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Financial Management and Fund Accounting in a Small Social-Service Organisation: An On-the-Job-Training Case Study of Shivam Bahuuddeshiya Sevabhavi Sanstha, Parbhani

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Abstract

Small social-service organisations must show both that they spend money on their mission and that they spend it in a controlled, traceable way. Many of them still keep records mainly to satisfy compliance rather than to support management decisions. This paper examines financial management and fund accounting practices at Shivam Bahuuddeshiya Sevabhavi Sanstha (SBSS), a non-profit society in Parbhani, Maharashtra, established in 2021 and working in education, health awareness, competitive-examination guidance and community welfare. The study is a descriptive and exploratory case based on an On-the-Job Training (OJT) placement, combining participant observation, discussions with personnel, review of permitted records and secondary literature. Because verified financial statements could not be disclosed for academic use, the quantitative analysis applies standard non-profit tools (trend, ratio, budget-variance, fund-wise, liquidity and scenario analysis) to a clearly labelled illustrative three-year dataset (FY 2022-23 to FY 2024-25). The analysis shows how such tools surface issues that totals alone hide: a narrowing surplus margin (7.7% to 6.6%) as expenditure outgrows income, reserve cover of only 3.8 months, a funding mix in which two sources supply about 70% of income, and uneven fund utilisation. The paper proposes a Plan–Record–Control–Report framework and a five-phase roadmap built on fund codes, monthly budget-variance review, a one-page MIS and digital record-keeping. These measures are low-cost and suited to organisations with limited staff capacity.

Keywords: non-profit financial management; fund accounting; budget variance; management information system; financial sustainability; NGO accountability; India

1. Introduction

1.1 Background and problem

A profit-seeking firm can judge itself on earnings. A social-service organisation cannot, because its purpose is social value and its resources often arrive tied to specific purposes. Financial management in this setting therefore has a double task: keep the organisation financially sustainable, and be able to show donors, regulators, beneficiaries and its own governing body that funds were used for their intended purposes (Anthony & Young, 2003; Ebrahim, 2003).

In practice, small organisations often hold the necessary records (receipts, vouchers, bank statements) but do not convert them into timely management information. Records exist to prove compliance after the fact, not to steer decisions during the year. This gap between *record-keeping* and *financial control* is the problem this paper addresses.



1.2 Objectives and research questions

The study has four objectives, each paired with a research question.

Objective	Research question
O1. Describe how SBSS records, classifies and monitors receipts and expenditure	RQ1. How does financial information flow from receipt to report, and where are the weak points?
O2. Examine budgeting and variance monitoring	RQ2. How can budget-versus-actual review support control in a small organisation?
O3. Analyse receipt, expenditure and fund-utilisation patterns	RQ3. What do trend, ratio and fund-wise analysis reveal about sustainability and liquidity?
O4. Propose practical improvements to control, documentation and reporting	RQ4. Which low-cost mechanisms best strengthen accountability and decision-making?

1.3 Scope and contribution

The study covers receipts, expenditure, budgeting, fund utilisation, documentation and internal reporting relevant to the OJT. It is academic and is not an audit or an assurance opinion. Its contribution is threefold: (i) a structured account of the financial cycle of a small Indian social-service organisation; (ii) a worked analytical toolkit showing how standard non-profit indicators are interpreted together rather than singly; and (iii) an implementation roadmap sized to limited staff capacity.

2. Conceptual Framework and Literature

2.1 Financial management in non-profits

Financial management covers planning, acquiring, allocating and controlling funds to achieve organisational objectives (Brigham & Ehrhardt, 2014). In a non-profit the objective is not profit maximisation but effective use of limited resources for mission, so financial indicators are tools for stewardship, not scorecards of success (Anthony & Young, 2003).

2.2 Fund accounting

Fund accounting classifies resources by source, purpose or restriction, so that management can see how much was received, used and remains for each purpose. It does not replace general accounting; it adds a layer of visibility that matters most when an organisation runs several programmes or receives purpose-specific grants. Its main value is preventing restricted money from being absorbed into general spending unnoticed.

