

**THE EFFECT OF FINANCIAL PLANNING ON FINANCIAL PERFORMANCE OF  
NON GOVERNMENTAL ORGANIZATIONS IN UGANDA : A CASE STUDY OF  
UGANDA ASSOCIATION OF WOMEN LAWYERS**

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**UGANDA CHRISTIAN  
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## DECLARATION

I Abonyo Sarah declare that this Dissertation titled “the effect of financial planning on financial performance of non-governmental organizations in Uganda”. Is fully my original work and the best of my knowledge it has not been submitted or presented for any degree award in any other University?

Signature.....

Date.....16/09/2024.....

ABONYO SARAH

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## APPROVAL

I certify that this dissertation titled “the effect of financial planning on financial performance of non-governmental organizations in Uganda”, has been written under my supervision and is now ready for further examination.

Signature: .....  ..... Date: ..... 16/09/2024 .....

Jennifer Abiyar N. (Mrs).

University Supervisor.

## **DEDICATION**

I dedicate this dissertation to my parents and Mr. Elem Jackson and Mrs. Nalyaka Annet who advised, supported and mentored me all through my education up to university level.

## **ACKNOWLEDGEMENT.**

I thank the almighty God for giving me strength, good health, guidance and wisdom to successfully complete this study.

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## ABSTRACT

Finding out how financial planning impacted the financial performance of non-governmental organizations in Uganda was the primary objective of the study.

The purpose of the study is to ascertain how budgeting procedures affect non-governmental organizations' (NGOs') financial performance in Uganda. It also aims to investigate the connection between financial monitoring and the financial performance of non-governmental organizations in Uganda, as well as to assess the impact of financial practices on that relationship.

To determine the link between the independent and dependent variables, a cross-sectional design was used. The target population for the study was made up of 76 FIDA workers working in different departments. The sample size, sixty-three, was selected using a stratified sampling approach.

Primary data for this study were gathered through the use of semi-structured, self-administered questionnaires. Means, frequencies, and descriptive statistics were used in the data analysis process.

According to the study, budgeting is a component of planning since it entails estimating projected expenses and the amount of money that must be raised; an organization cannot advance until it is able to locate funding sources for its activities. Diversifying their sources of income is the only way for FIDA to have an appropriate flow of funds, which is necessary for their operational performance.

Thus, the study demonstrated that financial monitoring, financing, and budgeting procedures all have a favorable and substantial impact on FIDA's performance.

This result allowed the study to conclude that budget planning and FIDA's financial performance are positively and significantly correlated. As a result of the study's findings, financial managers should always plan the organization's ideal capital structure, all departments should prepare budget plans ahead of time, and the organization should use funds generated outside of its own walls to finance its operations.

## **CHAPTER ONE.**

### **1.0 Introduction.**

In this chapter, the study's contextual background is emphasized, and the impact of financial planning on financial performance is placed in perspective. The purpose of the study is to determine how financial planning might affect NGOs' financial performance in Uganda. In order to ascertain how financial planning policy is being implemented among NGOs, some particular study objectives were devised. In this chapter, we will also talk about the scope of the study that covers FIDA in Kampala. This explains the reasoning behind the study's conclusion that financial performance and financial planning are related.

### **1.1 Background.**

Over time, NGOs or non-profit organizations have gradually become a contributing agent to the process of economic development and growth. Governments have come to consider NGOs as an important partner in the processes of national development and democracy promotion. According to Wafukho (2010), such recognition has indeed opened various avenues for debates concerning NGOs and their methods of managing financial resources. Taking all these issues into consideration, it will always be important to bear in mind the fact that effective and efficient financial management practices would always play a huge role in ensuring all organizations survive or even grow. As Fiador, 2013, noted, "Financial resources are core assets for organizations and institutions. It is thus important to manage such resources to serve the intended purpose". In some instances, however, this critical capital is not put to good use by a person in possession of it. It follows, therefore, that NGOs are to put in place solid financial management systems that ensure the right use of resources and easy flow of activities and projects, and organizational processes generally.

Because of this, implementing sound financial management practices is always essential to making sure that institutions endure in the fast-paced, results-driven world of today. Second, NGOs have a large number of stakeholders, including funders, members, service recipients, and regulators. These stakeholders expect accountability from the management of these organizations regarding the use of financial resources and improved performance. Since projects cannot be produced without financial resources, organizations that have the capacity to implement stringent financial management procedures may nearly guarantee performance. Therefore, since financial management oversees one of an organization's most precious resources—its finances—it is an integral aspect of all organizations.

A proper financial control system contributes a great deal towards ensuring stakeholder investment is safeguarded together with the organization's assets. Strong financial controls improve on the issuance of data to the management and help secure the assets of the organization. Accountability is emphasized, too, which needs to be accurate in order to aid in timely sound decision-making. While their missions are highly noble, most NGOs have to continuously fight financial difficulties that always stand in the way of their efficiency and sustainability in pursuing those objectives. It is for this reason that good financial planning and management are an integral part of NGOs' ability to optimize resources, enhance operational efficiency, and ensure organizational sustainability in the long run.

### **1.2 Statement of the problem.**

Ditshwanelo (2004) highlighted that one of the primary threats to the existence and effective operation of non-governmental organizations (NGOs) is reduced funding, which may compel them to scale down their activities. This challenge is prevalent not only in Africa but also in Uganda, where many NGOs struggle due to limited financial resources. Often, NGOs in Uganda lack clearly defined structures, including organizational charts, buildings, facilities, equipment, and human resources. This deficiency can be attributed to the constraints that limited financial resources place on their ability to plan, organize, and establish well-defined structures or adequately equip their offices.

NGO operations have expanded throughout time as a result of more money coming in from different contributors. According to Wanjiru (2013), a lot of NGOs have had trouble getting donations because of dubious financial management techniques that have prevented them from carrying out their missions.

Instances of poor financial planning are associated with the underperformance of NGOs and the premature termination of ongoing projects such as the suspension of the licenses of some refugees due to alleged corruption and mismanagement of funds that are meant to facilitate the refugees in Kiryandongo refugee camp. (Phillip Kleinfeld, 2023).

In the Ugandan context, this issue persists and poses significant challenges to the sustainability and impact of NGOs. Therefore, there is a pressing need to sensitize NGO managers in Uganda about the importance of engaging in proper financial planning to enhance their financial performance and ensure the successful implementation of their programs and projects.

### **1.3 Purpose of the study.**

The purpose of this study lies in the critical role that NGOs play in addressing societal needs and promoting social justice. By examining the factors influencing NGO performance, particularly in context of financial planning and management, this study seeks to contribute to the overall effectiveness and sustainability of these organizations. Moreover, given the limited research focusing specifically on financial management practices in NGO sector, this study addresses an important gap in the literature.

### **1.4 Objectives**

The general objective of the study was to establish the effect of financial planning on financial performance of non-governmental organizations in Uganda.

Specifically, the study sought:

To establish the effect of budgeting practice on financial performance of non-governmental organizations in Uganda.

To assess the effect of financing practice on financial performance of non-governmental organizations in Uganda.

To investigate effects of financial monitoring on financial performance of non-governmental organizations in Uganda.

### **1.5 Research Questions**

What is the effect of budgeting practice on financial performance of non-governmental organizations in Uganda?

What is the effect of financing practice on financial performance of non-governmental organizations in Uganda?

What is the effect of financial monitoring on financial performance of non-governmental organizations in Uganda?

### **1.6 Scope of the study**

The scope covered the content scope, geographical scope and the time scope.

#### **1.6.1. Content scope.**

The study was intended to find out the effect of financial planning on financial performance of non-government organization. And finding out if financial planning really has a significant impact on the performance of NGOs in Uganda.

#### **1.6.2 Geographical scope.**

The study was carried out from Uganda association of women lawyer commonly known as FIDA, that is located at Nakasero Hill Road, Kampala, Uganda FIDA Uganda National Office.

#### **1.6.3 Time scope.**

The study focused on analyzing the performance of FIDA through reviewing literature between 2019 and 2024 because the researcher believed that the literature was relevant to justify the study since it is the most recent information.

### **1.7 Significance of the Study.**

This study is significant for several reasons:

By shedding light on the relationship between organizational performance in the NGO sector and financial planning and management, it advances our current understanding.

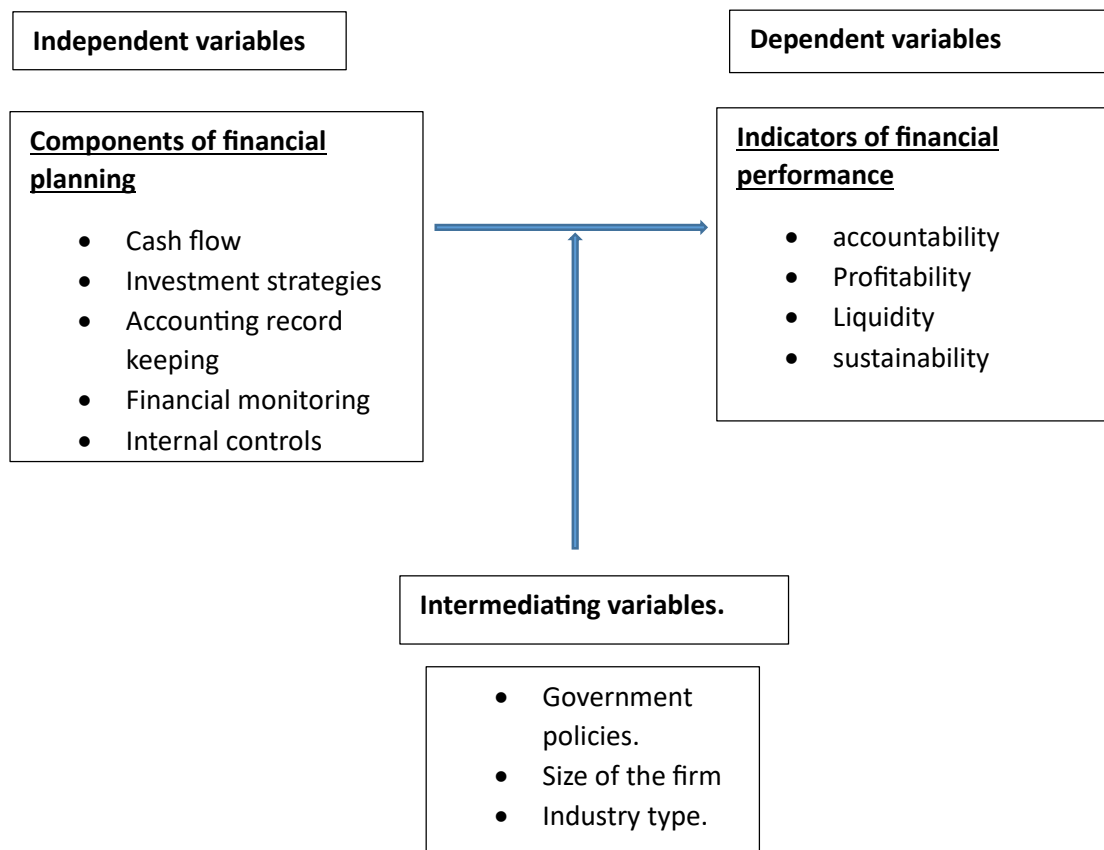
The findings of this study will be helpful in educating donors, legislators, NGOs, and

other stakeholders about the significance of sound financial procedures in accomplishing organizational objectives.

