

The Formation and Development of Financial Resources by Non-Commercial Organizations

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It would be reasonable to say that all organizations, including both for-profit and non-commercial ones, require a certain amount of funds for regular operations. However, contemporary tendencies of emphasizing for-profit companies over non-commercial organizations make fundraising capacities harder. The ways through which non-commercial organizations generate funds are exceptionally varied, ranging from nontaxable income to regular donations from stakeholders. Even though the directions for forming and developing financial resources among non-commercial organizations are stringent, it is necessary to analyze revenue composition, financial management, revenue structure, and organizational effectiveness.

#### Revenue Composition

First and foremost, revenue composition stands out as one of the most critical factors in forming and developing financial resources due to its detailed analysis of how various sources of income allow non-commercial organizations to maintain operational objectives. With regard to extremely diversified streams of income for non-commercial organizations, one may point out that the decrease in governmental spending was the key factor for enriching revenue composition.

Since individual donations are fundamental sources for pursuing organizational intentions, many organizations struggle with making themselves appealing enough for securing their financial stability through donations. Considering the fact that a market-driven environment forces non-commercial organizations to implement a businesslike approach to survive, one may point out that the regularity of financial contributions represents suitable conditions for long-term financial management (Ecer, Magro & Sarpça, 2016). One of the most feasible ways to generate

and maintain the system of individual donations is to attract more skillful and reliant managers. The contribution of both financial managers and other organizational members of non-commercial organizations are immeasurable, meaning that the first step to form financial resources relies on human resources management.

### Financial Management

Secondly, financial management, which was partially mentioned above, stands out as the fundamental instrument for maintaining financial resources in the long-term perspective. The robust and unfriendly economic climate, which is the logical implication of macroeconomic hardships, deteriorates the financial state of affairs among non-commercial organizations. According to a study by Strydom and Stephen (2014), the presence of a separate finance committee was a significant factor for mitigating the impacts of financial stress. Similarly, the engagement of competent financial specialists is mandatory to keep funds in the structure of a non-commercial organization (Strydom & Stephen, 2014). One of the most particular parameters in the structure of any non-commercial entity is the application of targeted fundraising, which should be pursued in various economic contexts.

Even if the macroeconomic situation is backpedaling, the proper articulation of the organizational budget, more economic-efficient purchasing procedures, and targeted fundraising is required to ensure the sustainability of a non-profit organization. Another valid option for some organizations is to establish close ties with other non-commercial organizations and international fundraising sources to overcome the financial stress of the organizational budget (Strydom & Stephen, 2014). Under no circumstances should these notions be associated with obligatory ones; however, the compliance with the above-mentioned financial management

procedures is a crucial determinant for forming and developing a long-term organizational budget.

### Revenue Structure

With non-commercial fundraising, revenue structure and its respective diversification should be reviewed to determine the ways of generating an organizational budget. Since a wide range of organizations intends to diversify their fundraising channels to accomplish a more reliable financial performance, this pattern is now associated with being a standard model for non-commercial entities. However, it is also frequently speculated that the increased scale of diversification leads to decreased financial performance over time (Sacristán López de los Mozos, Rodríguez Duarte & Rodríguez Ruiz, 2016). The reason for this phenomenon among non-commercial organizations is organizational inefficiency.

Numerous non-profit entities operate with limited resources, both human and financial ones, that eventually results in the logical demand for more intensive work over multiple fundraising channels. The crucial point is that the core for both forming and developing financial resources is income heterogeneity, which is intertwined with sustainability and financial capacities (Sacristán López de los Mozos et al., 2016). Consequently, the most rational and empirically proven source for forming and developing fundraising capacities refers to the design of long-lasting ties with individual donors and regular organizational events.

From the perspective of administrative and fundraising costs, the concentration of a single type of funder is the most resource-saving option, especially for non-commercial organizations with small-scale human resources. This rule can be generally applied to most non-profit entities, meaning that the increased diversification of fundraising results in decreased

operational performance over time. Presumably, the invention and design of a more focused and concentrated fundraising campaign are more beneficial in terms of forming financial resources than a reliance on multiple channels at once.

### Organizational Effectiveness

The last aspect worthy of reviewing in the discourse in financial resources among non-commercial organizations is organizational effectiveness. Although the ways through which funds may be generated are crucial, organizational effectiveness stands out as a vital instrument for allocating funds efficiently. More precisely, the essence of non-commercial services relies on the equal importance of non-financial resources, which are believed to be essential for achieving an organizational mandate (Iwu, Kapondoro, Twum-Darko & Tengeh, 2015). In other words, the existence of an explicitly sophisticated vision, mission, and the dedication of human resources stand out as the most influential aspects for equal success in generating financial resources.

Subsequently, the core for forming, developing, and increasing financial resources is intertwined with the organizational effectiveness of non-commercial entities as a whole. It should be noted that the articulation of measurable goals for non-profit organizations is obligatory to make fundraising appealing, at the same time contributing to the accomplishment of objectives and intentions (Iwu et al., 2015). With regard to the parameter of resource control, one may refer to the compliance with both financial and non-financial factors of non-commercial organizations. In other words, the high rates of organizational effectiveness match with the prospects of economic sustainability, which stands out as a feasible recommendation for all non-commercial entities.

### Final Remarks

The ways of forming and developing financial resources within non-commercial organizations are incredibly varied, ranging from individual donations to regular events and governmental assistance. As for the most feasible way to generate and form the basis of financial resources is to emphasize the role of the financial manager, who is capable of increasing the extent of individual donations. Other than that, the diversification of revenue composition might have negative implications on organizational effectiveness, which in turn configures financial success in the long-term perspective. Therefore, a focus on heterogeneity is the most meaningful way to form and develop financial resources for non-commercial organizations, which should be widely acquired to achieve the more prosperous economic performance of non-profit entities.

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