



**FINANCIAL MANAGEMENT AND PERFORMANCE OF NON-  
GOVERNMENTAL ORGANISATIONS IN UGANDA:  
A CASE OF INTERNATIONAL ALERT UGANDA**

**BY**

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## DECLARATION

I **Juliet Negesa Gizamba**, hereby declare that this dissertation is my original piece of work and has not been published and/or submitted for any academic award to any other University or institution before.

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## APPROVAL

This dissertation entitled “Financial Management and Performance of Non-Governmental Organisations in Uganda: A Case of International Alert Uganda” was under our supervision and was submitted to Uganda Management Institute for examination with our approval as supervisors.

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## DEDICATION

This dissertation is dedicated to my dear husband **Julius James Gizamba** and our children **Arella Blessing** and **Blessed Israel** who are my motivation to pursue higher goals.

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## LIST OF ABBREVIATIONS

BACA	:	Bagungu Community Association
BVA	:	Budget Variance Analysis
DGF	:	Democratic Governance Facility
GoU	:	Government of Uganda
IDRC	:	International Development Resource Centre
IOA	:	Institutional and Organisational Assessment model
KHEDA	:	KITARA Heritage Development Association
KRC	:	Kabarole Resource Centre
Mango	:	Management Accounting for Non-governmental Organisations
MIA	:	Ministry of Internal Affairs
NGO	:	Non-Governmental Organisation
NPO	:	Not-for-Profit Organisation
PFOG	:	Parliamentary Forum on Oil and Gas
RICE-WN	:	Rural Initiative for Community Empowerment-West Nile
SGI	:	Structured Group Interviews
SIDA	:	Swedish International Development Cooperation Agency
SPSS	:	Statistical Package for the Social Sciences
UGX	:	Uganda Shillings
UMI	:	Uganda Management Institute

## **ABSTRACT**

The purpose of this study was to establish the effect of financial management on performance of NGOs in Uganda, a case of International Alert. International Alert registered very low budgetary performance in the financial year 2014/15, which was indicative of poor performance. Low budgetary performance signalled to the quality of financial management. The study therefore, established the effect of financial planning, financial accountability and financial monitoring on performance of NGOs. The study used a cross sectional survey design where both quantitative and qualitative approaches were applied on a sample of 53 respondents drawn from staff and partners of International Alert Uganda. Data was collected using a mailed questionnaire, an interview guide and a document review checklist. Descriptive and inferential data analysis was done on quantitative data using SPSS Version 20.0 while qualitative data was subjected to content analysis and presented in narrative form. The study findings showed that financial planning, financial accountability and financial monitoring accounted for 31.6%, 22.9% and 21.7% of the variations in performance of NGOs, respectively. The study findings also showed that financial management accounted for 33.5% of the variations in performance of NGOs and there are other factors that affect performance of NGOs that accounted for 66.5% of the variations. It was concluded that financial planning, financial accountability and financial monitoring have an effect on performance of NGOs. For better performance therefore, the study recommends that management and staff of NGOs should plan for financial resources; establish and follow financial accountability procedures and, establish and adhere to financial monitoring systems. The study findings demonstrated the importance of financial management and its effect on performance of NGOs in Uganda and will stimulate debate on the role of financial management among policy makers. The study also filled the gap in literature by providing empirical evidence on financial management factors that affect performance of NGOs in Uganda.



# **CHAPTER ONE**

## **INTRODUCTION**

### **1.0 Introduction**

Financial management is defined as a process of planning, controlling, organising and monitoring the organisations financial resources in order to meet set objectives (Mango, 2012). Good budget management, maintenance of financial records and reporting is key for proper functioning of any organisation (Berry, Broadbent & Otley, 1998). Financial Management is one of the key functions that define the organisation's capacity, determines organisational performance and it forms part of programme management in many organisations. This is especially because of the competitive environment within which most organisations operate, which is characterised by increasingly scarce donor funds. Financial management is one of the key functions that drive organisation change and contributes to organisational performance (Lusthaus, Adriene, Anderson, Carden & Montalvan, 2002).

Organisational performance is defined as a balance between effectiveness, efficiency and relevance while remaining financially viable (Lusthaus et al., 2002). Effectiveness refers to the extent to which the organisation is meeting its fundamental goals, efficiency refers to achievement of greatest benefit using the fewest resources, relevance refers to the extent to which the organisation adapts to the changing conditions in its environment while financial viability points to the organisations ability to raise required financial resources to meet short, mid and long-term needs. It is possible for an organisation to be effective and efficient while on the brink of collapse because of funding constraints, in which case it would not be referred to as a good performer. Good performance therefore implies that work should be done effectively and efficiently while remaining relevant to stakeholders for a foreseeable future. Performance provides a strong connection to the organisations strategic goals and economic contribution and it refers to the results that an organisation achieves in relation to its objectives in a foreseeable future.

According to Mango (2012), financial management is given a low priority in many organisations and it is often considered as a function for finance staff only. The 2003 NGOs report to the Government of Uganda indicated that many NGOs in Uganda only keep approximate accounts and cannot provide accurate figures for revenue and expenditure (Abigail, Marcel & Trudy, 2003). While Mango lays great emphasis on the need for financial management as a requirement for good performance, available literature indicates that this function is not well embraced by many organisations. This study therefore, sought to establish the effect of financial management on performance of Non-Governmental Organisations in Uganda with a specific focus on International Alert Uganda (Alert), an International NGO operating in Uganda. Financial management was presumed in this study to be the independent variable while performance of NGOs was the dependent variable. In this study, dimensions of financial management were limited to financial planning, financial accountability and financial monitoring while indicators of performance of NGOs were: effectiveness, efficiency and financial viability.