In order to guarantee efficacy and sustainability, it would also produce insightful suggestions on how NGOs might improve financial planning and administration procedures.

### 1.8 Conceptual framework.

**Figure 1: Conceptual framework**



**Source: Ibrahim (2018) and modified by the researcher.**

The conceptual framework outlined the relationship between the financial performance and financial planning by breaking them down for purposes of clear understanding as well as to guide the development and analysis of the research. The model was divided into three parts; the dependent variables which was made up of

the indicators of financial performance, independent variables which present the components of financial planning and the intermediating variables which cut across.

## CHAPTER TWO

### LITERATURE REVIEW.

#### 2.1 Introduction.

This part of the research work presented the review of literature on the topic at hand which was intended to provide an empirical and theoretical basis for the study by defining the critical aspects of the issue and findings that had been identified in the past hence finding relevant theories that link it up with the research gap and the basis of the study at hand.

#### 2.2. Theoretical Orientation.

##### 2.2.1. The Agency Theory.

Agency theory is based on the fact that firms are indispensable in the enforcement of contracts; as such, they can ensure that agents will not act opportunistically. Firms are assumed to consist of a network of relationships between the managers (the agents) who are charged with deploying and managing the economic resource owners (the principals). Agency theory is also based on the fact that agents are better informed than the principals of moral hazard and adverse selection about the relationship, the agent's interest, or the agent's job performance. This asymmetry of information in that regard worsens the task of the principals in finding out whether the agents are doing the tasks precisely entrusted to them and whether they are well informed".

NGOs play a very significant role in the economic development of a country, in that in one way or another, they fill a gap where the government cannot provide a service or provides it incomprehensively. The latter reason sees the organizations seek sources of funds to enable them to satisfy their objectives. These include the managers, who are appointed by the board of directors of these non-governmental organizations to manage and utilize the financial resources of the organization. However, the managers or agents, to whom the board of directors or principals has delegated the responsibility for running the organization, may act opportunistically in their own self-interest rather than the interests of the principals and thus create

an agency conflict that results in a failure to achieve the organization's goals. In trying to mitigate the agency problem, principal-agent risk-bearing systems are designed and controlled by contracts. Therefore, an agency fee must be paid by the company for activities of managers to be aligned with the goals and objectives of the organization.

The practice of management in upholding the objective and vision of the organization in the NGO sector confirms the assertions made by the agency theory. According to Mwangi (2014), the board of directors has the legal mandate of ensuring NGOs fulfill their public mandate through the achievement of its objective. The board of directors ensures that the managers do not operate outside the charter of the organization, as well as the set legal and regulatory requirements. The board, therefore, is interested in both the overall welfare and performance of the organization to ensure its survival. Financial controls are among the many strategies in business that are implemented as a solution to address the agency problem. Others include financial reporting, audit committees, budgeting, and external auditing, Wakiriba, Ngahu & Wagoki, 2014. Organizations that have stringent financial management policies have experienced a decline in agency costs, and some have gone to the extent of suggesting that the disclosure of financial controls have positive economic consequences on the organization. There is a direct mapping between weakness in financial controls and increased levels of earnings management, Chan et al., 2008. The agency problem of earnings management led to the formulation of the SOX legislation after corporations such as WorldCom and Enron, among others, manipulated earnings. Over time, the presence of financial controls due to the implementation of a robust organizational financial management policy has contributed to lessening the agency problem in organizations. The Committee of Sponsoring Organizations of the Treadway Commission, COSO, says controls are effective when they are embedded in the organization architecture so that undue costs may be avoided, and so that timely reactions to constantly changing conditions are possible.

This is so that organizations may establish and institute financial management rules that will enable them to realize their goals.

### **2.2.2. Theory of Financial Control**

In 2009, Ostman made developments toward the theory of financial control. The basic point of reference for the latter is human personal functions in present and future terms. According to this theory, the main meaning of financial tools for organizations is their ability to function and a guarantee of their existence. It also mentions that with respect to the features of the internal organization, the consequences could be viewed together with the payments, instruments of finance, the bookkeeping, and control model, financial calculation, and problems of this sort. It is mentioned that the solution of the problem of how the other activities are linked with the financial processes as far as the point of view of the financial control goes, is regarded as the basic problem.

The theory of financial controls is naturally emphasized by organizations from several latitudinal perspectives.

First, it's related to the way people work and achieve for the organization itself, in terms of the output and the activities realized. The second domain is one of articulation of the entity itself and of its operations, together with the exchanges and relationships that various shareholders keep among themselves. The control systems, which are routine procedures and methods connecting present and future functions to resources both internally and externally, are included in the third latitudinal section. It implies that the above-mentioned financial control strategies are essential to both specific firms and larger economic systems. It continues by saying that the financial control system and structure cooperate (Ostman, 2009). The present study makes extensive use of the theory of financial control, which provides enhanced understanding of the financial controls that are integral to the finance management policy that must be implemented in a company.

### **2.3. Empirical Review.**

Adopting sound financial management practices is often essential for firms to succeed in the fast-paced, goal-oriented world of today. In addition, a variety of stakeholders inside an organization, including financiers, members, service recipients, and regulators, expect accountability from the management regarding the use of financial resources and improved performance (Serem, 2013). Financial planning, control, analysis, financial and management accounting (price and costing), working capital management, and budgeting are all identified in the literature on the financial management of organizations as being essential to their success (Osman, 2007).

A study was conducted by Karaunananda and Jayamaha (2011) on the financial practices of small and medium-sized firms. The goal of the study was to determine whether SMEs' adoption of comprehensive financial practices had an effect on the performance of their firms. Distributive statistics were used to examine the data collected via questionnaires. The results indicated a significant positive correlation between enterprise performance and financial audit ( $p = 0.489$ ), historical financial reporting practices ( $p = 0.212$ ), future-oriented financial reporting practices ( $p = 0.332$ ), historical financial statement analysis practices ( $p = 0.375$ ), and financial systems ( $p = 0.524$ ). The study discovered that the performance of SMEs' businesses was impacted by financial procedures.

The impact of financial management methods on the provision of health care in Uganda's Rukungiri District was investigated in a study conducted by Byarugaba et al. (2014). Budgeting, financial accountability, and financial controls—all independent variables—were examined in relation to the delivery of health services—a dependent variable. Both quantitative and qualitative approaches were used in the research, which employed a case study survey design. The survey data were analyzed using correlation, regression analysis, and computational statistics.

The results indicated that there is a moderately positive significant relationship between financial controls and service delivery ( $r = 0.433$  at 0.000 significant), a positive significant relationship between financial accounting and service delivery ( $r = 0.249$  significant at 0.01 significant), and a relatively weak positive significant effect of budgeting on health service delivery ( $r = 0.305$  at 0.01 significant). Budgeting, financial accountability, and financial controls were found to be very

significant predictors of service delivery in the regression analysis, with adjusted R<sup>2</sup> values of 0.085, 0.054, and 0.180 and significance levels of 0.001, 0.007, and 0.000, respectively.

The results, deducing that budgeting and financial controls make a strong contribution toward service delivery, were significant at  $\alpha = 0.05$  in the study for budgeting, financial accountability, and financial controls, and maintaining strong financial accountability will go a long way in improving service delivery. It was suggested that management offer strong budgeting systems to promote better financial accountability, strengthen the internal financial controls in order to improve financial management practices, thus health service delivery.

A study by Kamwana and Muturi (2014) examined the relationship between financial management and project performance in Kenya that received funding from the World Bank, with a focus on KPLC projects. In Nairobi, the 500 employees of Kenya Power who oversee project implementation are the subject of the descriptive research. To gather primary data, employees were requested to fill out questionnaires. The current study is to explore financial management with respect to the following independent variables: financial control, financial planning, financial monitoring, and financial assessment. Project performance, on the other hand, concentrates on the cost, time, and management elements. The results of the linear multiple regression analysis in this study showed that 89% of the project performance practices and performance itself were explained, as indicated by R<sup>2</sup>. Financial monitoring was the most significant factor, with financial planning having the highest level of significance at 0.002, financial monitoring showing the highest level of significance at 0.005, financial evaluation showing the highest level of significance at 0.013, and financial control showing the highest level of significance at 0.032 at a 5% level of significance and 95% level of confidence. According to the study's findings, project performance is enhanced by financial control, planning, monitoring, and assessment.

(Evans, 2013) studied CBOs in Baringo County to examine the variables affecting their financial control procedures. The study used a survey research design to target 142 management staff members of 220 CBOs. Questionnaires were used to gather data, and descriptive and inferential statistics were used to analyze the results. The

results showed that there was a favorable correlation between the technical abilities of CBO officials ( $r = 0.478$ ,  $\alpha = 0.01$ ), auditing ( $r = 0.435$ ,  $\alpha = 0.01$ ), bookkeeping ( $r = 0.268$ ,  $\alpha = 0.05$ ), internal control systems, and budgeting ( $r = 0.220$ ,  $\alpha = 0.05$ ) and financial control procedures. The results of the multiple linear regression analysis of the study indicated that while internal control systems, budgeting, and bookkeeping are not significant, technical skills ( $\beta = 0.347$ ), auditing ( $\beta = 0.285$ ), and bookkeeping ( $\beta = 0.024$ ) are.

The study ultimately found a strong correlation between financial control practices and the technical competence of CBO officials in auditing, bookkeeping, internal control, and budgeting.

### **2.3.1. Financial Management Policy Implementation.**

It involves organization of systems, processes, procedures, and internal controls relating to income and expenditure, assets, and liabilities it deals with. In this regard, for an organization to manage business finances correctly, it is necessary that it formulate and then implement a financial management policy. A financial management policy refers to an organization's policy that prescribes its financial controls.

According to (SAS, 2002), financial control initiatives include policies and procedures set in place to ensure management directions are executed. The policies and procedures that management and directors establish will guarantee that the organization's goals are met, including making sure business is performed in an orderly manner, internal regulations are upheld, assets are protected, and awareness regarding

Establishing priorities and the planning cycle is the first step toward sound planning. Owing to the large quantity of tasks that must be completed, they must be ranked in order of significance. The planned activities or the operating environment are taken into consideration while preparing the budgets ahead of time. When the short- and long-term effects of budgeting are taken into account, the business gains overall benefits.

