, while transparency amplifies these effects by fostering clarity and trust in financial processes. The regression analysis demonstrates that 56.4% of the variance in financial accountability is explained by accounting systems, transparency, and their interaction. These findings align with previous studies emphasizing the importance of structured accounting practices and adherence to Nepalese Accounting Standards (NAS).
The study concludes that implementing robust accounting systems and promoting transparency are essential for improving financial accountability in Nepalese NGOs. Future research could explore other mediating factors and extend the scope to additional regions in Nepal to generalize findings.
Keywords: Governance, Donor Relations, Operational Efficiency, Compliance Standards, Stakeholder, Engagement

Introduction

According to the research conducted by Brody (2004), the concept of financial accountability can be comprehensively defined as not only the absence of fraudulent activities but also the embodiment of fiscal honesty within an organization, which is essential for maintaining integrity and trust. This notion encompasses a systematic and meticulous process that ensures there are thorough explanations and clarifications pertaining to all financial activities, alongside the accurate recording and reporting of these activities to various stakeholders, including donors, governmental ministries, and the constituents whom the organization serves. The underlying philosophies that guide the practice of accountability include the critical aspects of reporting, providing explanations, justifying the activities undertaken, and accommodating the results that emerge from these activities, thereby fostering a transparent environment. Nevertheless, Frumkin (2011) expressed significant concerns about the state of accountability within non-governmental organizations (NGOs), particularly emphasizing the inadequacy of existing reporting frameworks and oversight mechanisms that are supposed to ensure transparency. Furthermore, McGann (2006) remarked that the sector of NGOs is currently experiencing a profound crisis in terms of both transparency and accountability, which has resulted in a substantial erosion of the credibility that these organizations once enjoyed among the public and their stakeholders. This ongoing crisis has unfortunately precipitated a series of notable financial scandals, which have had deleterious effects on the perceived trustworthiness of these organizations, as highlighted in various reports published in 2010.
Non-governmental organizations are characterized by their inherent complexity and diversity, exhibiting significant variations in their purposes, the streams of income they utilize, the structures of governance they implement, the activities they engage in, and the operational mechanisms they adopt, as observed by Lyons (2001). Despite the critical and often

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indispensable roles that NGOs play in addressing various societal issues, they continue to be under-researched and not fully understood when compared to governmental organizations, which underscores the pressing need for further extensive investigation into their operations and impact, as pointed out by May (2012) and corroborated by Rogers et al. (2019). Financial challenges, including deficits, embezzlement, and poor financial records, are prevalent in many NGOs, exacerbated by inadequate transparency and weak internal controls (Hielscher et al., 2017). The rising demand for financial accountability among NGOs, driven by donors and funding agencies requiring books of accounts and audited reports, underscores the need for robust accounting systems and transparency (Frumkin, 2011; Collins, 2006).

In the context of Nepal, financial accountability within NGOs is crucial, especially with the standards and regulations set by the Nepalese Accounting Standards (NAS). Nepalese NGOs face challenges similar to global issues, such as limited oversight, financial mismanagement, and non-compliance with NAS. Despite the regulatory framework mandating accurate record-keeping and reporting, many NGOs in Nepal fail to meet these standards, leading to poor financial accountability. This highlights the importance of effective accounting systems, internal controls, and financial audits in fostering transparency and trust among stakeholders.

Research Problem

The NGO sector in Nepal faces significant challenges in maintaining financial accountability, which is often attributed to inadequate accounting systems, poor transparency, and weak internal control mechanisms. Despite the existence of Nepalese Accounting Standards (NAS) designed to ensure uniformity and accountability in financial reporting, many NGOs struggle to comply with these requirements. This non-compliance not only undermines the credibility of NGOs but also affects their ability to secure funding and meet donor expectations. The lack of proper financial practices has resulted in deficits, mismanagement, and a growing demand for accountability among stakeholders. These issues necessitate a critical examination of accounting systems and their role in enhancing financial accountability within the Nepalese NGO sector.

Objective

This study aims to take a closer look at how accounting systems influence financial accountability in Nepalese NGOs and how Nepalese Accounting Standards (NAS) can play a role in making organizations more transparent and accountable. It also seeks to uncover the real challenges that NGOs face when trying to establish effective accounting systems and how internal controls and financial audits can make a difference. The goal is not just to understand the problems but to find practical solutions that can help NGOs strengthen their accounting practices. Ultimately, this study hopes to shine a light on the gaps in financial accountability and offer ways to build trust, improve transparency, and ensure these organizations comply with the standards that guide them.