This chapter, in line with Amin's (2005) approach presents the historical, theoretical, conceptual and contextual perspectives alongside the problem statement. Also covered here are the objectives, research questions, hypotheses, justification, scope and significance of the study, and operational definitions of key terms used.

## **1.1 Historical Background**

According to Lusthaus et al. (2002), measuring performance is one of the difficult issues and while there are many approaches to assessing organisational performance, there isn't much consensus on what should be considered as valid criterion. Performance was defined in the 1950's, as the extent to which organisations fulfilled their objectives while in the 1960's and 1970s's, it was defined as the ability of an organisation to exploit its environment and access scarce resources. In the 1980's and 1990's it was recognised that identifying organisational goals was more complex and that measurement of organisational performance should involve various stakeholders. The power of different stakeholders determined the performance criteria.

Efficiency and effectiveness were the standard concepts for measuring organisational performance until the 1970's when other variables were introduced including; innovation, morale, turn over, orientation to change and adaptability, many of which were focused on the organisation as a going concern i.e. its ability to survive over time. Organisational performance is therefore defined as a balance between effectiveness, efficiency and relevance while remaining financially viable, which definition considers various stakeholders needs. Stakeholders are concerned about the way the organisation defines results and publicises them. Stakeholders may include beneficiaries, employees, citizens, funders, politicians, regulators and investors and each interest group has a different view of what good performance should be.

Growth of the NGO sector in Uganda dates back to the 1970's after collapse of the then government. NGOs came in to provide services supplementary to government efforts, which move was spearheaded by faith based organisations. Later, the NGO sector was reinforced by International NGOs, government donors and the government of Uganda. The NGO sector in Uganda is fast growing, by end of 2013, there were 11,500 registered NGOs (Office of the Clerk to Parliament [OCP], 2015). Uganda NGOs are regulated by the Non-Governmental Organisations' policy, Non-Governmental Organisations Registration Act 2009 and most recently, the NGO Act 2016. NGOs in Uganda are supervised by the Ministry of Internal Affairs through the National Bureau for NGOs. As part of requirements for registration, NGOs should provide a work plan and budget for the first year, furnish to the District Development Committee of each area in which it operates estimates of its income and expenditure as part of annual returns and to submit a financial report i.e. audited accounts for renewal of permit *The Non-Governmental Organisations Registration Regulations* (2009). Entebbe: UPPC. NGO registration requirements therefore, underscore the need for financial management for NGOs in Uganda from inception and throughout the organisations life. Given its pivotal role in the functionality of organisations, numerous scholars have written about financial management in organisations (Barrow, 2011; Bergman, 2009; Bret, 2000; Copeland, Weston & Shastri, 2005; Hope & Fraser, 2003; Mango, 2012; Pandey, 2015 and Wilson, 1998).

International Alert is an International NGO that started its operations in Uganda in 2007 when it was registered by the Registrar of Companies and later as an NGO with the National Bureau for NGOs formerly the NGO Board. Alert's mandate is to understand the root causes of conflict and to prescribe non-violent means to resolve conflict and build lasting peace. Alert has its offices in Kampala and works in partnership with donor agencies, implementing partner NGOs based in the Albertine graben and in close collaboration with the Parliamentary Forum for Oil and Gas (PFOG) and government of Uganda Ministries. Alert receives donor funding and has financial and program management functions that facilitate program delivery and accountability to the funders, regulatory bodies and beneficiaries (International Alert audit report, 2015). According to the DGF Financial Monitoring report (2015), Alert has functional financial, program, operational and general management systems and a committed management team to ensure proper implementation of donor funded projects.

## **1.2 Theoretical Perspective**

This study was guided by the Institutional and Organisational Assessment Model (IOA Model) to explain the relationship between financial management and performance of NGOs. The IOA model defines organisational performance as a balance between effectiveness, efficiency and relevance while remaining financially viable (Lusthaus et al. 2002). The model suggests that organisational performance should be assessed in relation to its external environment, capacity and motivation and posits that financial management is a critical capacity that drives performance of NGOs, alongside other actors. The IOA model therefore, suggests that financial management affects performance of NGOs and provided basis for the hypotheses of this study.

The IOA model further suggests that organisations change: when there are changes in their internal resources, when they respond to factors in their external environment and when there are significant variations in organisational values, which in turn affect organisational culture, climate and ways of operating. This further implies that changes in organisational resources which include financial resources, will lead to changes in the entire organisation. Financial management therefore, should be given due attention so as to maintain organisational stability. The schematic diagram below illustrates

that organisational performance is a result of an interplay between the external environment, organisational capacity that includes financial management and organisational motivation as defined by the organisations history, mission, culture and rewards. Based on the IOA model, this study was premised on the strong inference that financial management is among the key functions that affect and define performance of NGOs. The model however, also points to the external environment and importance of organisational values as these too are defining points for organisational performance.



Figure 1.1: Schematic diagram illustrating organisational performance as a result of an interplay between external environment, organisational capacity and organisational motivation.