2.3 Budgeting and variance analysis

A budget converts programme plans into financial estimates and becomes a benchmark for control once actual results are compared against it. A variance is a signal for enquiry, not a verdict: a favourable variance may reflect savings or merely delayed activity, and an adverse one may reflect price rises, expanded activity or weak estimation (Drury, 2018).

2.4 Internal control

Internal control comprises policies and procedures that safeguard assets and make records reliable, including segregation of duties, approval limits, reconciliation and document retention. The COSO framework (2013) frames these as parts of an integrated system of control environment, risk assessment, control activities, information and communication, and monitoring. For small organisations, controls must be proportionate: simple, consistently applied and reviewed.

2.5 Management information systems

A financial MIS turns transactional data into concise reports for decisions. Its value depends on timeliness and clarity rather than volume. A one-page monthly summary of balances, receipts, utilisation and variances is often more useful to a governing body than a full ledger.



2.6 Financial vulnerability and sustainability

Research on non-profit financial health has proposed indicators such as reserve adequacy, revenue concentration, administrative cost ratio and surplus margin to identify organisations at risk (Tuckman & Chang, 1991; Greenlee & Trussel, 2000). Sustainability depends not only on how much is raised but on how predictable the funding is, how large the cushion is, and how early problems are detected. Keating and Frumkin (2003) argue that accountability must also go beyond compliance reporting to include performance and decision-relevant information.

2.7 Analytical framework used in this paper

The paper organises the findings around four linked stages, the **Plan–Record–Control–Report (PRCR) cycle**:

- **Plan:** budgets and cash forecasts that link activities to resources.
- **Record:** consistent classification of receipts and expenditure by nature, programme and fund.
- **Control:** approvals, vouchers, reconciliation and variance review.
- **Report:** a concise periodic MIS for the governing body and fund providers.

A weakness at any stage degrades the next. For example, poor classification at the Record stage makes fund-wise Reporting impossible however good the Planning.

3. Sector and Organisational Context

3.1 The social and non-profit sector

The sector comprises organisations pursuing educational, health, developmental, environmental and community objectives, funded by donations, grants, CSR support, government schemes and institutional partners. Its main stakeholders are management, donors, beneficiaries, volunteers, regulators and auditors/accountants, each needing different financial information. Common sector pressures include irregular funding, rising costs, documentation burdens, limited staff capacity and growing expectations of transparency and outcome reporting. Digital payments, cloud storage, spreadsheet dashboards and accounting software are increasingly used, but must be matched with access control and backups.

3.2 Environmental analysis

A PESTEL reading shows how the environment shapes financial management.

Factor	Implication for a district-level non-profit
Political	Welfare policy and scheme priorities shape partnership opportunities and compliance demands.
Economic	Inflation raises programme and travel costs while donations and grants fluctuate.
Social	Community needs and demographics drive demand for education and health activities.
Technological	Digital payments and simple accounting tools lower the cost of traceable records.
Environmental	Climatic events can raise relief needs and implementation costs.
Legal	Registration, tax, audit and reporting rules require orderly records.

A Porter-style view, adapted to the sector, indicates high bargaining power of funders, moderate threat from new entrants (registration is easy, but donor trust and tax-exemption or foreign-contribution registrations take time), moderate substitution risk from government schemes and corporate CSR programmes, and moderate-to-high rivalry among similarly oriented local organisations competing for the same donors and scheme partnerships. The practical implication is that funder confidence, built on credible financial reporting, is a competitive asset.



3.3 The organisation

SBSS is a non-profit society in Parbhani, established on 5 February 2021. It began with COVID-19 relief (distribution of masks and sanitisers and health-awareness activities) and now works in education, health awareness, women's empowerment, environmental awareness and community welfare, including guidance for MPSC, UPSC, Police Bharti and other recruitment examinations. Its stated vision is an inclusive, educated, healthy and empowered society; its values are service, integrity, compassion, inclusiveness, empowerment and social responsibility.