Otley (1987). However, as managers must publish complete plans in order to carry out the long-range plans, the creation of annual budgets comes before an assessment of the plans.

### **2.3.2. Financial Planning.**

A well-thought-out strategy that guarantees sufficient funds when required to meet an organization's short-, medium-, and long-term capital requirements is known as financial planning. Financial planning is a component of the organization's budgeting system and is linked to its operational and strategic plans. A budget is seen as the foundation of any financial management system since it becomes crucial to track how money is used. Planning is being proactive and ready for everything by taking part in the process of choosing goals to be met and coming up with strategies to get there. It enables an organization to be able to assess its progress toward its goals and objectives.

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Managers who are involved in budget implementation must receive feedback when the budget is put into action. This is often accomplished by creating monthly budget reports, which analyze the budget against actual and highlight any areas where discrepancies are occurring. To prevent any process bottlenecks, the budget plans need to be well coordinated. By synchronizing the various budgets, this will guarantee that the implementation process is not only seamless but also time and money-efficient.

#### **2.3.4. Liquidity planning.**

Liquidity Planning - This refers to the planning strategies and tools used by an organization to manage its cash flow and ensure adequate resources for addressing its current obligations (Venkat & Baird, 2017).

#### **2.3.5. Accounting Records.**

Maintaining accounting records entails creating and putting into place a system of record keeping, which can be manual or electronic. Various non-governmental organizations (NGOs) employ varying record-keeping methods based on their available resources and operating requirements. An organization uses procedures, staff, technology, and records as part of its accounting system to produce and present financial data and disseminate it to its many stakeholders. An accounting system's primary goal is to satisfy an organization's needs by providing the effective information required for decision-making. An effective accounting system encourages the development of controls that aid in protecting an organization's assets (Wanjiru, 2013). Iddrisa and Anang (2010) pointed out that in order for most The challenge to NGOs, either due to resources or size to maintain a proper system of accounting leading to inability to produce accurate financial reports, is that it becomes a challenge. This has been the minimum requirement by donors where they carry out financial assessments of the NGO's accounting system to establish their effectiveness before they release any funds to them. The NGOs should keep accounting records concerning the financial transaction occurring. This would ensure accountability with regards to the respective funds in use. Good accounting records produce information which urgently needed concerning the management of the organization, and whether the prescribed objectives and goals are being achieved. The NGOs are to be good stewards of the resources which are given to them by the

financiers. In this regard, management is supposed to set the proper financial management policy and implement it accordingly; such policies guarantee that the funds, as well as other resources put to work, are applied suitably. To fulfill its missions and set goals, an NGO uses resources that belong to other people. 2013: Those providing the funding for these activities need to have the guts to believe that the organization will run smoothly and responsibly. This necessitates keeping accurate accounting records.

An excellent accounting system provides a chart of accounts that groups various revenue and expense account source groupings into comparable categories, like income and expenditure assets liabilities.

Budgets should follow the same categories found in the chart of accounts to provide uniform reporting. Prior to making any payments, all levels of approval should be obtained in accordance with the guidelines provided in the financial management policy of the organization. The financial management policy document should be understood by every employee to guarantee that the right procedures are followed. Since handling funds, no matter how big or small, can be a laborious task, every NGO should have accurate accounting records.

#### **2.3.6. Internal Controls.**

Controls are essentially established policies and procedures designed to guarantee that an organization's operations are carried out effectively and, consequently, that its assets are safeguarded. According to the ICAEW, an organization's internal control system includes all of the controls set up by management to guarantee the proper and accurate presentation of its financial data, the smooth operation of its operations, and a sufficient degree of asset protection. According to ISA 315, internal control is a procedure created and carried out by management, governance, and other staff members who are in charge of giving a reasonable level of assurance that the organization's goals regarding the accuracy of the financial:

Controls are established as well as carried out to help in identifying and mitigating risks that may hinder organizations from achieving about the satisfaction of their goals. The term internal control is described as a process in which management can

be assured that the organization will achieve its financial and nonfinancial goals. A system of internal control, involving internal audits, is primarily aimed at ensuring reliability in financial performance. As a matter of fact, this is something that increases accountability in people providing information directly or indirectly to the organization.

However, the quality of internal control design is essential for a company to succeed, and management should constantly give it special consideration. Managers need to use caution while designing internal controls to guarantee that they function effectively (Yang, 2012). The management should make sure that internal controls are employed to help achieve corporate goals by managing risks and guaranteeing adherence to rules, laws, and regulations as well as organizational policies. Internal controls are a fundamental component of governance and risk management frameworks that organizations must internalize.

The board should establish internal control policies and make sure they are routinely reviewed and updated to ensure they are functioning properly and allowing for the monitoring of risks to which the business is exposed. This will also make it possible to implement strategies that successfully lower those risks to manageable levels. To that end, the board ought to take the lead by making it abundantly evident to everyone within the company that internal control adoption is critical to performance.

The organization's financial situation is conveyed to a wide variety of interested parties through financial statements that are derived from financial data. Organizations can acquire community trust and communicate pertinent information to funders and other stakeholders by disclosing information in their financial statements (Saxton & Guo, 2011).

#### **2.4 Financial Performance.**

Organizational performance can be defined as the actual output or results against the projected outputs. It is some sort of review on how the organization has fared concerning its stated aims and objectives. The performance of an organization, as defined by the 2010 Association of Certified Fraud Examiners, is an entity's ability to generate profits, continue its operation, and grow or change with the opportunities and dangers of the external environment. This means the realization of all of the

organization's ultimate or highest goals stated or mapped out in its strategic plan. Ricardo explains, "An organization's performance generally is a reflection of and symbolizes the capability of that specific organization to achieve its desired goals and objectives".

While the business sector was definitely the most targeted by performance assessment, over the past ten years interest in performance has expanded along with the reduced distinction between the commercial and non-profit sectors.

As a result, three key performance outcomes for these kinds of firms will be examined: financial, market, and shareholder value performance. Therefore, returns to shareholders, product performance in the market relative to competitors, and financial performance as shown in financial statements are used to evaluate the success of these kinds of firms. Organizations in the non-profit sector, in contrast to their profit-sector counterparts, function with a variety of donors, some of whom may have different interests than the organization's shareholders. According to Sharma (2012), the primary purpose of performance measurement in businesses is to hold people accountable for their actions and activities and to promote learning, which leads to better performance.

Financial indicators over time, social contributions, and organizational contributions to people management would all be included in a sustainable performance. Successful organizations' performances are maintainable throughout time rather than at any one moment. Consequently, a business can achieve efficient performance if its management considers evaluating its internal and external environment and then compares the outcomes to the objectives it has set. An company should measure both quantitative and qualitative aspects to make sure the desired level of performance is reached. This will guarantee feedback over an extended period of time and the accomplishment of favorable results. Employee values and corporate culture make up the other performance elements.

Organizations measure performance mainly because of the need to confirm whether they are achieving their objectives and to what extent. This calls for organizations to institute performance measures since it is a continuous process. Performance measurements involve gathering information regarding an organization, individual, group, system, or component analysis, and reporting. This mainly involves reviewing

implemented strategies within an organization to see whether the output is according to expectations or not. The measurements have really helped ensure that intended results are observed and establish how effective and efficient the operations of an organization are, set realistic targets and objectives, determine deviations from plan, and also for proving accountability to all stakeholders both internal and external to the organization.

#### **2.4.1. Indicators of Financial Performance.**

There are various performance measurement systems in existence today, including the Balanced Scorecard, Performance Prism, Cambridge Performance Measurement process, amongst others, with the Balanced Scorecard being the most popular. Whatever, there has not been a single model that has universally been accepted because every organization possesses unique requirements, which are unlike one another.

Waste elimination in benefits, systems, processes, and services translates into the financial performance in manufacturing companies. The degree to which a manufacturing company meets its set goals and mission in regard to efficiency, effectiveness, and economy constitutes a vital success factor. According to the American Institute of Certified Public Accountants (2011), a company is said to have attained Value for Money when it is able to register good financial accomplishment. That is, with the capital available to it, if it has benefited to the fullest from the commodities and services it buys and/or sells. Other factors of good value include cost, quality, use of resources, suitability for the intended purpose, timeliness, and convenience.

Improvement in performance is crucial to their continued existence and, as such, not optional for NGOs because NGOs operate with little accountability as compared to their counterparts in the public sector, and their survival has been almost completely de-linked from performance since they are seen to be under little or no obligation to tell the truth to their stakeholders. In recent times, NGOs have an increased interest in the performance measures; for instance, managers are said to be under pressure to show that they are effective in the delivery of service and answerable for the resources entrusted to them. In NGOs, measures of performance can take the form of financial and non-financial measures. Financial measures involve the analysis of quantitative features of financial statements within an organization to assist stakeholders to understand the financial standing of the organization for the purpose of formulating further plans and having activities monitored.

#### **2.4.2. Accountability.**

Financial reporting, therefore, has to be regularly availed to the managers of NGOs to facilitate informed decision-making. According to Mugo, 2013, one of the ways in which managers account for the financial resources given to them is through the preparation of financial statements. The International Financial Reporting Standards (IFRS) are being adopted by the majority of non-governmental organizations (NGOs) in order to improve the financial statements' informativeness and make it easier for stakeholders and donors to comprehend and assess the organization's financial status. The availability of financial statements allows for quantitative data analysis, such as ratio and trend analysis, to assess the link between the financial data.

Managing an organization's working capital during its regular business activities is known as working capital management. Working capital has two components: net working capital and gross working capital, according to Sanjib & Uttam (2013). The amount of money invested in current assets is known as gross working capital, and the difference between current assets and current liabilities is known as net working capital. As a result, NGOs exclusively use the idea of gross working capital in their operations and have no current obligations. Sharma (2012) states that an organization's ability to handle its financial resources effectively is indicated by a current ratio that is satisfactory.

### **2.4.3. Survival**

The term "organizational survival" refers to the amount of time that an organization will last if all of its financial obligations are met and no additional funding is obtained from donors during the year. An organization's ability to stay in operation for a sufficient amount of time is a sign of high financial performance, as Mugo (2013) states that those who can stay in business for several years are considered strong performers. NGOs use the survival ratio, which displays the percentage of general reserves or unconstrained cash compared to annual revenue, to assess their financial standing.

### **2.5. Literature on objectives.**

#### **2.5.1. The effects of budgeting on financial performance of NGOs.**

Budgeting according to Welsch, 2000, "is the accurate and formalized method for carrying out key phases of the management accounting planning and control functions". It is also a planning approach, which enables organizations to achieve their objectives more effectively in the process of developing detailed short-term (one-year) plans for the capacities and activities of the organization and thereby converting the long term corporate plan into action. Except that, however, do ad-hoc plans and budgets for purposes of targeting giver funding.