Source: *Universalia Institutional and Organisational Assessment Model - IOA Model (Lusthaus et al. 2002)*

### 1.3 Conceptual Perspective

The sub-dimensions of financial management in this study are adopted from Lusthaus et al. (2002), who suggest that financial management involves processes of planning, implementing/accountability

and monitoring the organisations financial resources. Financial management includes financial reporting, financial accountability and financial statements and systems. The study therefore focussed on financial planning, financial accountability and financial monitoring as key dimensions of financial management.

The first dimension, financial planning is a process of identifying costs involved in undertaking planned activities that contribute to achievement of organisational objectives, preparing budgets and determining the sources of required funds. The budget, a key output of financial planning, is linked to the organisations strategic and operational plans, it is the cornerstone of any financial management system and it plays an important role in monitoring the use of funds. Financial accountability which is the second dimension, involves documenting implementation and taking custody of an accurate record of financial transactions that take place to show how funds have been used and providing this information to stakeholders in accordance with prior agreed guidelines and formats. Accounting records provide valuable information about how the organisation is being managed and whether it is achieving its objectives. Financial monitoring which is the third dimension, involves producing financial reports for assessment of implementation progress, based on the organisations budget and accounting records/evidence of actual expenditure. It further involves provision of management explanations for any deviations as guided by the organisations financial procedures and/or donor guidelines. The monitoring process is enriched by subsequent discussions of monitoring reports and implementation of agreed action points by the project team.

The sub-dimensions of performance of NGOs in this study are derived from the IOA framework which considers an organisation to be performing well if it is effective, efficient and relevant, while remaining financially sound. Hence, for an organisation to be ranked among good performers, they should have good financial management practices. Performance of an organisation is viewed in terms of how well they deliver on their mission and goals/objectives. Performance of NGOs therefore depends upon, in part, financial management processes of planning, accountability and monitoring.

The absence of or weak implementation of these processes was premised in this study, to be one of the causes of poor performance.

Lusthaus et al. (2002), consider effectiveness of an organisation as the extent to which it meets its fundamental goals. Mango (2012) agrees that effectiveness is the organisation's level of success at meeting objectives or doing the right thing. It is not success at anything, the right thing is that which is in line with fundamental goals of an entity. Indicators of effectiveness will include; quality of service, goals achieved, generating and utilising knowledge, clients served, access to and usage of services, adoption of organisations programs by stakeholders, quality of lives changed, demand for services, growth indicators, funding level and programs implemented.

Efficiency is defined as a ratio that reflects a comparison of outputs accomplished to costs incurred for accomplishing the goals. It answers the question of how wasteful or economical the organisation was, in producing its results. Indicators of efficiency will include; outputs per staff, turnover rates, costs incurred per client served and timeliness of service delivery. Mango (2012), agrees that efficiency is getting the greatest benefit using the fewest resources and an organisation will be efficient, if it serves many people with its resources using the lowest possible cost. Mango focusses on beneficiaries and emphasises that efficiency is not just about meeting fundamental goals but ability to reach more beneficiaries with the lowest possible costs.

Financial viability is defined as the organisations ability to raise required financial resources to meet short, mid and long-term needs. It is possible for organisations to have desired qualities of good performance including effectiveness, efficiency and relevance while on the brink of collapse. To perform well therefore, both profit motivated and not for profit organisations must also be able to generate funds and remain financially viable in short and long terms. For organisations to be financially viable, they should be able to raise enough funds to pay their bills and be prosperous i.e. generate short and long-term cash flows. NGOs raise funds by creating and delivering products or implementing programs that are relevant and appreciated by beneficiaries. Donors and governments

purchase from NGOs, products and services required by beneficiaries and in so doing, provide resources that NGOs need for short, medium and long-term survival.

Inability to meet short term obligations by organisations presents a risk to creditors and employees therefore, resources should be generated to meet short, mid and long-term obligations. NGOs should, in this respect, have budgets/financial plans and work plans that provide for capital replacement. To be financially viable, organisations should base their costs on sources and types of revenue that are reliable and diverse. Organisations with multiple, reliable funding sources will be more stable as compared to those with a single funding source. Equally important is the need for organisations to operate within their allocation and manage revenue sources without deficit. This calls for budgetary management and expenditure control procedures. Financial viability depends strongly on good financial management. NGOs should manage resources well in order to convince donors to provide more funds in the future. This calls for a country operational strategy that will guarantee that annual needs are met.

#### **1.4 Contextual Background**

A Non-Government Organisation (NGO) in Uganda is a legally constituted organisation under the NGO Act 2016, which may be a private voluntary grouping of individuals or associations established to provide voluntary services to the community or any part, but not for profit or commercial purposes *The Non-Governmental Organisations Act (2016)*. NGOs therefore are not-for-profit civil society organisations created to provide voluntary services with the purposes of addressing the under-served aspects of national life and development. In Uganda, NGOs are regulated by the NGO policy, NGO Registration Act 2009 and most recently, the NGO Act 2016. NGOs in Uganda are supervised by the Ministry of Internal Affairs through the National Bureau for NGOs. Over the last decade there has been a tremendous growth of NGOs in the developing world while in Uganda, NGO sector growth started as far back as the 1970s (Abigail et al. 2003). Many donors view NGOs as a better alternative to governmental agencies in getting services and tangible items to those in need, especially in countries that are burdened by political favouritism and corruption. This is because, most NGOs are



on record for delivering on their objectives, they are appreciated and regarded as honest and dedicated, as indicated in the NGOs report to the Government of Uganda, 2003.