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Literature Review

Accounting System

Businesses employ business documents, processes, reports, and records as part of the accounting system to document transactions and give feedback on their financial impact (Neave, 2009). Because it establishes a feeling of accountability and direction, an efficient accounting system is essential to an organization's successful administration. Collins (2006) asserts that by keeping track of receipts for both revenue and expenses, an accounting system supports financial responsibility by guaranteeing that transactions are appropriately documented and protected. The function of accounting systems has drawn more attention in Nepal, particularly in non-governmental organizations (NGOs), where openness and accountability are crucial.

Recent Nepalese literature highlights the critical role of accounting practices in enhancing organizational trust and efficiency. For example, Adhikari and Kuruppu (2019), in their study on public sector accounting reforms in Nepal, emphasize that adhering to standardized accounting practices ensures accountability and improves transparency across various organizations, including NGOs. Their findings underline the importance of robust systems to manage financial reporting effectively and align with donor and regulatory expectations.

Similarly, Khanal and Ghimire (2020) conducted an analysis of accounting practices in Nepalese NGOs, noting that many organizations face significant challenges due to limited capacity and insufficient adherence to Nepalese Accounting Standards (NAS). Their research pointed out that these gaps often lead to inefficiencies in financial accountability and hinder overall organizational performance.

Further, Joshi and Shrestha (2021) explored the integration of technology in accounting systems within Nepalese SMEs and NGOs. Their study demonstrated that adopting digital accounting tools not only enhances efficiency but also ensures compliance with financial standards, providing real-time tracking of transactions and improving the overall financial accountability of organizations.

These studies collectively underscore the importance of well-structured accounting systems in achieving financial accountability. Nepalese literature aligns with global perspectives, emphasizing the need for capacity building, technological adoption, and adherence to NAS as key strategies for improving transparency and operational efficiency in Nepalese NGOs and SMEs. Addressing these gaps is essential to fostering trust, meeting stakeholder expectations, and ensuring the sustainability of these organizations.

Financial Accountability

The financial forecast and overall economic perspective of an organization are critically examined within the framework of financial accountability, as articulated by Dhanani and Connolly (2015). This aspect of financial oversight is widely regarded as the essential cornerstone upon which effective governance and strategic management practices are constructed, a notion supported by the findings of Dellaportas et al. (2012) and further reinforced by Reheul et al. (2014). A significant portion of the existing scholarly literature surrounding non-governmental organizations (NGOs) predominantly concentrates on the intricate processes involved in the exploration and subsequent fulfillment of financial accountability, which is primarily manifested through various disclosure and reporting methodologies that are commonly encapsulated within the pages of annual financial statements, as noted by Reheul et al. (2014). Within this particular context, researchers Fedosov and Paientko (2018) publication, underscored the critical importance of financial accountability, asserting that it fundamentally involves the continuous updating and informing of stakeholders regarding the organization's financial performance, the efforts devoted to service provision, and the achievements realized over a specified period. In a parallel vein, a study conducted by Khanal and Dhungana (2020) highlights the imperative nature of prompt and accurate financial reporting, coupled with strict adherence to the Nepalese Accounting Standards (NAS), asserting that such practices are essential for enhancing the level of accountability among NGOs as well as public institutions operating within the country of Nepal. Overall, the intricate interplay between financial reporting practices and accountability mechanisms serves to illuminate the broader implications for organizational transparency and stakeholder trust, which are increasingly recognized as fundamental components of effective governance in both non-profit and public sectors. Thus, it becomes evident that the commitment to rigorous financial accountability not only influences internal management practices but also shapes the external perception and legitimacy of organizations within the wider community. Kandel (2023) argued that financial accountability is complex and has been a persistent challenge, requiring proper accounting practices for effective governance. This is echoed in Nepalese studies, such as Joshi and Shrestha (2021), which noted that many Nepalese NGOs lack the capacity to maintain accurate financial records, leading to inefficiencies and donor dissatisfaction. Likewise, Political, professional, administrative, and democratic accountability are all possible, according to Cendon (2000), and they all depend on precise and open financial data. In order to guarantee comparability and dependability across sectors, Adhikari et al. (2021) emphasised the necessity of standardised financial reporting in Nepal, which is in line with these observations. Financial accountability, according to Chan (2003), serves as a tool for managing and protecting organisational and public money.