He postulates that the most urgent need for budgeting in any given organization is a way through which an organization establishes that it understands how much money it needs, how to attract the cash it needs, and how to utilize the cash. This therefore calls for a working well budget mechanism that is instrumental in the preparation of a viable organizational financial strategy, promoting organizational financial performance. While many times, the most vulnerable groups are severely impacted, an organization's budget may directly or indirectly impact the lives of all its stakeholders; in most organizations, financial performance problems are perpetuated through weak budgeting systems and poor budget decisions, Shapiro 2001. Appreciation of the role that budgets play in the lives of the poor and in the development of open and participatory societies stirs the non-governmental groups into participating in budget-related work that demands high-quality analyses.

This forces NGO partners, Compemolle, 2008, "to take a sharp examination of a few segments within the organization. It is, however, an important planning and administration device for managers to attain particular destinations.". In fact great administrative hones and budgetary control measures in numerous nations all through the world are fundamental in progressing monetary maintainability of NGOs (Moya, 2008). The administrative instruments and the budgetary control measures can empower every major category of NGOs' salary, say from government subsidizing or to private charity to self-generated salary (Moore, 2005). While not all countries have adopted dynamic administrative instruments, it is a good practice globally to support NGOs so that they become self-sustaining and also implement international internal controls in the management of their budgets, so as to be in a position to fulfill their intended objectives and targets.

The locally established NGOs in Uganda have developed along a similar way that's depicted within the worldwide field. The development drift is closely connected to the improvement commitment they make to the country (Mutabazi, 2009). The NGOs locked in different compassionate exercises and whether they meet monetary execution standards expected of them by their partners or not could be a matter of concern (Mbuga, 2008). It is against this foundation that budgeting and budgetary control appears to be related to NGOs monetary execution.

#### **2.5.2. Budgeting as a Planning Tool.**

It involves financial planning on how an organization should keep a proper budget in place. This is supposed to highlight the sources of funds and how they are spent, including the individuals responsible for the implementation and adherence to the objectives set in the budget. It cannot be done in a single night. It requires cooperation among senior management staff and the finance committee, leaving ample time for review, feedback, and research for implementing the necessary changes. One of the major roles of the process is the assurance that the financial resources to accommodate the implementation of programs and activities are available. It also plays a complementary role in ensuring the availability of funds when needed and using them efficiently to achieve certain set goals. In this aspect, it helps to focus the attention of the managers and their subordinates in achieving organizational objectives. Actually, effective budgeting can be a sort of management

by objectives because it identifies the objectives and determines what needs to be done in order to complete the given work.

Financial planning is necessary as a way of enabling an organization to identify the activities for accomplishment of organizational goals. They enable identification of the individuals in charge for ensuring accomplishment of objectives within the set time. Different aspects of financial planning have been evaluated in the context of NGOs. In an empirical review by Orendo and Muturi (2017), the effect of financial planning on the performance of NGOs in Kenya was evaluated. The study used a case study of an NGO based in Nairobi and sought to identify the impact of different financial planning practices such as budgeting, participatory approaches to planning and its impact on overall organizational effectiveness.

The results indicated strong agreement with most aspects of financial planning among the staff of the NGO. There was strong agreement that budgeting was applied as a significant aspect of financial planning for the organization (Nunow, 2016; Orendo & Muturi, 2017).

The financial planner is responsible for determining the common objectives of the organization and assess how alternative applications of the expenditure can be used to achieve them. The budgeting professionals provide alternative proposals at varying levels of expenditure for the different programs (Karanja & Karuti, 2015). The relative values of the increments are assessed in relation to their relative effectiveness in achieving the set objectives (Berta & Ronelle, 2015). This allows the decision makers to see the tradeoffs between the alternative applications of the funds. The budgets present a monetized expression of the targets of individuals and organizations set to be accomplished over a given period. It seeks to achieve superior targets over time using the available and expected financial resources. Budgeting is a systematic approach of achieving effective management performance. It can aid organizations to plan, control, and coordinate its activities in a more effective manner (Rosman et al 2016).

### **2.5.3. The effects of financial monitoring on financial performance of NGOs.**

By definition, financial monitoring incorporates the processes of observing the budget in addition to ensuring that it is controlled, which then acts as an indicator to determine its effectiveness. In practice, budgets have to be monitored and

controlled in order to ascertain their effectiveness in alignment over a specific period of time, according to Kimani (2014). Monitoring basically refers to the process of comparing set plans against actual performance. Proper accounting and timely reconciliation of accounting records with transparency, proper budget monitoring, and control facilitate easy generation of financial reports that enable management to assess the performance of the organization. Actual revenue or costs should be put under constant surveillance through comparing actual with budget performance and ensuring variances get reported to responsible officials on a routine basis. This allows ways to take corrective actions relevant to the organization once it has analyzed any variances between actual and budgeted figures. Information obtained from monitoring results and assessment findings assists in implementing new projects by NGOs since it is put into consideration during the implementation of a new project so that there is improvement.

Enhancing management in projects, programs, and other pertinent activities is the ultimate goal of financial monitoring. This is done to make sure that available funds and other resources are used effectively and to provide opportunities for mistakes to be made and learned from, thereby increasing the significance, methods, and outcomes of cooperative programs. Fiador (2013) asserts that monitoring is essential to the governance framework because, over time, the public's impression of governance seems to indicate management monitoring carried out to meet the needs and objectives of the various project for the stakeholders. According to Mackay (2007), as monitoring and evaluation enable evidence-based policy formation, management, accountability, and policy making, they put one in a position to carry out sound governance.

He pointed out that in order to improve the implementation of the budget in line with the agreed work programs, program monitoring as a whole must be improved in addition to the current financial control provisions. This guarantees that a program is carried out efficiently and at the lowest possible cost within an accountability framework.

Financial monitoring is a process by which financial and management systems and capabilities are known and assessed; compliance with rules, regulations, and requirements is ensured; state funds are protected against fraud, waste, and abuse;

potential audit issues are identified to assist in audit planning; needs for technical assistance and training are identified; needed improvements are identified; and issues or corrective actions are followed up on.

To maintain long-term economic success, improve resource efficiency, and provide the highest level of accountability and transparency in an organization's finances, effective financial monitoring systems are necessary. The achievement of the Millennium Development Goals, poverty reduction, and service delivery have all benefited from the necessity of effective financial management systems and financial monitoring, according to recent literature (Pretorius & Pretorius, 2008).

Improved responsibility. Concurring to World Bank (2017), Budgetary observing advances responsibility by giving partners with convenient and precise money related data, which can progress believe and certainty within the NGO's money related oversee.

Concurring to Siedlmayer et al. (2019), Superior decision-making Money related observing gives NGOs with precise and convenient financial data, empowering them to create educated choices around asset assignment, program advancement, and key arranging.

Decreased debasement, Agreeing to Straightforwardness Universal (2019), Monetary checking can offer assistance decrease debasement by recognizing and avoiding money related inconsistencies, guaranteeing that stores are utilized for their expecting reason.

More transparency. In such a case, financial reporting by NGOs enables them to portray a transparent view of their transactions, thus enabling them to account for their operations and to show that they are abiding by the set regulations. ICNL 2018. Improved compliance. IRS, 2020 states that through Financial auditing NGOs "are assisted in knowing compliance about legislation, regulations and requirements of donors to avoid legal sanctions/ fines".

More confidence among donors, since such reporting, according to Foundation Center (2019), indicates to the donor community that NGOs are open and

transparent in managing their finances. That would increase their confidence in them and they would trust them more.

Better asset allocation: This is enabled through NGOs by financial checking, allowing them to distribute assets viably and put their concentration on programs and exercises that best adjust with their mission and goals. Stanford Social Development Survey, 2019.

Improved monetary announcing Money related observing guarantees that NGOs deliver precise and convenient money related reports, giving partners with a clear understanding of their monetary execution, GuideStar (2020).

Expanded effectiveness Money related observing makes a difference NGOs to streamline forms, dispense with squander, and decrease costs, driving to expanded effectiveness and efficiency, Harvard Trade Audit (2019).

Made strides budgetary control. according to Johnson et al. (2018), Budgetary checking makes a difference NGOs to work out more prominent control over their funds, decreasing the hazard of fumble and guaranteeing that stores are utilized successfully.

Improved precision and unwavering quality of budgetary information, Made strides money related controls guarantee that money related exchanges are precisely recorded and detailed, giving a dependable premise for monetary observing.

Few errors, theft the strong internal controls reduce the possibility of errors, theft, or misappropriation; therefore, financial reporting can catch misstatements as early as possible.

Improved accountability and enhanced transparency: Advanced financial control permits transparency in the financial transactions so that financial monitoring can identify a number of areas which may point toward inefficiency, waste, or mismanagement.

It ensures far better risk management, which becomes inherently more part of the system with internal controls, while financial monitoring can identify potential risks in time and proactively take certain steps to mitigate such risk, hence minimizing any chance of financial losses.

Greater efficiency and productivity due to the fact that financial controls given to forms have given them a push in reducing time and resources spent on monetary checking and reporting.

adherence to guidelines and standards Sophisticated financial controls reduce the likelihood of non-compliance and associated penalties by ensuring adherence to important laws, regulations, and industry standards. Enhanced benefactor certainty Robust internal controls enhance trust between donors and collaborators by demonstrating an NGO's dedication to transparency and accountability.

Progressed cash stream administration moved forward money related controls empower way better cash stream estimating and administration, diminishing the chance of cash deficiencies or surpluses.

Increased perceivability into the execution of money Advance monetary controls enable timely decision-making and adjustments by providing real-time visibility into an NGO's budgetary execution. Reduced review findings stronger internal controls reduce the likelihood of review findings and associated corrective actions.

#### **2.5.4. The effects of financial practices on financial performance of NGOs in Uganda.**

##### **Cash Flow Management.**

Liquidity refers to a planning method through which an organization governs its cash flow, enabling the entity to have adequate resources to meet current liabilities. It is done through managing the inflows and outflows in terms of receipts and payments on a day-to-day basis of an organization in question; hence, it is part of financial planning. It focuses on the equilibrium of the surplus and deficit of the liquidity of an organization so that it will be able to have sufficient cash to pay off all its liabilities. Cash flow management strategies for a non-profit organization may be implemented by translating the capital and operating budgets to cash flow budgets. They represent the availability of financial resources, which is needed to signal the attention at these points in time where the cash flow was not forecasted. Estimating when the receivables are collected and matching those against the time difference expected between billing or invoicing for services and the time of actual

receipt of cash, together with monitoring of spending, is one way appropriately to address the organization's liquidity. Besides the cash flow statement as a tool in managing liquidity, NGOs can also use other tactics.

Cash flow planning is implemented using the actual versus planned revenue sources as well as the expenditures, which should be followed up to ensure that adequate cash flows are available for the achievement of organizational goals (Rosman et al., 2016). Lewis argued that the finance professionals should focus on increments of expenditures at the margin. This is beneficial because the margin is the point of balance at which any additional expenditure would yield the same return for the organization.