In the financial year 2015/16 budget speech for Uganda, it was reported that domestic financing had dropped to UGX. 1,386 billion from UGX. 1,775 billion in financial year 2013/14, and that donor financing was estimated at Shs. 1,765 billion, of which Shs. 113 billion was budget support. In the next financial year 2016/17, domestic revenue was projected at 12,914.3 billion out of a total budget of 26,361 billion thus a 51% shortfall in the national budget. The recurrent shortfall in the government of Uganda national budget underscores the need for NGOs who are largely donor financed.

From the 1970's when the NGO sector in Uganda sprung up, several donor agencies have financed NGOs in Uganda. Abigail et al. (2003) indicated that 48.6% of NGOs revenue was grants from International NGOs, Uganda NGOs, national government, local government, UN organisations and bilateral donors. In 2011, the Democratic Governance Facility (DGF), one of the donor agencies in Uganda was formed. Eight of Uganda's Development Partners - Austria, Denmark, Ireland, the Netherlands, Norway, Sweden, the United Kingdom and the European Union came together to support democratic governance in Uganda, by pooling resources and experience to establish and operationalise the DGF. Retrieved from <http://www.dgf.ug>.

The DGF has a shared aim of supporting the Uganda government's democratic governance objectives and principles, as laid out in the 1995 Constitution and embodied in the country's National Development Plans. The DGF works with both civil society organisations most of which are NGOs and state institutions, to address a wide range of governance issues. To ensure proper utilisation of funds, the DGF has adopted stringent measures of vetting NGOs for funding, their Grant Agreements prescribe terms and conditions to be followed during project implementation and they conduct workshops, trainings and financial reviews to emphasise key aspects such as value for money. The DGF also employs Financial Management Advisors to support project management teams of funded NGOs. In the financial year 2013-14, the DGF financed program interventions of 81 NGOs in Uganda

(The DGF Annual Report, 2014), while in the financial year 2014-15, 84 NGOs received funding from the DGF, among which was International Alert (The DGF Annual Report, 2015).

International Alert is a charitable organisation with its headquarters in London, United Kingdom. International Alert was first incorporated as a private limited company in the United Kingdom as Standing International Forum on Ethnic Conflict, Genocide and Human Rights-International Alert, on certificate no 2153193 at Companies Registration Office, Cardiff, on 6<sup>th</sup> August 1987. In Uganda, Alert was registered with the Registrar of Companies, as a company limited by guarantee and incorporated in United Kingdom, on certificate no 1878 dated 30<sup>th</sup> November 2007. Alert also registered with the National Bureau for NGOs following the NGO registration statute 1989, under registration no 7154, on 20<sup>th</sup> November 2009. Alert later secured a permit to operate as an NGO in Uganda, on 28<sup>th</sup> September 2012. The previous permit expired and was renewed in August 2017. Alert therefore is a registered NGO with government authorisation to carry out its mandate in Uganda (International Alert Uganda registration documents, 2007). International Alert represented NGOs in Uganda in this study.

Alert is one of the few International NGOs funded by the DGF since June 2014, to fulfil its mandate of understanding the root causes of conflict, prescribing non-violent means to resolve conflict and building lasting peace in the oil bearing Albertine region of Uganda. Alert received funding under the DGFs voice and accountability component specifically for implementation of the “Harnessing the potential of oil to contribute to Uganda’s peaceful development” project, in a two-year period starting June 2014 to May 2016 according to International Alert Grant Agreement (2014). At the end of the first year of implementation, the absorption of funds allocated for this project was 54% while the DGF expected at least 90% absorption, after allowing for a 10% variance (The DGF report, 2015). The under absorption of funds is an indicator that most of the planned activities for the first year were not implemented by Alert as agreed with the donor. This casts doubt on effectiveness of Alert’s program interventions and its ability to achieve set objectives, and it brings the organisations performance in question. It is indicative that in the first year of project implementation, Alert did not

balance effectiveness, efficiency and relevance which may affect its financial viability in the long run. Key to note, is the fact that Alert has financial management systems in place, they prepared a project budget which is appended to the Grant Agreement, they submitted quarterly financial reports to account for utilised funds and had financial systems to monitor and control the use of monetary resources (International Alert Audit report, 2015). Despite the fact that the required financial management practices seem to be in place, the performance of Alert for the period ending June 2015 was wanting, as premised on the IOA model and by donor standards.

### **1.5 Statement of the problem**

The government of Uganda has had a recurrent shortfall in the national budget since 2013. The shortfall is covered by alternative funding, which includes donor financing. The government of Uganda has in this respect, provided a conducive environment with enabling laws to encourage donor financing.

Donors as exemplified in this study by the DGF, do not only provide financial support but also provide technical support to ensure that supported organisations achieve their objectives. International Alert has been supported and funded by the DGF since June 2014. Despite the DGF's interventions, International Alert's absorption of funds provided for the year 2014/15 was only 54%, which was indicative of Alert's performance below expected standard according to International Alert Audit Report (2015). Under absorption of funds was a result of low level of programme delivery and it is indicative of ineffectiveness, which threatens the organisations financial viability in the long run. If this trend is not reversed, Alert may lose donor funding, return unspent funds to the donor at end of the project period as indicated in the Grant Agreement and consequently, some of the planned program interventions aimed at building lasting peace in the Albertine region may not be implemented.