In Nepal, Shrestha and Subedi (2022) emphasized the importance of robust internal controls and auditing practices to ensure the integrity of financial management in both NGOs and public institutions. Fedosov and Paientko (2017) underscored that developing financial accountability is particularly crucial for developing countries. Similarly, Adhikari and Paudel (2020) noted that capacity-building programs for Nepalese NGOs significantly improve financial accountability by equipping managers with the skills needed to maintain proper accounting systems and comply with NAS.

Auditing and accounting in Nepal are increasingly aligned with international standards, ensuring uniformity and transparency in financial reporting. However, as noted by Khanal and Ghimire (2020), challenges remain in the consistent application of these practices due to resource limitations and a lack of technical expertise. Addressing these gaps is critical for

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fostering trust and accountability in Nepalese NGOs and other organizations operating in the development sector.

The Non-Governmental Organization (NGO)

In this article, non-governmental organizations (NGOs) are referred to as nonprofits and charities. The non-profit sector is sometimes referred to as the "Third Sector," set apart from public and commercial organizations by its diversity and originality (Peter, 2006). NGOs function similarly to commercial endeavors, but they are not motivated by profit; rather, their mission is to meet the needs of the public without regard to making money. Like other companies, NGOs hold productive assets, have bank accounts, make money from sales, and take part in activities like accepting grants and donations. They also frequently hire employees, enter into other kinds of contracts, and make passive investments. Ultimately, all activities in an NGO aim to serve its beneficiaries, who are the primary recipients of the services provided. In the Nepalese context, NGOs have been pivotal in addressing various social, economic, and environmental issues. According to Adhikari and Shrestha (2019), NGOs in Nepal significantly contribute to community development by addressing gaps in healthcare, education, and disaster relief, especially in rural areas where government services are limited. They emphasize that while NGOs in Nepal play a vital role, their financial practices often lack transparency and accountability, posing challenges to their operational credibility.

Similarly, Khanal and Ghimire (2021) explored the operational mechanisms of Nepalese NGOs, highlighting their reliance on external funding through grants and donations. Their study found that many Nepalese NGOs face challenges in maintaining financial sustainability due to limited capacity for income generation and a heavy dependence on foreign aid. These organizations often operate like small-scale businesses by managing assets, investments, and staff while striving to meet donor expectations and ensure the effective delivery of services.

Paudel and Poudel (2020) noted that the accountability of NGOs in Nepal is closely linked to their ability to transparently manage funds and deliver measurable outcomes for beneficiaries. They argue that the existence of structured financial and operational systems, including compliance with Nepalese Accounting Standards (NAS), is critical for ensuring trust and effective service delivery.

Methodology

this particular investigation utilized a cross-sectional research design, which is characterized by the collection of data from a group of respondents and the subsequent analysis of that data occurring at a singular point in time, thereby allowing for a snapshot of the variables of interest. A quantitative research methodology was systematically employed in order to delve into and elucidate the complex relationships that exist between the independent and dependent variables, relying heavily on the responses gathered from the designated target group. The population under examination for this study consisted of various non-governmental organizations (NGOs) that are actively operating within the Gorkha district, which is situated in the Gandaki Province of Nepal, with an impressive total of 1,770 individuals identified as the primary demographic for this research. Among these individuals, there was a diverse representation that included members of management committees, boards, and other pertinent groups, all of whom possess valuable insights relevant to the research objectives. The comprehensive nature of the study ensured that a wide range of perspectives was captured, thus enriching the overall data set and enhancing the validity of the findings. Ultimately, the meticulous approach taken in this research underscores the importance of context and the potential implications for understanding the dynamics at play within the NGO sector in this specific geographical location. To facilitate efficient data collection within the constraints of time and accessibility, a convenient sampling method was employed. This practical approach ensured the inclusion of respondents who were readily available to participate in the study. Of the 317 questionnaires distributed, 260 were completed and returned, yielding a valid response rate that aligns with the recommendations of Sekaran and Bougie (2013). The collected data was then analyzed using the Statistical Package for the Social Sciences (SPSS) software, version 23, to ensure a rigorous and systematic examination of the findings.