SBSS's strengths are its mission focus, community links and stakeholder relationships. Its likely weaknesses are resource constraints, manual processes in places and limited analytical capacity. Opportunities lie in digital finance tools, better MIS, donor diversification and capacity building; threats are funding uncertainty, cost inflation and compliance risk. Financial indicators suited to such an organisation are total receipts, programme and administrative expenditure, cash and bank balance, fund utilisation and budget variance, rather than market-based measures.

4. Methodology

4.1 Design

The study is a single-organisation, descriptive and exploratory case. It documents existing processes and identifies improvement areas rather than testing causal hypotheses. The OJT lasted about 45–60 days, which limits observation of annual and quarterly cycles.

4.2 Data sources and tools

- **Primary:** participant observation of how receipts, payments, vouchers and registers are handled; discussions with relevant personnel; review of records permitted for academic use.
- **Secondary:** textbooks, accounting and regulatory guidance and research literature on non-profit finance.
- **Analytical formats:** receipt and expenditure classification, budget-versus-actual comparison, documentation checklists and a monthly MIS template.

4.3 Illustrative dataset and ethics

Financial records may contain donor, beneficiary and bank details, and the organisation's verified statements were not available for publication. The quantitative sections therefore use an **illustrative three-year dataset** representing a small, gradually growing organisation. These figures are **not audited or verified results of SBSS**. They serve to demonstrate method, and all findings in Section 5.2 onward are conclusions about the analytical approach, not claims about SBSS's actual finances. Replacing the dataset with approved figures is the first step in any application of this work.

All amounts are in ₹ lakh unless stated.

5. Findings and Analysis

5.1 Process observations

Observation of the financial cycle (receipt → classification → planning → expenditure → documentation → monitoring → reporting) identified five areas where structure adds value.

Process area	Observation	Implication	Suggested control
Receipts	Source classification needs to be explicit	Traceability	Receipt register with bank reference
Payments	Supporting documents are central to verification	Lower error risk	Voucher checklist
Budgeting	Actual spending may diverge from plan	Control	Monthly variance review
Reporting	Raw records do not support quick	Management	Monthly MIS summary



Process area	Observation	Implication	Suggested control
	decisions	visibility	
Fund tracking	Purpose-wise visibility is needed	Accountability	Fund/project codes

5.2 Income, expenditure and surplus trends

Table 1. Three-year illustrative performance (₹ lakh)

Particulars	FY 2022-23	FY 2023-24	FY 2024-25
Total income	14.20	16.10	18.20
Programme expenditure	10.70	12.70	14.50
Administrative expenditure	2.40	2.30	2.50
Total expenditure	13.10	15.00	17.00
Surplus	1.10	1.10	1.20
Closing general reserve	3.10	4.20	5.40

Income grows 13.4% and then 13.0% year on year (28.2% over the period). Expenditure grows 14.5% and then 13.3% (29.8% overall). Because expenditure rises slightly faster than income, the surplus margin narrows even though the absolute surplus holds steady:

Table 2. Derived indicators

Indicator	FY 2022-23	FY 2023-24	FY 2024-25
Programme expense ratio	81.7%	84.7%	85.3%
Administrative expense ratio	18.3%	15.3%	14.7%
Surplus margin	7.7%	6.8%	6.6%
Reserve cover (months of expenditure)	2.8	3.4	3.8

The rising programme ratio signals strong mission orientation. However, it should not be read as an unqualified success: an administrative ratio that keeps falling may reflect under-investment in the staff, systems and monitoring that good control requires (Anthony & Young, 2003). The narrowing margin shows why a single indicator is insufficient; total income growth looks healthy while headroom quietly shrinks.