In addition, potential donors may refrain from funding International Alert based on a poor performance record. Lack of funding could hinder the activities of Alert and her partner organisations who have interventions in the Albertine region and in turn, undermine government efforts towards

building a lucrative petroleum industry. Government efforts to solicit for budget support through donor financing would also be stifled.

Low budgetary performance was suggestive that the reason for Alert's poor performance in 2014/5 could be related to financial management. This study therefore, sought to establish the effect of financial management on performance of International Alert and to propose corrective actions.

## **1.6 General Objective**

The general objective of this study was to establish the effect of financial management on performance of NGOs in Uganda, using International Alert as a case study.

## **1.7 Specific Objectives**

The study sought to achieve the following objectives;

1.7.1 To establish the effect of financial planning on performance of International Alert.

1.7.2 To establish the effect of financial accountability on performance of International Alert.

1.7.3 To establish the effect of financial monitoring on performance of International Alert.

## **1.8 Research Questions**

The study sought to answer the following research questions;

1.8.1 What is the effect of financial planning on performance of International Alert?

1.8.2 What is the effect of financial accountability on performance of International Alert?

1.8.3 What is the effect of financial monitoring on performance of International Alert?

## **1.9 Hypotheses of the study**

The study tested the following hypotheses:

The general hypothesis;

1.9.1 Financial management has a significant effect on performance of NGOs in Uganda.

Specific hypotheses;

1.9.2 Financial planning has a significant effect on performance of International Alert.

1.9.3 Financial accountability has a significant effect on performance of International Alert.

1.9.4 Financial monitoring has a significant effect on performance of International Alert.

### 1.10 Conceptual Framework

The study was based on a conceptual framework illustrating the relationship between financial management and performance of NGOs.

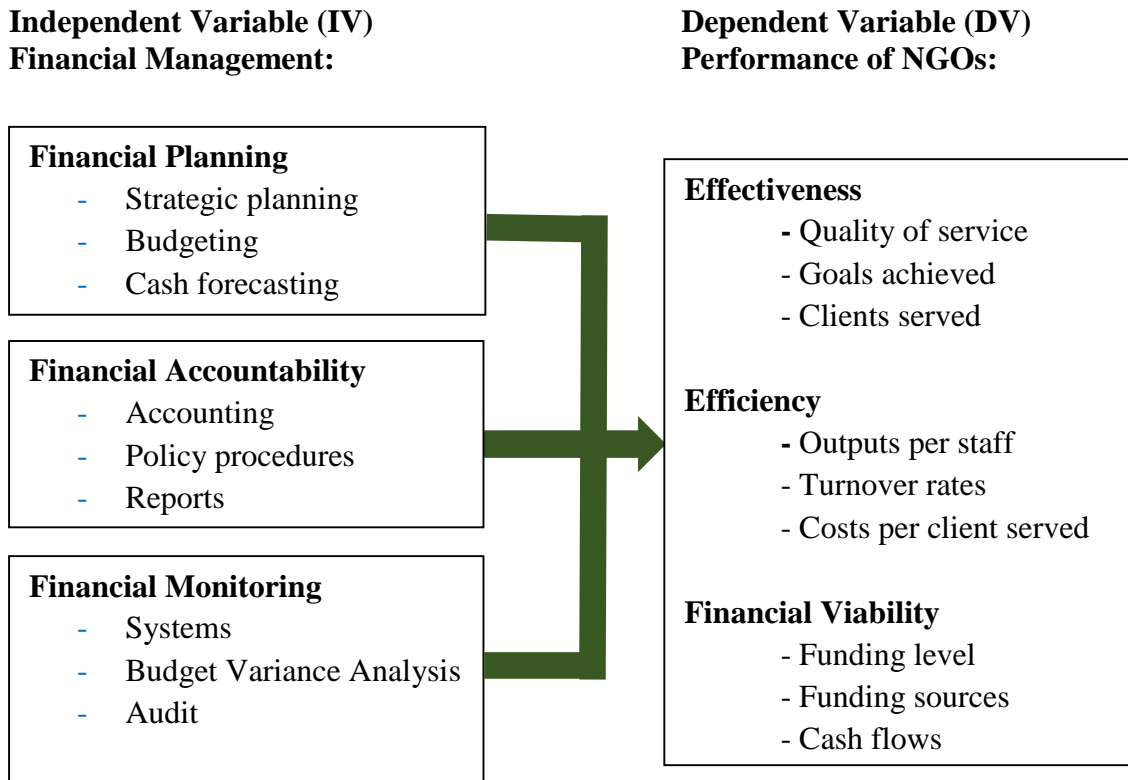


Figure 1.2: The Conceptual framework

Source: *Adopted and modified from Mango (2012) and Institutional and Organisational Assessment Model/Framework-IOA Model, propounded by Lusthaus et al. (2002).*

The IOA model suggests that contributors to performance of NGOs include: its external environment, organisational capacity and motivation. The model posits that financial management is a critical capacity that drives organisational performance and therefore makes strong inference that financial management affects performance of NGOs. The model further suggests that organisational performance is a response to external environment which is driven by changes in financial management and other capacities like program management, human resources, process management and strategic leadership.

The study was therefore premised on the IOA model, based on which the conceptual framework was developed. The conceptual framework indicates that financial management is the independent variable while performance of NGOs is the dependent variable. It illustrates that performance of NGOs is multidimensional, a balance between effectiveness and efficiency of the organisation while remaining financially viable. It also shows that performance of NGOs is affected by financial management aspects of planning, accountability and monitoring. Performance of NGOs in this study was measured based on effectiveness, efficiency and financial viability.