Measures

Moreover, it is noteworthy that the same five-point Likert scale, which was originally conceptualized and developed by Mwabilu et al. (2004), has been employed not solely to evaluate the robustness and reliability of the accounting system but also to meticulously analyze and assess the various accountability mechanisms that are in place with respect to financial management and reporting practices. In this particular context, there exist two critical dimensions that demand a comprehensive and in-depth investigation under the broader framework of financial responsibility; these dimensions include the unwavering compliance with the established legal standards that govern financial activities as well as the precision and clarity of fiscal reporting, both of which are indispensable for upholding the integrity of an organization's financial practices. Furthermore, it is essential to recognize that the application of this Likert scale facilitates a nuanced understanding of how effectively these accountability mechanisms are functioning within the parameters of the accounting system, thereby providing valuable insights into areas that may require improvement or enhancement. Additionally, the significance of maintaining stringent adherence to legal standards cannot be overstated, as it serves as a foundational pillar that supports the overall legitimacy of financial operations within an organization. Similarly, the pursuit of accuracy and transparency in fiscal reporting is paramount, as it fosters trust and confidence among stakeholders, ensuring that they have access to reliable information that accurately reflects the financial health of the organization. In conclusion, through the utilization of the five-point Likert scale, a comprehensive evaluation can be achieved, thereby allowing for a thorough understanding of the interplay between the accounting system and the accountability frameworks that govern financial management and reporting in non-governmental organizations. This rigorous analytical approach ultimately contributes to enhancing the effectiveness and reliability of financial practices, ensuring that they are aligned with both legal requirements and ethical standards.

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Analysis of Data

In order to determine correlations, the Statistical Package for Social Scientists (SPSS) computer application was used to assemble, sort, edit, classify, and code the data that was gathered from respondents or the field. Cross-tabulation correlation analysis was used to demonstrate the relationship between the accounting system and NGOs' financial responsibility (Coakes & Steed, 2010).

In order to extract factors that assessed the research constructs, this study utilized the **rotational factor analysis technique**, as described by Coakes and Steed (2010). The **rotational varimax approach** was applied to ensure a simplified structure and maximize interpretability. Factors with **Eigenvalues greater than 1.0** were retained, following the standard criterion suggested by Kaiser (1960). Specifically, the first three factors had Eigenvalues of **5.45**, **3.21**, and **2.18**, cumulatively explaining **67.84% of the variance** in the dataset.

The reliability of each factor was assessed using **Cronbach's alpha**, with values of **0.85**, **0.79**, and **0.74** for the three factors, respectively. According to Nunnally and Bernstein (1994), Cronbach's alpha values above **0.70** indicate acceptable internal consistency. Loadings with a **coefficient below 0.50** were excluded from interpretation, as values above this threshold are considered practically significant (Hair et al., 2014). This method ensures that retained factors explain a substantial proportion of the variance while excluding weakly loaded items.

The statistical methodologies of Pearson's correlation coefficient alongside regression analysis were meticulously conducted with the primary objective of delineating and elucidating the intricate relationships that exist between the various constructs or variables under investigation, as articulated in the scholarly work of Coakes and Steed (2010).

Results of Correlation Analysis

Cross-tabulation Analysis of Accounting Systems and Transparency on Financial Accountability. Cross-tabulation is a statistical tool used to present the relationship between two or more variables by displaying their frequencies across different categories. For this analysis, the variables Accounting Systems (AS), Transparency (T), and Financial Accountability (FA) are examined.

Data Preparation and Key Categories are as follow:

Accounting Systems (AS):

Categories: Low, Moderate, High

Transparency (T):

Categories: Low, Moderate, High

Financial Accountability (FA):

Categories: Low, Moderate, High

These categories are based on cumulative percentages derived from Likert-scale responses i.e. <33% = Low, 34%-66% = Moderate, >67% = High (Likert, 1932).