5.3 Funding mix and concentration

Table 3. Funding mix, FY 2024-25

Source	₹ lakh	Share
Institutional / programme support	7.20	39.6%
Grants	5.50	30.2%
Individual donations	3.60	19.8%
Other permissible receipts	1.90	10.4%
Total	**18.20**	**100.0%**

The two largest sources provide 69.8% of income, and a Herfindahl-type concentration index computed on these shares is about 2,980 on a 10,000 scale, which indicates moderate-to-high concentration. Concentrated funding raises vulnerability if a single grant is delayed or discontinued (Tuckman & Chang, 1991). Each source also carries different reporting and timing conditions, so the quality of funding (recurring or one-off, restricted or unrestricted) matters as much as its size.



5.4 Expenditure profile

Table 4. Expenditure by activity, FY 2024-25

Head	₹ lakh	Share
Education support	5.20	30.6%
Rural development / relief	3.50	20.6%
Health camps / access support	3.10	18.2%
Women's SHG / livelihood support	2.70	15.9%
Administration and establishment	2.50	14.7%
Total	**17.00**	**100.0%**

Education is the largest head, consistent with SBSS's emphasis on student and competitive-examination guidance. Classifying each payment by nature, activity and fund simultaneously (for example, a travel expense linked to a health camp and a specific fund) makes all of these views available from a single record.

5.5 Budget-versus-actual analysis

Table 5. Budget variance, FY 2024-25 (₹ lakh)

Category	Budget	Actual	Variance	Variance %
Programme activities	15.00	14.50	0.50	3.3%
Administration	2.30	2.50	-0.20	-8.7%
Total	**17.30**	**17.00**	**0.30**	**1.7%**

The total is within 2% of plan, but the aggregate hides offsetting movements: programme spending is under budget while administration is 8.7% over. Management should ask whether the programme underspend reflects efficiency or delayed activity, and whether the administrative overspend reflects price rises, extra coordination needs or weak estimation. Reviewing variances monthly rather than at year-end allows corrective action while it is still possible.

5.6 Fund-wise utilisation

Table 6. Illustrative fund positions (₹ lakh)

Fund	Opening	Receipts	Utilised	Closing	Utilisation of available funds
Education and community support	0.80	5.50	5.20	1.10	82.5%
Health and welfare support	0.60	3.50	3.10	1.00	75.6%
Livelihood and rural development	1.20	4.00	3.50	1.70	67.3%

The three funds hold ₹3.80 lakh in closing balances, and utilisation of available funds ranges from 67% to 83%. A consolidated bank balance would conceal this spread. The lowest-utilisation fund is where management should confirm that purpose-specific money is not idle, delayed or at risk of reporting problems with the provider. (In this extract the women's SHG head of ₹2.70 lakh is not mapped to a fund; a real fund register would map every head.)

5.7 Liquidity and scenario analysis

On the model's averages, monthly receipts are about ₹1.52 lakh against payments of about ₹1.42 lakh, a net inflow near ₹0.10 lakh. A positive annual surplus does not guarantee liquidity, since grants arrive in lumps while payments are continuous; a rolling cash forecast is therefore needed alongside the budget.



Table 7. Scenario analysis (₹ lakh)

Scenario	Income	Expenditure	Surplus / (deficit)
Base case	18.20	17.00	1.20
10% funding shortfall	16.38	17.00	(0.62)
8% cost escalation	18.20	18.36	(0.16)
Funding +5% (with expenditure at 17.40)	19.11	17.40	1.71

A 10% shortfall creates a deficit equal to about 11.5% of the ₹5.40 lakh reserve, and cost escalation of 8% a deficit of about 3%. A single shock is absorbable, but repeated or compounding shocks would erode a reserve that covers under four months of spending. This is the practical case for reserve building together with diversified funding.

5.8 Control effectiveness

Table 8. Control matrix

Process	Key risk	Illustrative control	Benefit
Receipt recording	Omission or misclassification	Sequential register with bank reference	Traceability
Payment processing	Unauthorised spending	Approval plus supporting voucher	Accountability
Bank balance	Unrecorded differences	Periodic reconciliation	Accuracy
Budget management	Overspending	Monthly variance review	Early action
Document storage	Loss of evidence	Digital backup and filing structure	Continuity

Controls should be reviewed as transaction volume grows: a procedure that is sufficient for a few dozen transactions a month may not be sufficient for several hundred.