### **1.11 Significance of the study**

Considering that financial management is an important part of programme management in NGOs, the study aimed at providing policy recommendations and strategies to facilitate improved performance of Alert and other NGOs in Uganda. While the IOA model suggests broadly that financial management affects organisational performance, the study sought to establish the effect of financial planning, accountability and monitoring on performance of NGOs in Uganda. The study findings showed that financial management accounts for 33.5% of performance of NGOs while 66.5% was explained by other factors. The findings will guide decision making processes, performance planning and review of NGOs performance. The study also filled gaps in existing literature by providing empirical evidence of the effect of financial management on performance of NGOs.

### **1.12 Justification of the study**

The study sought to establish solutions for an existing problem at International Alert Uganda, which can be related to other NGOs in Uganda. As indicated in the problem statement, if International Alert's current performance trend is not reversed, it may affect; the organisations ability to meet its mission, other organisations who work in partnership with Alert, the Uganda government performance and final beneficiaries who may be deprived of the services.

## **1.13 Scope of the study (content, geographical and period)**

### **1.13.1 Geographical scope**

The study was conducted at Alert office in Kampala and it involved Alert staff and implementing Partner staff that are based in Kampala, Hoima and Arua. Alert was selected as a case study because it is an NGO in Uganda, which is faced with a challenge of performance below expected standards according to the DGF report (2015). Alert works with implementing Partner NGOs who were part of the study population and will also derive direct benefits from the study findings and recommendations.

### **1.13.2 Content scope**

The study was specifically focussed on the financial management practices of planning, accountability and monitoring and how they affect performance of NGOs. Performance of NGOs was measured by effectiveness, efficiency and financial viability, following the definition provided by Lusthaus et al. (2002).

### **1.13.3 Time scope**

The study investigated International Alert for a period of two years, starting June 2014 to May 2016, which was the implementation period for the “Harnessing the potential of oil to contribute to Uganda’s peaceful development” project, as stated in International Alert Grant Agreement (2014).

## **1.14 Operational Definitions of key Terms and Concepts**

For purposes of the study the following concepts were used in the context below;

**Financial Management:** Processes for managing the sourcing, receipting, custody, utilisation and reporting of Alert Uganda’s financial resources.

**Financial planning:** Planning and budgeting for Alert Uganda’s financial resources.

**Financial Accountability:** The process of documenting expenditure detail, preparation of periodic reports following prescribed reporting formats and explaining how Alert’s financial resources were utilised, to staff, management and donors.

**Financial monitoring:** The periodic review of Alert's expenditure against planned use of funds/budgets and providing explanations for variances in line with donor guidelines.

**NGO performance:** Alert's ability to contribute to lasting peace in Uganda, using minimal resources and ability to remain in operation in the foreseeable future.

**Effectiveness:** Alert's ability to meet its overall objective of contributing to lasting peace in Uganda.

**Efficiency:** Alert's ability to implement planned interventions at the lowest possible cost.

**Financial viability:** Alert's ability to maintain current grants, attract new grants and to have sufficient funds for planned interventions in the foreseeable future. Having a positive relation with donors.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter presents scholarly debates on financial management and performance of NGOs. The chapter covers; the theoretical review with a specific focus on the IOA model, contributions of various authors on the study variables, a review of related literature focusing on financial management aspects of planning, accountability and monitoring and a summary of literature reviewed. Existing literature was discussed to establish gaps and to identify areas of further research as indicated in the summary. The major source of literature was secondary data and information including text books, journal articles, research dissertations, government reports, International Alert reports and publications.

Literature was reviewed to establish what other scholars found on the study objectives and hypotheses. Pollit (2001) studied government agencies and his findings were supportive of the hypothesis that financial planning has a significant effect on performance however, he did not address the subject in NGOs. Abraham (2006) suggested that accounting is not necessary, and it's attributed to weak organisations, contrary to Lusthaus et al. (2002) who held that accounting is a critical capacity. The divergent views of these scholars justified another study to establish independent findings. Ayom (2013) conducted a similar study and his findings were supportive of the hypothesis that financial monitoring has a significant effect on performance of NGOs however his study was conducted in South Sudan. These gaps in literature were filled by conducting a study on NGOs in Uganda.

#### **2.1 Theoretical review**

This study was guided by the Institutional and Organisational Assessment Model (IOA Model) to explain the relationship between financial management and performance of NGOs. The IOA model propounded by Lusthaus et al. and elaborated by Universalis and International Development Resource Centre (IDRC), defines organisational performance as a balance between effectiveness, efficiency and relevance, while remaining financially viable. An organisation is ranked as a good

performer if it is able to deliver on its mandate/mission using lowest cost options and it is able to maintain its funders for a foreseeable future (Lusthaus et al., 2002).

Key assumptions of the IOA model are; that organisational motivation affects organisational performance and it is the reason why some organisations do very well even when they operate under difficult conditions, with few resources and poor management systems; that organisational capacity defines its ability to use its resources to perform; that organisations affect and are affected by the external environment and that the success or failure of an organisation is determined by rules and their enforcement. The IOA model was therefore most appropriate for the study as it assumes that financial management, being one of the organisational capacities, can define organisational performance. This assumption was relevant to this study that aimed at establishing the effect of financial management on performance of NGOs in Uganda.