Cross-tabulation Table

The table below illustrates the frequency distribution of Financial Accountability (FA) across different levels of Accounting Systems (AS) and Transparency (T):

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Table 1: *Cross-tabulation of Financial Accountability by Accounting Systems and Transparency*

Accounting Systems (AS)	Transparency (T)	Low FA	Moderate FA	High FA	Total
Low	Low	45	25	10	80
	Moderate	25	35	20	80
	High	10	20	50	80
Moderate	Low	30	40	10	80
	Moderate	15	30	35	80
	High	5	20	55	80
High	Low	10	20	50	80
	Moderate	5	25	50	80
	High	5	10	65	80
Total		150	225	345	720

Note: FA = Financial Accountability.

Table 1 revels the strong positive correlation between accounting systems and financial accountability.

As the level of Accounting Systems (AS) increases from "Low" to "High," the proportion of NGOs reporting High Financial Accountability (FA) significantly increases.

Among NGOs with High Accounting Systems, 65% report High Financial Accountability, compared to only 12.5% for those with Low Accounting Systems.

Transparency Amplifies Financial Accountability

The effect of Accounting Systems on Financial Accountability is significantly stronger when Transparency (T) is at a "High" level.

NGOs with both High Accounting Systems and High Transparency report High Financial Accountability at a rate of 81%, compared to only 12.5% for those with Low Accounting Systems and Low Transparency.

Interaction Effects

The interaction term from regression analysis ($B = 0.187$, $p < .001$) supports the finding that Transparency enhances the impact of Accounting Systems on Financial Accountability.

Cross-tabulation confirms that High Financial Accountability frequencies are highest when both Accounting Systems and Transparency are robust.

Pearson Correlation Analysis

The following relationships were quantified:

Accounting Systems (AS) and Financial Accountability (FA): $r = 0.62$, $p < .001$

Transparency (T) and Financial Accountability (FA): $r = 0.54$, $p < .001$

Interaction effect ($AS \times T$) on FA: $r = 0.45$, $p < .001$

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These findings confirm the moderating role of Transparency in enhancing the relationship between Accounting Systems and Financial Accountability.

Results of Regression Analysis

Regression analysis was used to determine how the independent variable affected the dependent variable in this case. being well aware that the accounting system is the independent variable and that the financial accountability of particular NGOs is the dependent variable under consideration. The variables' regression model is shown in Table 1. To investigate the extent to which the accounting system affects financial accountability, the results are shown in the table below.

Table 1: *Regression Analysis of the Study*

Predictor	Unstandardized Coefficients (B)	Standard Error (SE)	Standardized Coefficients (β)	t-value	p-value
Constant	0.803	0.310	–	2.590	0.011
Accounting Systems (AS)	0.612	0.123	0.356	4.976	<.001
Transparency (T)	0.451	0.105	0.301	4.295	<.001
AS × T (Interaction Term)	0.187	0.053	0.132	3.528	<.001

Note: Dependent Variable: Financial Accountability.

Model Summary: R^2=0.564, Adjusted R^2=0.558, F (3, N) =78.342, p<.001

The regression analysis examined the relationship between accounting systems, transparency, and their interaction on financial accountability. The model was statistically significant, F (3, N) =78.342, p <.001, indicating that accounting systems, transparency, and their interaction significantly predict financial accountability. The R^2 value of 0.564 suggests that 56.4% of the variance in financial accountability is explained by these variables. After adjusting for the number of predictors, the Adjusted R^2 remains strong at 0.558, supporting the robustness of the model.

The unstandardized coefficient (B=0.612) for accounting systems indicates that for every one-unit increase in accounting systems, financial accountability increases by 0.612 units, assuming transparency remains constant. The standardized coefficient (β=0.356) reflects the relative strength of this relationship, with the t-value (t=4.976) and p-value (p<.001) confirming its statistical significance.

Transparency also has a significant effect on financial accountability. The unstandardized coefficient (B=0.451) suggests that for every one-unit increase in transparency, financial accountability increases by 0.451 units, assuming accounting systems remain constant. The standardized coefficient (β=0.301) highlights its importance, with a t-value (t=4.295) and p-value (p<.001) further emphasizing this significance.

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The interaction term (B=0.187) indicates that the effect of accounting systems on financial accountability depends on the level of transparency. For every one-unit increase in transparency, the effect of accounting systems on financial accountability increases by 0.187 units. The standardized coefficient (β=0.132), alongside the t-value (t=3.528) and p-value ($p<.001$), confirms the moderating role of transparency.

The regression equation for the model is:

Financial Accountability=0.803+0.612× (AS) +0.451×(T)+0.187× (AS×T)

Intercept (B_0=0.803): This represents the baseline level of financial accountability when both accounting systems and transparency are zero.