Of these, liquidity management is perhaps the most important to NGOs, as this ensures relevance in no last-minute cash deficits that may affect operations. Cash can be seen as a resource that ensures the financial viability or effectiveness of an NGO. The cash flow management for the NGO helps in managing bills and is dynamically adopted because it means the availability of cash in the bank beyond the excess of revenues of expenses in the financial statements. Budgeting and cash flow management have to be considered a preoccupation consistently, given the heavy reliance on donor funding and the high rate of fluctuations in the NGO income and expenses throughout the year. This will be important in ensuring expenses are met in time and consistently, and it shall have clear plans for the periods when cash inflow is low.

#### **2.5.5. Financial Sustainability.**

The ability of a business to generate income or receive a return on investment that pays for all costs and turns a profit is referred to as financial sustainability. According to Ashoka & Mango (2015), financial sustainability is the capacity of organizations to continue operating into the future using policies to provide financing without causing the debt to rise continuously and unsustainably.

#### **2.5.6. Research Gap.**

It is evident from the preceding survey of related literature that the majority of research conducted are based on the public and corporate sectors rather than non-governmental organizations. This makes it clear that there is a non-response gap

between NGOs' financial performance and their financial management policy. Conversely, the vast majority of the research pertaining to the study variables concerns firms in the public sector. With an emphasis on non-governmental organizations (NGOs) in Nairobi County, the study aims to advance knowledge in the area of financial management policy implementation and its impact on the financial performance of organizations.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1. Introduction.

The approach that was used in an attempt to meet the study's objectives is shown in the section below. The research design, target and accessible population, sample design and size, data collecting and processing methods, data analysis techniques, and study-related ethical issues were all covered.

#### 3.2 Research Design.

The researcher used a cross-sectional research design to relate the independent which is financial planning and dependent variables which is financial performance on NGOs.

#### 3.3 Target population.

The study targeted a population of 76 employees in the departments of accounting and finance, administration and operations department of FIDA, Nakasero head office the main branch in Kampala.

#### 3.4 Sample Size.

The sample size was 63 respondents which was determined using (Krejcie & Morgan,1970) sample determination table as shown below in the table.

**Table 1: Sample size.**

Department	Population	Sample size
Accounting	20	17
Finance	21	17
Operations	18	15
Administration	17	14
Total	76	63

### **3.5.0 Sampling technique.**

#### **3.5.1 Stratified random sampling.**

This technique was to select the sample because it gave its respondents each chances of being selected.

### **3.6 Data collection method.**

Questionnaires were utilized to gather the data needed for the investigation. Specifically, open-ended questions were utilized to elicit additional information from the respondents in an effort to meet the study's objectives, although closed-ended questions based on the Likert scale were preferred because they are simpler to code and analyze. Advantages of the questionnaires are that the interviewer's bias can be avoided, sufficient time is given to the respondents to go through questions before answering them, and it enables the coordination of a large sample.

#### **3.7.0 Sources of data**

This study used both primary and secondary data sources.

##### **3.7.1 Primary data source.**

The instrument for research adopted for the collection of data in this research was the questionnaire. A questionnaire can be said to be a pre-formulated written set of questions to which respondents record the answers, usually within rather closely delineated alternatives. A questionnaire has ensured a high response rate since questionnaires for this study were distributed to the respondents for them to fill out and collected personally by the respective researcher; therefore, less time and energy of participants have been consumed. The other reason questionnaires were used is that they availed the required anonymity in that participants' names were not required on the questionnaires that they completed. These questions will be of a short and concise nature so as not to be too vague and also to save time, which is very dear. There are both open and also closed-ended types of questions in this questionnaire. These were filled out with sufficient time and help given to the respondents. The latter could be filled in at any time most convenient for the former, and this constitutes one of the biggest strengths of questionnaires.

##### **3.7.2 Secondary data source.**

Secondary data was collected from the financial statements of the Organization.

### **3.8 Data collection instruments.**

The researcher employed the use of Questionnaires as the instruments in the study where the designed questions were distributed to the respondents who were given ample time to respond to the questions, well assured of confidentiality and anonymity of identity.

### **3.9 Reliability and Validity.**

The level of consistency is the instrument's reliability. In light of this, Likert scale items on the surveys that will be utilized must be answered. Analysis of reliability: Cronbach's alpha ( $\alpha$ ) will be computed after using SPSS. The reliability of the elements retrieved from dichotomous (two possible answers) and/or multi-point structured surveys or scales (a rating scale with 1 representing poor and 5 representing good) is expressed by the alpha coefficient, which has a range of 0 to 1. Greater reliability of the created scale is demonstrated by a higher value. Cooper & Schindler (2013) state that a reliability coefficient of 0.7 is appropriate.

#### **3.9.1 Validity.**

To establish validity, the research instrument was given to 1 supervisor and 10 experts who were experienced financial management policy implementation organizations to evaluate the relevance of each item in the instrument in relation to the objectives

#### **3.9.2 Data presentation and analysis Methods.**

##### **Data presentation.**

The data obtained through the questionnaires was sorted, classified and corded and then presented in forms of tables, graphs and charts which eased the interpretation, organization and analysis of data.

##### **Data analysis.**

Data was analyzed by the use of descriptive and inferential statistics with the aid of Statistical Package for Social Sciences (SPSS). The SPSS (IBM SPSS Statistics 20) version was used.

The investigator verified that the participants were guaranteed the utmost secrecy about the data they disclosed, and that the information obtained was utilized only

for the objectives of this investigation. To ensure information privacy, the researcher used the principle of anonymity. Since participation in the research was voluntary, no respondent was forced to do so, and the researcher complied with all ethical guidelines.

#### **3.9.4 Limitation of the Study**

The researcher encountered various limitations that hindered access to information needed for the study.

This is due in large part to the respondents' inability to divulge specific information regarding the application of financial management policies in their firms—one of the main grounds being the secrecy need of the personnel involved with financial activities in organizations. Regarding these matters, the researcher informed the participants that the information they would submit would be kept completely confidential and that it would only be used for educational purposes. Another obstacle to gathering the data needed for the study was respondents' delayed responses to the questionnaire. To prevent respondents from becoming biased, the researcher made sure to clarify any questions that they were unsure of, and this was crucial in assisting the researcher in overcoming this problem.

## CHAPTER FOUR

### DATA ANALYSIS, PRESENTATION AND INTERPRETATION

#### 4.1. Introduction

This chapter presents results obtained from the analysis of data collected using questionnaires. Analysis of data collected was done using descriptive and inferential methods and the results shown in tabular summaries. The objective of the study was to establish the effect of financial management policy implementation on financial performance of Non - Governmental Organizations at FIDA Uganda.

#### 4.2. Response Rate

These were targeted to add up to 63 from FIDA. The actual successful questionnaires filled and returned by the respondents from the sampled NGOs were 62. This is a response rate of 98%. According to Mugenda and Mugenda (2003), a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good, while a response rate of 70% and above is excellent. This means that the 96% response rate obtained in the present study was excellent and hence adequate for analysis and interpretation of data. The response rate is as shown in the table below.

**Table 2: Response rate Questionnaires Frequency Percent (%)**

Questionnaires	Frequencies	Percentage%
Response	62	98
No response	1	2
Total	63	100

## Background information

Table 3: Gender of the respondents

Gender of the respondent	Frequency	Percent	Valid Percent	Cumulative Percent
Female	46	74.2	74.2	74.2
Valid Male	16	25.8	25.8	100.0
Total	62	100.0	100.0	

### Gender of the Respondents:

The study's respondents are predominantly female, comprising 74.2% of the sample, with males representing 25.8%. This significant gender imbalance suggests that the perspectives on financial planning and its impact on financial performance might be heavily influenced by the experiences and viewpoints of women within the organization. As a result, any gender-specific issues or insights related to financial planning could be particularly pronounced in the findings.

Table 4: Age of respondents

Age of the respondent	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 18-24	18	29.0	29.5	29.5
Valid 25-30	33	53.2	54.1	83.6
Valid 31-45	10	16.1	16.4	100.0
Total	61	98.4	100.0	
Missing System	1	1.6		
Total	62	100.0		

### Age of the Respondents

The age distribution of the respondents reveals a youthful workforce, with 29.5% aged 18-24 and 54.1% between 25-30 years old. This demographic suggests that a substantial portion of the employees are in the early to mid-stages of their careers. Consequently, the financial planning strategies and their perceived effectiveness may reflect the needs and priorities of a younger, less experienced workforce, potentially influencing how financial performance is assessed and managed.

Table 5: Marital Status of the Respondents:

Marital status of the respondent	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Married	13	21.0	21.3	21.3
Valid Single	35	56.5	57.4	78.7
Valid Divorced	3	4.8	4.9	83.6
Valid Others	10	16.1	16.4	100.0
Valid Total	61	98.4	100.0	
Missing System	1	1.6		
Total	62	100.0		

**Marital Status of the Respondents:**

The majority of respondents are single (57.4%), followed by married individuals (21.3%). A smaller proportion are divorced (4.9%) or belong to other marital statuses (16.4%). This distribution indicates that financial planning and performance evaluation might be affected by the predominant single status of respondents, potentially highlighting different financial needs and concerns compared to their married or divorced counterparts.

Table 6: Education Level of the Respondents

Education level of respondent	Frequency	Percent	Valid Percent	Cumulative Percent
high school	2	3.2	3.2	3.2
diploma	7	11.3	11.3	14.5
Valid degree	47	75.8	75.8	90.3
masters	6	9.7	9.7	100.0
Total	62	100.0	100.0	

**Education Level of the Respondents:**

A substantial majority of respondents hold a degree (75.8%), with a smaller percentage having attained a master's degree (9.7%) or a diploma (11.3%), and only a few having completed high school (3.2%). This high level of educational attainment among respondents suggests a well-informed workforce that is likely to have a sophisticated understanding of financial planning concepts. This could influence the study's findings by emphasizing the role of advanced knowledge and education in shaping perceptions of financial performance.

Table 7: How long the organization has been in operation

How long the organization has been in operation	Frequency	Percent	Valid Percent	Cumulative Percent
1-5	2	3.2	3.3	3.3
5-10	8	12.9	13.1	16.4
Valid 10-15	16	25.8	26.2	42.6
ABOVE 15	35	56.5	57.4	100.0
Total	61	98.4	100.0	
Missing System	1	1.6		
total	62	100.0		

**How Long the Organization Has Been in Operation:**

The majority of organizations have been operational for over 15 years (57.4%), with a significant number also having been in operation for 10-15 years (26.2%). This long-standing presence suggests that the organizations have established financial practices and stability. The effect of financial planning on performance might therefore reflect long-term trends and entrenched practices, rather than being influenced by recent changes or new approaches.