The model suggests that organisational performance depends on its external environment, capacity and motivation. The external environment consists of administrative/legal, ecological, economic, political, social cultural, stake holder and technological environment. The organisation history, mission, culture and incentives/rewards define its motivation, while organisational capacities include structure, infrastructure, human resources, strategic leadership, networks, process management, program management and financial management. The model posits that financial management is a critical capacity that drives organisational performance alongside other actors and therefore suggests that financial management affects performance of NGOs, which was the basis for the hypotheses of this study.

The IOA model further suggests that organisations change, when there are changes in their internal resources, when they respond to factors in their external environment and when there are significant variations in organisational values, which in turn affect organisational culture, climate and ways of operating. This implies that changes in organisational resources which include financial resources, will lead to changes in the entire organisation. Financial management therefore, is one of the capacities that should be given due attention in order to maintain organisational stability.

Based on the IOA model, this study was premised on the strong inference that financial management is among the key functions that affect and define performance of NGOs. The model however, clearly shows that there are other factors that contribute to organisational performance such as the external environment and organisational values which are important for maintenance of the culture and way of doing things. The study therefore aimed at establishing the effect of financial planning, accountability and monitoring on performance of NGOs bearing in mind that financial management is not the only driver of NGO performance.

## **2.2 Financial Management and Performance of NGOs**

Mango (2012) states that financial management involves processes of planning, organising, coordinating and controlling the organisations financial resources to achieve set objectives. He argues that financial management to an NGO is like maintenance to a vehicle and if neglected, the NGO eventually breaks down and fails to reach its intended destination/goals. While that is the case, he points out that financial management is not prioritised and is usually characterised by poor planning/budgeting and monitoring systems. This is suggestive that many organisations do not appreciate the role of the finance function and could be the reason behind poor performance of some organisations.

Financial management involves managing scarce resources because most NGOs operate in a competitive environment, with donor funds becoming increasingly scarce. NGOs should therefore make sure that donated resources are properly used to achieve the organisation's set objectives. Most funders expect NGOs to demonstrate that there is value for money in all their undertakings i.e. in procurement processes, activity implementation and general operations. It further involves risk management as many organisations are faced with internal and external risks that threaten their operations. Risks may include office fires, fraud, theft and withdrawal of funds by donors among others. Through financial management, risks should be identified and managed properly to minimise or avert any likely damage. Good financial management practice should cushion the organisation

against possible risks and derive a mitigation plan, should the risk materialise. Enterprise risk management processes therefore are part of financial management.

Financial management also involves strategic management, especially because financial management is part of management. Managers will not just focus on projects and programmes but keep an eye on the bigger picture, thus looking at how the whole organisation is financed in the medium and long term. Good financial management practice will guide operational and strategic decision making and will also inform fundraising decisions and actions. Finally, it involves managing by objectives i.e. paying close attention to organisation and or project objectives. The financial management process involves planning, implementing and review on a continuous basis. Through facilitating program implementation, regular reporting and review processes, financial management contributes to achievement of set objectives. Mango argued that, financial management does affect performance of NGOs, it is not just about keeping accounting records but an important part of programme management and must not be seen as a separate activity left to finance staff.

Lusthaus et al. (2002), agree that financial management involves the processes of planning, implementing/accountability and monitoring the organisations financial resources. They observe that financial management includes financial reporting, financial accountability and financial statements and systems, and that managing an entities financial resources is a critical capacity that is essential to overall functioning of the organisation. Financial management ensures that board members and managers have required information for decision making and resource allocation. It further inspires confidence in donors who have a keen interest in financial accountability and good stewardship of financial resources. Board members, senior managers and staff should all be involved in financial management therefore, they require skills for financial analysis and work. Strong internal controls and procedures that guide the management of the organisations operational funds and activity funds, will give assurance to stakeholders that funds are properly directed.

Performance of NGOs is dependent on how well the entity fulfils their mission, vision and or purpose. To perform well, an NGO must operate efficiently, effectively and ensure that it is able to survive

overtime. An organisation is considered a good performer when it is effective, efficient and relevant, while remaining financially viable. In the Uganda NGO report, Abigail et al. (2003) indicated that it was not easy to measure NGO performance, based on data collected only from the NGOs themselves. They therefore used structured group interviews to provide the perspective of potential and actual beneficiaries. To measure NGO performance, they considered a series of structured group interviews (SGIs) with the clientele, to gauge their satisfaction and if they were willing to pay for services they received. In the findings, access to the NGOs by the community impacted strongly on SGI ratings. NGOs with permanent structures in the community were rated as more responsive, better, more important and their overall performance was more satisfactory. The NGO report however, was prepared based on the NGO context in 2003, which is over a decade ago. This study therefore, has filled the gap by proposing recommendations based on the current context.

In attempt to address the efficiency question, Abigail et al. (2003) found that, providing public services through NGOs was more costly as compared to working through government institutions. The large number of NGOs translates into multiplication of costs as each NGO reports to its funders who also should monitor them individually. The fixed reporting and monitoring costs for many NGOs results into high costs while on the contrary, delivery of public services through large organisations reduces transactions costs regardless of whether they are private or public and for profit or non-profit. This was suggestive that most NGOs in Uganda do not operate efficiently since most of them were found to be small. As this finding was made in 2003, there was need for another study based on current statistics. This study found that International Alert was efficiently utilizing its resources which finding may be related to NGOs in Uganda.