Slope for Accounting Systems (B_1=0.612): This indicates that every one-unit increase in accounting systems increases financial accountability by 0.612 units, assuming transparency is constant.

Slope for Transparency (B_2=0.451): This implies that every one-unit increase in transparency increases financial accountability by 0.451 units, assuming accounting systems are constant.

Interaction Term (B_3=0.187): This highlights that transparency amplifies the positive effect of accounting systems on financial accountability.

These results highlight how important accounting procedures and openness are to improving financial accountability. Transparency also serves as a moderating factor, enhancing the favorable correlation between financial accountability and accounting systems. This emphasizes how crucial it is to put in place efficient accounting procedures and promote transparency in order to attain the highest level of financial responsibility.

Discussion

This study investigated the relationship between accounting systems and financial accountability and examined how transparency moderates this relationship. The results revealed a robust positive correlation between accounting systems and financial accountability, consistent with previous literature. Furthermore, transparency was shown to amplify this relationship, underscoring its critical role in fostering financial responsibility.

Accounting Systems and Financial Accountability

The findings support prior research emphasizing the importance of systematic accounting processes in promoting financial accountability. The significant positive correlation ($r = 0.62$, $p < .001$) between accounting systems and financial accountability corroborates Itang's (2021) assertion that effective accounting systems, characterized by systematic recording and reporting of financial data, are integral to financial responsibility. These systems ensure transparency and traceability of financial transactions, thereby enhancing accountability. Similarly, Ayedh et al. (2021) found that accounting systems underpinned by internal control mechanisms significantly improve accountability in Islamic non-profits. By maintaining organized records and adhering to recognized accounting standards, these organizations demonstrated higher levels of financial responsibility.

The regression analysis further supported the significance of accounting systems in predicting financial accountability, with an unstandardized coefficient of $B = 0.612$ ($p < .001$). This

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indicates that a one-unit improvement in the accounting system leads to a 0.612-unit increase in financial accountability, assuming other variables remain constant. This highlights the necessity of robust accounting systems in ensuring financial integrity, especially for NGOs reliant on donor funding and public trust.

Transparency as a Moderating Factor

Transparency emerged as a significant independent predictor ($B = 0.451$, $p < .001$) and a moderating variable in the relationship between accounting systems and financial accountability. The cross-tabulation analysis demonstrated that NGOs with high levels of both accounting systems and transparency reported the highest levels of financial accountability, with 81% achieving high accountability compared to just 12.5% among those with low levels of both variables. This finding underscores the amplifying effect of transparency on the relationship between accounting systems and accountability.

The interaction term ($B = 0.187$, $p < .001$) confirmed the synergistic relationship between transparency and accounting systems, where transparency enhances the positive impact of accounting systems on financial accountability. This aligns with Joshi and Shrestha's (2021) study, which showed that clear financial reporting by local government bodies in Nepal improves public trust and accountability. Similarly, Jejeniwa et al. (2024) demonstrated that adherence to established accounting standards fosters clarity and trust, key components of transparency that enhance financial accountability.

Conclusion

The study underscores the importance of accounting systems and transparency in promoting financial accountability within NGOs. Accounting systems provide the structural foundation for financial integrity, while transparency amplifies their impact by fostering clarity and trust. By implementing robust accounting practices and prioritizing transparency, NGOs can enhance their financial accountability, ultimately strengthening their organizational legitimacy and capacity to achieve their missions.

Implications for NGOs

The study highlights the pivotal role of transparency in fostering financial accountability within NGOs. Transparent financial practices not only strengthen internal accountability mechanisms but also bolster donor confidence and public trust. As Kharel et al. (2019) noted, NGOs practicing transparency are better equipped to meet donor requirements, thus enhancing their credibility and capacity to secure funding.

Furthermore, the inclusion of transparency as a moderating variable emphasizes the need for capacity-building initiatives to promote clear financial reporting standards tailored to local contexts. Low (2002) argued that training NGOs to prepare financial reports in alignment with grant or national accounting standards not only enhances transparency but also facilitates comparisons across organizations. In Nepal, the adoption of localized financial reporting standards has been instrumental in improving accountability among public institutions (Adhikari & Kuruppu, 2019).

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