Table 8: Position of the respondent at the organization

Position of the respondent at the organization	Frequency	Percent	Valid Percent	Cumulative Percent
manager	30	48.4	50.8	50.8
middle manager	16	25.8	27.1	78.0
senior manager	11	17.7	18.6	96.6
4.00	2	3.2	3.4	100.0
Total	59	95.2	100.0	
Missing System	3	4.8		
Total	62	100.0		

**Position of the Respondents at the Organization:**

**Respondents** are largely in managerial positions, with 50.8% holding managerial roles and 27.1% in middle management. Senior managers make up 18.6%, while other roles account for 3.4%. This distribution indicates that the study captures perspectives from a significant number of individuals with decision-making authority, which may provide valuable insights into how financial planning impacts financial performance from a leadership and strategic standpoint.

Table 9: How long the respondent has worked for the organization

How long the respondent has worked for the organization	Frequency	Percent	Valid Percent	Cumulative Percent
less than 5 years	24	38.7	38.7	38.7
5-10 years	25	40.3	40.3	79.0
Valid 10-15 years	2	3.2	3.2	82.3
above 15 years	11	17.7	17.7	100.0
Total	62	100.0	100.0	

**How Long the Respondent Has Worked for the Organization:**

The tenure of respondents varies, with 40.3% having worked for 5-10 years and 38.7% for less than 5 years. A smaller portion has been with the organization for over 15 years (17.7%), while only 3.2% have been employed for 10-15 years. This range in tenure suggests a mix of newer and more experienced employees, potentially offering diverse perspectives on how financial planning affects performance across different levels of organizational familiarity.

Table 10: category of NGOs the organization falls in

Category of NGOs the organization falls in.	Frequency	Percent	Valid Percent	Cumulative Percent
national	3	4.8	4.8	4.8
Valid international	59	95.2	95.2	100.0
Total	62	100.0	100.0	

**Category of NGOs the Organization Falls In:**

Most respondents are from international NGOs (95.2%), with only a small percentage from national NGOs (4.8%). This international focus implies that the financial planning practices and performance evaluations might be influenced by global standards and challenges. The predominance of international organizations suggests that any findings related to financial performance will likely reflect broader, cross-border financial dynamics and practices.

**The effects of budgeting practices on financial performance of FIDA.**

**Table 11: The effects of budgeting practices on financial performance of FIDA**

Statements	SA		A		N		D		SD		NM	SD
	CT	R. %	NCT	R. %	NCT	R. %	NCT	R. %	NCT	R. %		
Cash flow is properly managed in accordance to the budget for the year	49	79.0	13	21.0	0	0.0	0	0.0	0	0.0	1.2097	.41040
investments and savings are used as per the budget for the year	37	59.7	23	37.1	2	3.2	0	0.0	0	0.0	1.4355	.56164
All accounting records are kept to allow for accountability as per the budget.	39	62.9	19	30.6	2	3.2	0	0.0	2	3.2	1.5000	.84446

Corrective measures are adopted to address weaknesses in the internal control system.	32	51.6	28	45.2	0	0.0	2	3.2	0	0.0	1.5484	.66966
Organization has both short and long term plans	29	46.8	30	48.4	0	0.0	2	3.2	1	1.6	1.6452	.79128
Budgets have clear goals and objectives.	32	51.6	26	41.9	4	6.5	0	0.0	0	0.0	1.5484	.61876
Budgets cover all aspects of the organization mission	22	35.5	26	41.9	4	6.5	8	12.9	2	3.2	2.0645	1.11430
The outcomes of goals and objectives are aligned to programs	23	37.1	30	48.4	6	9.7	1	1.6	2	3.2	1.8548	.90258
Management committee sets priorities for the coming year.	25	41.0	25	41.0	10	16.4	0	0.0	1	1.6	1.8033	.83306
All departments prepare individual budgets plans prior to the budget year	34	54.8	17	27.4	11	17.7	0	0.0	0	0.0	1.6290	.77320
Significant deviations from the budget are reported to the management committee	24	38.7	27	43.5	8	12.9	2	3.2	0	0.0	2.1774	3.04891

Regular evaluation reports on budget performance are prepared	23	37.1	29	46.8	7	11.3	2	3.2	1	1.6	1.8548	.86549
Receives budget allocation from the supervising ministry.	18	29.0	30	48.4	11	17.7	3	4.8	0	0.0	1.9839	.81967
Receives income from the government to run its operations.	31	50.0	22	35.5	7	11.3	2	3.2	0	0.0	1.6774	.80519
Receives funds from other sources to cover the activities on the budget.	23	37.1	23	37.1	4	6.5	6	9.7	6	9.7	2.1774	1.29974

The majority of respondents, 49 (79.0%), strongly agree that cash flow is effectively managed in alignment with the annual budget. The mean score of 1.2097, with a standard deviation of .41040, indicates a strong consensus on the effectiveness of cash flow management, with no significant disagreements.

Most respondents, 37 (59.7%), strongly agree that investments and savings are utilized according to the budget. The mean score of 1.4355 and a standard deviation of .56164 reflect a generally positive view on this alignment, though some respondents remain neutral on the matter.

A significant majority, 39 (62.9%), strongly agree that accounting records are well-maintained to ensure accountability as per the budget. The mean score of 1.5000, with a standard deviation of .84446, suggests a generally positive sentiment towards record-keeping, with some variability in responses.

Over half of the respondents, 32 (51.6%), strongly agree that corrective measures are taken to address weaknesses in the internal control system. The mean score of 1.5484, with a standard deviation of .66966, indicates strong agreement with the

practice of adopting corrective measures, though there is some variability in opinions.

Almost half of the respondents, 29 (46.8%), strongly agree that the organization maintains both short and long-term plans. The mean score of 1.6452 and a standard deviation of .79128 show general agreement on the effectiveness of the organization's planning, with a small percentage expressing disagreement.

A majority of respondents, 32 (51.6%), strongly agree that budgets have clear goals and objectives. The mean score of 1.5484, with a standard deviation of .61876, reflects a positive view on the clarity of budget goals, although a small proportion remains neutral.

Thirty-two respondents (35.5%) strongly agree that budgets encompass all aspects of the organization's mission. The mean score of 2.0645, with a standard deviation of 1.11430, indicates mixed opinions on whether budgets fully cover the mission, with some respondents expressing dissatisfaction.

A majority, 23 (37.1%), strongly agree that the outcomes of goals and objectives align with organizational programs. The mean score of 1.8548, with a standard deviation of .90258, suggests a generally positive view on alignment, though some respondents remain neutral.

Twenty-five respondents (41.0%) strongly agree that the management committee sets priorities for the coming year. The mean score of 1.8033, with a standard deviation of .83306, shows general agreement with this practice, though a small number of respondents express disagreement.

More than half of the respondents, 34 (54.8%), strongly agree that all departments prepare individual budget plans before the budget year. The mean score of 1.6290, with a standard deviation of .77320, reflects a positive view on departmental budgeting, with some respondents remaining neutral.

A substantial number of respondents, 24 (38.7%), strongly agree that significant deviations from the budget are reported to the management committee. The mean score of 2.1774, with a standard deviation of 3.04891, reveals mixed opinions about deviation reporting, with considerable disagreement among respondents.

Twenty-three respondents (37.1%) strongly agree that regular evaluation reports on budget performance are prepared. The mean score of 1.8548, with a standard deviation of .86549, indicates a positive view on evaluation practices, though some respondents are neutral.

Eighteen respondents (29.0%) strongly agree that the organization receives budget allocations from the supervising ministry. The mean score of 1.9839, with a standard deviation of .81967, reflects a positive view on receiving budget allocations, though some respondents are neutral.

Half of the respondents, 31 (50.0%), strongly agree that the organization receives income from the government to support its operations. The mean score of 1.6774, with a standard deviation of .80519, shows strong agreement on government income being a key financial resource, with minimal disagreement.

A significant number of respondents, 23 (37.1%), strongly agree that the organization receives funds from other sources to cover budget activities. The mean score of 2.1774, with a standard deviation of 1.29974, shows mixed opinions about receiving funds from other sources, with substantial disagreement indicating varied experiences.

### **The effects of Financial Monitoring to financial performance of FIDA**

**Table 12: The effects of Financial Monitoring to financial performance of FIDA**

Statements	SA		A		N		D		SD		NM	SD
	CT	R. %	NCT	R. %	NCT	R. %	NCT	R. %	NCT	R. %		
Regular meetings are held to review performance.	30	49.2	21	34.4	3	4.9	2	3.3	5	8.2	1.8689	1.18989
The organization has a budget policy to check on spenders	24	40.0	27	45.0	3	5.0	3	5.0	3	5.0	1.9000	1.05284
Departmental heads are responsible for the control of budget activities	25	41.7	26	43.3	6	10.0	1	1.7	2	3.3	1.8167	.92958
The return on investment is properly assessed and monitored.	16	26.2	34	55.7	9	14.8	2	3.3	0	0.0	1.9508	.73996
Organization's internal controls are reviewed and updated regularly.	18	29.5	31	50.8	9	14.8	1	1.6	2	3.3	1.9836	.90354
Corrective measures are adopted when adverse budget are variances are reported.	16	26.2	29	47.5	9	14.8	7	11.5	0	0.0	2.1148	.93271
Management committee conducts regular follow ups on budget plans.	26	42.6	19	31.1	11	18.0	5	8.2	0	0.0	1.9180	.97117
The organization's accounting system has reliable financial statement.	19	31.1	27	44.3	10	16.4	0	0.0	5	8.2	2.0984	1.10612

There is monitoring of implementations of internal controls.	14	23.0	34	55.7	9	14.8	4	6.6	0	0.0	2.0	.804
The security system of the organization is able to identify and safeguard the assets.	19	31.1	30	49.2	7	11.5	3	4.9	2	3.3	2.0	.966
The organization has a financial management policy in place.	17	27.9	32	52.5	5	8.2	7	11.5	0	0.0	2.0	.912
There is feedback system in the place on the operation of the internal control system.	24	39.3	25	41.0	8	13.1	3	4.9	0	0.0	2.0	1.54
The organization ensures good communication between different departments.	19	31.1	32	52.5	8	13.1	2	3.3	0	0.0%	1.8	.754
The organization has official documentation of an individual employee's work schedule.	25	41.0	24	39.3	6	9.8	6	9.8	0	0.0	1.8	.950
The organization has official documentation of an individual employee's performance evaluation (e.g. Criteria, procedure).	20	32.8	31	50.8	6	9.8	3	4.9	1	1.6	1.9	.881

A near majority of respondents, 30 (49.2%), strongly agree that regular meetings are held to review performance. The mean score of 1.8689, with a standard deviation of 1.18989, suggests a generally positive view on performance reviews, although there is some variation in responses, with a minority expressing disagreement.