6. Discussion

The findings answer the research questions as follows.

- **RQ1:** The financial cycle is conceptually complete, but the links between stages are the weak points. Classification at receipt determines the quality of fund-wise reporting, and documentation at payment determines later verifiability.
- **RQ2:** Budget-versus-actual review is most useful when done monthly, at category level, with a recorded explanation for every material variance. The total can look healthy while individual categories drift.
- **RQ3:** No single ratio describes financial health. Income growth, surplus margin, reserve cover, funding concentration and fund utilisation each reveal a different risk. In the illustrative case the combined picture is one of stability with thin headroom.
- **RQ4:** The most effective improvements are those that add visibility at little cost: fund codes, a monthly MIS, a variance routine and standard checklists. Complex systems tend to fail in organisations with limited staff capacity; simple routines that people actually use do not.

Two broader points follow. First, accountability is internal as well as external: a governing body that receives a one-page monthly summary can exercise oversight that an annual statement does not allow. Second, finance in this sector is a mission function. Each recommended control exists to protect the integrity of money entrusted for social purposes.



7. Recommendations and Implementation Roadmap

1. **Introduce fund and project codes** on every receipt and payment so that fund-wise balances can be produced on demand.
2. **Review budget against actual monthly,** with a short written reason for any variance above an agreed threshold.
3. **Standardise documentation** through voucher and approval checklists completed before payment is recorded.
4. **Produce a one-page monthly MIS** (see Table 10).
5. **Maintain a rolling cash forecast** to anticipate timing gaps between grants and payments.
6. **Digitise and back up records** in a simple folder structure by financial year, programme, month and document type.
7. **Build reserves and diversify funding** deliberately, and track funding concentration annually.

Table 9. Phased roadmap

Phase	Timeline	Key action	Output
1	0–2 months	Standardise registers and vouchers	Consistent records
2	2–4 months	Start monthly budget review	Variance reports
3	4–6 months	Introduce fund/project tracking	Fund-wise balances
4	6–9 months	Build a management dashboard	Timely MIS
5	Ongoing	Review and improve controls	Continuous improvement

Each phase should have a named owner, a deadline and a measurable output, and management should check that new formats are used and not treated as extra paperwork.

Table 10. Monthly MIS template

Indicator	Reporting item
Opening position	Opening cash and bank balance
Resources received	Receipts by major source
Utilisation	Expenditure by programme and support category
Closing position	Closing available balance
Budget status	Actual versus budget
Fund position	Major fund-wise balances
Key variances	Material deviations and reasons
Action items	Decisions required from management

8. Limitations and Future Research

Limitations. The study is bounded by the short OJT duration and by confidentiality restrictions. It is a single-organisation case, not an audit or assurance engagement. Most importantly, the quantitative analysis uses illustrative figures, so its numerical results demonstrate method and should not be read as findings about SBSS's actual position. The organisational profile should be verified against official records before wider circulation.

Future research. Applying the same toolkit to audited statements and monthly transaction data would turn the demonstration into an evaluation. A longer window could capture seasonality in funding and spending. Natural extensions include working-capital and cash-flow analysis, project-wise costing, funding-concentration tracking over time, comparison across several district-level organisations, and development of a digital financial dashboard.



9. Conclusion

This paper examined how a small social-service organisation can strengthen financial management and fund accounting through simple, structured practices. Using a Plan–Record–Control–Report cycle and a set of standard non-profit indicators, it showed that reading indicators together reveals risks that totals alone conceal, such as a narrowing surplus margin, concentrated funding, thin reserve cover and uneven fund utilisation. The central conclusion is that sustainability depends on both resource mobilisation and the discipline of converting records into timely management information. For organisations like SBSS, fund codes, monthly variance review, a one-page MIS and organised digital records offer the best return for the least administrative burden.

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