Forty percent of respondents, 24 (40.0%), strongly agree that the organization has a budget policy to monitor spenders. The mean score of 1.9000, with a standard

deviation of 1.05284, indicates a positive sentiment towards the existence of a budget policy, though some respondents remain neutral or disagree.

A significant portion of respondents, 25 (41.7%), strongly agree that departmental heads are responsible for controlling budget activities. The mean score of 1.8167, with a standard deviation of .92958, reflects a general agreement on this responsibility, with a small proportion expressing neutrality or disagreement.

Sixteen respondents (26.2%) strongly agree that the return on investment is properly assessed and monitored. The mean score of 1.9508, with a standard deviation of .73996, indicates a positive view on the assessment of ROI, although a majority agree and some remain neutral.

Twenty-nine percent of respondents (29.5%) strongly agree that the organization's internal controls are regularly reviewed and updated. The mean score of 1.9836, with a standard deviation of .90354, reflects general agreement with the regular review of internal controls, though some respondents express neutrality or disagreement.

Sixteen respondents (26.2%) strongly agree that corrective measures are adopted for adverse budget variances. The mean score of 2.1148, with a standard deviation of .93271, shows a mixed opinion on the adoption of corrective measures, with a significant portion agreeing but also some expressing disagreement.

Forty-two percent of respondents (42.6%) strongly agree that the management committee conducts regular follow-ups on budget plans. The mean score of 1.9180, with a standard deviation of .97117, suggests a positive view on follow-ups, although some respondents remain neutral.

Thirty-one percent of respondents (31.1%) strongly agree that the organization's accounting system provides reliable financial statements. The mean score of 2.0984, with a standard deviation of 1.10612, indicates a general agreement on the reliability of financial statements, with some respondents expressing neutrality or disagreement.

Twenty-three percent of respondents (23.0%) strongly agree that the implementation of internal controls is monitored. The mean score of 2.0492, with a

standard deviation of .80470, shows mixed opinions about the monitoring of internal controls, with a majority agreeing but some expressing disagreement.

Thirty-one percent of respondents (31.1%) strongly agree that the security system effectively identifies and safeguards assets. The mean score of 2.0000, with a standard deviation of .96609, indicates a generally positive view on asset security, with some respondents remaining neutral.

Twenty-eight percent of respondents (27.9%) strongly agree that the organization has a financial management policy in place. The mean score of 2.0328, with a standard deviation of .91227, reflects a positive view on the existence of a financial management policy, with some respondents expressing neutrality or disagreement.

Thirty-nine percent of respondents (39.3%) strongly agree that a feedback system is in place for the internal control system. The mean score of 2.0000, with a standard deviation of 1.54919, indicates a mixed opinion on the feedback system, with some respondents agreeing but also expressing neutrality.

Thirty-one percent of respondents (31.1%) strongly agree that there is effective communication between different departments. The mean score of 1.8852, with a standard deviation of .75495, shows a generally positive view on inter-departmental communication, with a minority expressing disagreement.

Forty-one percent of respondents (41.0%) strongly agree that the organization maintains official documentation of employee work schedules. The mean score of 1.8852, with a standard deviation of .95041, reflects a positive view on work schedule documentation, with some respondents neutral or disagreeing.

Thirty-three percent of respondents (32.8%) strongly agree that there is official documentation for employee performance evaluations. The mean score of 1.9180, with a standard deviation of .88119, indicates a generally positive view on performance evaluation documentation, with some respondents expressing neutrality.

**The effects of financing practices on the financial performance of FIDA.**

**Table 13: The effects of financing practices on the financial performance of FIDA.**

Statements	SA		A		N		SD		D		NM	SD
	CT	R. %	NCT	R. %	NCT	R. %	NCT	R. %	NCT	R. %		
The accounts department is headed by a qualified person	44	71.0	11	17.7	5	8.1	0	0.0	2	3.2	1.4677	.90023
Staff are trained to implement the accounting and financial management system.	32	52.5	16	26.2	10	16.4	0	0.0	3	4.9	1.7869	1.05063
Organization has a computerized accounting system.	33	54.1	18	29.5	9	14.8	0	0.0	1	1.6	1.6557	.85411
Organization has a well-developed chart of accounts.	24	39.3	21	34.4	13	21.3	2	3.3	1	1.6	1.9344	.94638
Management prepares regular financial statements	23	37.1	25	40.3	10	16.1	3	4.8	1	1.6	1.9355	.93862
There have not been many queries arising from audits of the organization financial reports.	20	32.8	24	39.3	12	19.7	4	6.6	1	1.6	2.0492	.97342

Corrective measures are adopted to address weaknesses in the internal control system.	30	49.2	20	32.8	7	11.5	1	1.6	3	4.9	1.8033	1.04594
Management has instituted mechanisms to mitigate risks that may rise due to error or fraud.	22	35.5	23	37.1	14	22.6	2	3.2	1	1.6	1.9839	.93198
Accounting records affects organizational financial performance.	19	31.1	19	31.1	15	24.6	2	3.3	6	9.8	2.2951	1.22942
The organization has adequate cash to meet its obligations as they fall due.	24	38.7	23	37.1	9	14.5	5	8.1	1	1.6	1.9677	1.00764
The organization generates adequate fees to cover costs of running expenses.	22	36.7	26	43.3	7	11.7	4	6.7	1	1.7	1.9333	.95432
The internal control system ensure the proper use of funds and assets of the organization.	29	46.8	18	29.0	10	16.1	4	6.5	1	1.6	1.8710	1.01600

The organization is subject to audit, and is audited by the oversight authority.	17	27.4	25	40.3	13	21.0	4	6.5	3	4.8	2.2097	1.0733
The organization ensures that activities involving other departments are well coordinated.	18	29.0	25	40.3	7	11.3	7	11.3	5	8.1	2.2903	1.23324
The organization systematically and regularly measures its service performance.	18	29.0	22	35.5	10	16.1	5	8.1	7	11.3	2.3710	1.29607

A substantial majority of respondents, 44 (71.0%), strongly agree that the accounts department is led by a qualified individual. The mean score of 1.4677, with a standard deviation of .90023, reflects a strong consensus on the qualification of the department head, indicating a positive perception of the leadership in financial management.

Over half of the respondents, 32 (52.5%), strongly agree that staff are trained to implement the accounting and financial management system. The mean score of 1.7869, with a standard deviation of 1.05063, suggests a positive view on staff training, though there is some variability in opinions, with a few respondents expressing neutrality or disagreement.

A majority of respondents, 33 (54.1%), strongly agree that the organization utilizes a computerized accounting system. The mean score of 1.6557, with a standard deviation of .85411, indicates a general agreement on the use of technology in accounting, although there are some neutral responses.

Thirty-nine percent of respondents (39.3%) strongly agree that the organization has a well-developed chart of accounts. The mean score of 1.9344, with a standard deviation of .94638, reflects a positive view on the chart of accounts, with a notable number of respondents also agreeing, though some are neutral or disagree.

Thirty-seven percent of respondents (37.1%) strongly agree that management prepares regular financial statements. The mean score of 1.9355, with a standard deviation of .93862, shows a generally positive perception of financial statement preparation, with some variation in responses.

Thirty-three percent of respondents (32.8%) strongly agree that there have not been many queries from audits. The mean score of 2.0492, with a standard deviation of .97342, indicates a mixed opinion on audit outcomes, with some respondents agreeing but also a notable portion expressing neutrality or disagreement.

Nearly half of the respondents, 30 (49.2%), strongly agree that corrective measures are taken to address weaknesses in the internal control system. The mean score of 1.8033, with a standard deviation of 1.04594, reflects a positive view on addressing internal control issues, though some respondents are neutral or disagree.

Thirty-six percent of respondents (35.5%) strongly agree that management has put in place mechanisms to mitigate risks due to errors or fraud. The mean score of 1.9839, with a standard deviation of .93198, shows a generally positive sentiment about risk mitigation, with a notable proportion expressing neutrality or disagreement.

Thirty-one percent of respondents (31.1%) strongly agree that accounting records impact the organization's financial performance. The mean score of 2.2951, with a standard deviation of 1.22942, indicates a mixed opinion on the effect of accounting records, with some agreeing and others expressing neutrality or disagreement.

Thirty-nine percent of respondents (38.7%) strongly agree that the organization has sufficient cash to meet its obligations. The mean score of 1.9677, with a standard deviation of 1.00764, reflects a positive view on cash management, though there are some neutral or disagreeing responses.

Thirty-seven percent of respondents (36.7%) strongly agree that the organization generates sufficient fees to cover its running costs. The mean score of 1.9333, with

a standard deviation of .95432, shows a generally positive view on revenue generation, with some variation in responses.

Nearly half of the respondents, 29 (46.8%), strongly agree that the internal control system ensures proper use of funds and assets. The mean score of 1.8710, with a standard deviation of 1.01600, indicates a generally positive perception of the effectiveness of internal controls, though there are some neutral and disagreeing responses.

Twenty-seven percent of respondents (27.4%) strongly agree that the organization undergoes audits by an oversight authority. The mean score of 2.2097, with a standard deviation of 1.07333, reflects a mixed opinion on the auditing process, with some agreement but also significant neutrality or disagreement.

Twenty-nine percent of respondents (29.0%) strongly agree that the organization ensures effective coordination of activities between departments. The mean score of 2.2903, with a standard deviation of 1.23324, shows a mixed opinion on inter-departmental coordination, with a significant portion agreeing but also some neutral or disagreeing responses.

Twenty-nine percent of respondents (29.0%) strongly agree that the organization systematically and regularly measures its service performance. The mean score of 2.3710, with a standard deviation of 1.29607, indicates a mixed view on performance measurement, with some agreeing but also a notable portion remaining neutral or disagreeing.

## CHAPTER FIVE

### 5.0 SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction.

This chapter dealt with the summary of the findings, the conclusion and recommendations. This was done in line with the objectives of the study. Areas of further research were also suggested.

#### 5.2 DISCUSSION OF THE KEY FINDINGS

##### **Budgeting.**

According to the report, FIDA created and adhered to the budgets that were created. This further suggests that sticking to the budget entails spending funds for the purposes for which they were allocated. All important departments and stakeholders participate in the budgeting process through the organization's bottom-up participatory budgeting method. Ensuring that all scheduled departmental activities are budgeted for is one of the main benefits of an inclusive and participatory budgeting process. This will also make it easier for the group to raise money because they will know exactly how much money they need for that specific time frame. The results made it quite evident that budgeting can lead to better financial planning.

Since budgeting entails figuring out expected expenses and the amount of money that needs to be raised, it is actually a component of planning. Thus, it stands to reason that an effective budgeting procedure will enhance the organization's financial performance. If the NGO follows the right procedures for financial budgeting, a sound cash flow position can be reached. The organization can determine what amounts of cash balances they will require at what times in the future with the use of such cash budgeting. The findings complement the work of Carr and Joseph, 2000, who stated that budgetary controls enable management to prepare for the future by putting into operation those plans and monitoring operations to ascertain whether or not they comply to the plan.

##### **Financing Practice.**

The results have shown that FIDA can attain a better financial planning through the use of proper and effective financing practices. The financial position of the Organization can be improved if they are able to clearly identify sources of finances for their operations. The sources of finance can be donors and income generating activities. It was the opinion of the respondents that the Organization (FIDA) needs to have diverse sources of income rather than relying on one or few sources of funds. With many sources the Organization will ensure that all the amounts projected in the budget can be fully raised and this will contribute to running their operations without any interruption.

The operational performance of FIDA is dependent upon having adequate flow of funds and this can only be achieved if they diversify their incomes sources. The findings concur with Lewis (2016), who argued that the finance professionals should focus on increments of expenditures at the margin. This is beneficial because the margin is the point of balance at which any additional expenditure would yield the same return for the organization.

### **Financial Monitoring.**

The results clearly show that effective financial planning can be realized through financial monitoring. The results show that FIDA uses financial monitoring to establish the volumes of finance they require for a certain period of time like a year. FIDA can also determine its expenditure beforehand by using expenditure monitoring which is trying to identify all the expenditures they will incur for a certain period of time. The study also shows that FIDA employs monitoring of finances in order to understand and assess the system of finance to check the levels of compliance with the organizational regulations.

This clearly concurs with (Bonnie, 2008) who argued that the purpose of financial monitoring is to; understand and assess financial and management systems and capabilities, ensure compliance with rules, regulations, and requirements, safeguard state funds against fraud, waste, and abuse, help identify potential audit issues, identify technical assistance and training needs, identify needed improvement and follow up on issues or corrective actions. Majority of the respondents were of the opinion that the Organization can improve its financial performance through effective financial monitoring.

## **SUMMARY OF FINDINGS.**

According to majority of respondents the financial performance of FIDA is dependent upon effective budgeting, proper financing practices and effective financial monitoring. Majority of Respondents indicated that financial monitoring leads to effective financial planning. Financial monitoring aids the organization in projecting the anticipated incomes and expenditures for subsequent operational periods. Financial monitoring is sometimes based on the actual incomes and expenditures for preceding periods. Financing practices affect financial planning of FIDA, this is according to majority of the respondents. Proper and effective financing practice allows FIDA to diversify their sources of income instead of relying on one funder. This diversification of income sources contributes to the improved financial performance of FIDA.

On budgeting, majority of respondents indicated that budgeting leads to better financial planning at FIDA. A participatory budgeting process ensures that all the planned activities and projects are well budgeted for and this will aid the organization in running an effective fundraising campaign to raise funds for the planned projects and activities.

### **5.3 Conclusion.**

From the study findings, the study concluded that there is a positive and significant association between budget planning and financial performance of FIDA. In addition organization that prepares its budgets prior to budget year are sustainable. The study also found that most not for profit making organizations have a regular follow up on budget plans by the budget committee and that budget performance evaluation reports are prepared regularly. From the findings, the study concluded that there is a positive and significant association between cash planning and financial performance of FIDA Uganda making a healthy organization. In addition, a strong control is one with tight budgetary control over cash received, cash banked, cash paid, and cash brought down.

Most organization uses externally generated funds to finance its operations. In addition the study concluded that there is a positive and significant association

between inventory planning and financial performance of FIDA. It was also noted most organizations had systems to review usage on inventories. The systems are able to prevent shortages and stock out costs and that inventory control affects the performance of the organization.

The study concluded that there is a positive and significant association between working capital and financial performance of FIDA. It was also noted that accounts receivables are collected on time at the organization. Accounts payable are also paid out on time. In addition, working capital management leads to achievement of goals/objectives and that too much working capital results in wasting cash.

#### **5.4 Recommendations.**

Based on the findings the study recommends that all departments should prepare budget plans prior to the budget year. Control of the budget activities should be done by the head of departments. Follow up on budget plans by the departmental heads and that preparation of regularly budget performance evaluation reports should also be done. This will increase the planning of a project which will lead to better completion results. Also budgeting allows a public administrator to plan, make proper choices, and decide on the mission and direction of an organization

The study also recommends that the financial manager should always plan an optimum capital structure for the organization. There should also be a strong control that has tight budgetary control over cash received, cash banked, cash paid, and cash brought down. The Organization should use externally generated funds to finance its operations. This was found to be of importance since the success of any business depends on the manner the financial plans are formulated. Penultimate, the findings the study recommends that those organizations should have clearly set inventory policies and systems that are able to prevent shortages and stock out costs. Having effective inventory control management is recognized as one of the areas management of any organization should acquire capability.

Therefore effective finance practices will help the organization to gain a lot of benefits which include optimal use of resources, cost reduction, improved profitability, improved sales effectiveness, reduction of waste, transparency and accountability, easy storage and retrieval of stock, high inventory utilization amongst others. Finally, the findings the study recommends that there should be

working capital management both short term and long term assets as it leads to achievement of goals/objectives. This management of short-term assets is as important as the management of long-term financial assets, since it directly contributes to the maximization of a business's liquidity and total performance. Similarly the study recommended that the organization preserves its liquidity to enable it meet its short term obligations when due.

### **5.5 Areas of further research**

The study recommends that a similar study should be conducted in other countries for comparison purposes. The study also recommends that a study seeking to establish other financial planning practices affecting financial performance of FIDA should be conducted.

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## APPENDICES

### APENDIX 1: QUESTIONNAIRE

UGANDA CHRISTIAN UNIVERSITY

SCHOOL OF BUSINESS

DEPARTMENT OF UNDERGRADUATES.

**A questionnaire for Uganda Association of Women Lawyers in Nakasero head office in Kampala.**

Dear respondent,

I ABONYO SARAH, a student of Uganda Christian University carrying out academic research on the topic ‘The effect of financial planning on financial performance of FIDA Organization in Nakasero Kampala, as a requirement of the partial fulfillment for the award of a bachelor’s degree in Business Administration. I therefore humbly request you to spare a few minutes of your time and fill in this questionnaire.

Please note that whatever information you provide here will be strictly for academic purposes and will be treated with utmost confidentiality.

**SECTION A: GENERAL QUESTIONS** (tick one as applicable to you).

1) Gender of the respondent.

Female           Male

2) Age of the respondent.

18 - 24           25 - 30           31 - 45

3) Marital status of the respondent

Married           single           divorced           others

4) Education level of respondents.

High school           diploma           degree           masters           PhD

5) For how long has the organization been in operation?

1- 5 years  5 - 10 years  10 - 15 years  15 years and above

6) Position of the respondent at the Organization.

Manager  middle manager  senior manager

7) How long have you been working for this organization?

Less than 5 years  5 - 10 years

10 - 15  above 15 years

8) What category of NGOs does your organization fall?

National  International

## SECTION B

For this section part 1, 2 & 3; use the scaling of 1 to 5, 5 being strongly disagree, 4 being disagree, 3 being neutral, 2 being agree and 1 being strongly agree.

## SECTION B

The effects of budgeting practices on financial performance of FIDA. (Tick appropriately).

NO.	STATEMENTS	SA	A	N	D	SD
		1	2	3	4	5
1	Cash flow is properly managed in accordance to the budget for the years.					
2	Investments and savings are used as per the budget for the year.					
3	All accounting records are kept to allow for accountability as per the budget.					
4	Corrective measures are adopted to address weaknesses in the internal control system.					
5	Organization has both short and long term plans					
6	Budgets have clear goals and objectives.					

7	Budgets cover all aspects of the organization mission					
8	The outcomes of goals and objectives are aligned to programs					
9	Management committee sets priorities for the coming year.					
10	All departments prepare individual budgets plans prior to the budget year					
11	Significant deviations from the budget are reported to the management committee					
12	Regular evaluation reports on budget performance are prepared					
13	Receives budget allocation from the supervising ministry.					
14	Receives income from the government to run its operations.					
15	Receives funds from other sources to cover the activities on the budget.					

### SECTION C

The effects of Financial Monitoring to financial performance of FIDA (Please tick where appropriate).

NO	STATEMENTS.	SA	A	N	D	SD
	<b>RANKS</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Regular meetings are held to review performance.					
2	The organization has a budget policy to check on spenders					
3	Departmental heads are responsible for the control of budget activities					

4	The return on investment is properly assessed and monitored.					
5	Organization's internal controls are reviewed and updated regularly.					
6	Corrective measures are adopted when adverse budget are variances are reported.					
7	Management committee conducts regular follow ups on budget plans.					
8	The organization's accounting system has reliable financial statement.					
9	There is monitoring of implementations of internal controls.					
10	The security system of the organization is able to identify and safeguard the assets.					
11	The organization has a financial management policy in place.					
12	There is feedback system in the place on the operation of the internal control system.					
13	The organization ensures good communication between different departments.					
14	The organization has official documentation of an individual employee's work schedule.					
15	The organization has official documentation of an individual employee's performance evaluation (e.g. Criteria, procedure).					

## SECTION D

**The effects of financing practices on the financial performance of FIDA.**

(Please tick where appropriate)

NO.	STATEMENTS	SA	A	N	D	SD
		1	2	3	4	5
1	The accounts department is headed by a qualified person.					
2	Staff are trained to implement the accounting and financial management system.					
3	Organization has a computerized accounting system.					
4	Organization has a well-developed chart of accounts.					
5	Management prepares regular financial statements					
6	There have not been many queries arising from audits of the organization financial reports.					
7	Corrective measures are adopted to address weaknesses in the internal control system.					
8	Management has instituted mechanisms to mitigate risks that may rise due to error or fraud.					
9	Accounting records affects organizational financial performance.					
10	The organization has adequate cash to meet its obligations as they fall due.					
11	The organization generates adequate fees to cover costs of running expenses.					
12	The internal control system ensure the proper use of funds and assets of the organization.					

13	The organization is subject to audit, and is audited by the oversight authority.					
14	The organization ensures that activities involving other departments are well coordinated.					
15	The organization systematically and regularly measures its service performance.					

**Thank you for your response.**

## APPENDIX 2: DATA COLLECTION LETTER.



### SCHOOL OF BUSINESS

28<sup>th</sup> Aug, 2024

#### TO WHOM IT MAY CONCERN

Name: ABONYO SARAH

Reg.S21B05/154

A bachelor's student who is seeking permission from your office to collect data for her dissertation titled

**The Effect of Financial Planning on Financial Performance of Non - Governmental Organizations .A cases study of Uganda Association of Women Lawyers**

We shall be grateful if you could render assistance to her in collecting the necessary data for her dissertation

The Uganda Christian University School of Business thanks you in advance

Mukisa Simon Peter  
Research coordinator



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