In attempt to tackle financial viability, the NGO report (2003) found that in Uganda, not all NGOs had access to grant money and many NGOs that applied for grants were unsuccessful. Most NGOs depended on grant revenues which formed 86% of their total funding however, one third of applicants were unsuccessful with a higher proportion of failure among applications made to United Nations entities or local governments. The NGO report findings underscore the fact that financial viability

should be a key concern for Uganda NGOs performance because acquiring grant revenue is becoming increasingly difficult. The report however, did not provide solutions to NGOs who still depend on grant revenue. In line with the NGO report, this study found that International Alert was not financially viable and the researcher proposed recommendations that will facilitate improved performance of NGOs in Uganda.

### **2.3 Financial Planning and Performance of NGOs**

Lusthaus et al. (2002) assert that financial planning is the organisations ability to predict its future financial requirements. NGOs need to determine their anticipated revenues and when cash will be available to make payments by budgeting and forecasting cash needs. Abraham (2006), argues that NPOs often tend to react to changing circumstances and events instead of advance planning and their systems are developed as responses not as initiatives. She suggests therefore that, although the ideal is to forecast future monetary needs, the practice is contrary as financial management for NPOs has been more reactive than proactive. Abraham's findings were for NPOs in general so, this study addressed the need for a specific study that focussed on financial planning and its effects on performance of NGOs in Uganda.

#### **2.3.1 Strategic Planning**

Mango (2012), opinions that financial planning is both a strategic and operational process linked to the achievement of objectives, which involves setting up longer term funding strategies and shorter-term budgets and forecasts. Financial planning does not start with budgets and numbers as effective budgets can only be produced from good underlying plans. To start a financial forecast requires clarity about what the organisation wants to do and how it is to be done, thus strategic planning. The strategic planning process is rooted in the fact that NGOs exist to achieve certain objectives and they usually lay down details of how the objectives will to be achieved in a strategic plan. The strategic planning document has an outline of long term goals, a vision and/or mission, and it goes into greater detail about how the mission is to be achieved. Pollit (2001), observed that strategic planning is a prerequisite for good resource management, which facilitates better performance. Strategic planning

therefore should facilitate better organisational performance and would be recommended for NGOs. As Pollit's study was conducted in government agencies, this study filled the gap by focussing on financial management and performance of NGOs in Uganda.

### **2.3.2 Budgeting**

Following his study on integrating financial management and performance management, Pollit (2001), established that the requirements of budget deal-making in government conflict with the principles of good performance management. In attempt to respond to the question of whether budgeting affects organisational performance, he opinions that it is difficult to link budgetary allocation to effectiveness measures because outcome measures are difficult to construct for public sector programmes. This is because, outcomes change over a much longer time cycle than a budgetary year and one year's change of outcomes does not reflect efforts of current managers and budget. Also, there are other determining variables beyond the control of managers and a single institution therefore, linking resources to outcomes is unfair. This finding was true for government agencies, but it left a gap for NGOs. The gap was filled by this study which found that, there was a significant relationship between financial planning and performance of NGOs.

### **2.3.3 Cash Forecasting**

Mango (2012), argues that cash reserves are critical for good cash and financial management, to cover up for times when grant funds are delayed or unexpected expenses occur. The cash flow forecast also known as a cash budget, helps managers identify those times when cash levels become critical. From this argument, it is critical that NGOs prepare cash forecasts to take control of their cash resources. It is possible to prepare good activity budgets and work plans but final implementation requires actual cash resources. It is not obvious that the organisation will always have available cash although that is the ideal, which justifies cash forecasting. In this regard, it would seem more probable that cash forecasting should improve the organisations prospects for good performance. This was confirmed in this study which found that there was a moderate positive relationship between financial planning and performance of NGOs.

## **2.4 Financial Accountability and Performance of NGOs**

According to Lusthaus et al. (2002), financial accountability seeks to ensure that organisations can ably account for their resources. Stewardship and accounting for organisations financial resources are prerequisites for external trust and they play a pivotal role in ensuring efficient and effective service delivery. Financial accountability calls for transparent rule based procedures that are highly structured and can be verified using monitoring systems such as audits and financial reviews. Accountability is developed through the rules and approval procedures.

### **2.4.1 Accounting**

Abraham (2006), asserts that accounting arises in partially rationalised or partially bureaucratised settings and when an organisation is relatively complete, controlling its own definition of reality, accounting becomes less necessary and sometimes intrusive. In keeping with this argument, the expectation would be that accountants should be found in greater numbers where organisations are not self-sufficient. She suggests that accounting is not necessary and it's attributed to weak organisations. This deviates from the standard emphasised by Mango (2012), who argues that NGO financial management is likened to maintenance of a vehicle. If neglected the organisation would break down and would not reach its intended destination/goals. Mango lays great importance to the finance function and financial management and yet Abraham down plays the role of accounting and financial management. These divergent views underscored the need for this study which established the effect of financial accountability on NGO performance and provided basis for conclusions relevant to NGOs in Uganda.

### **2.4.2 Policy Procedures**

Contrary to Lusthaus's argument for a highly structured, rule based system as a requirement for accountability, Abraham (2006) opinions that an accounting system can operate in an organisation and yet not function as a control mechanism or as a mechanism to provide accountability. She suggests that a rule based system will not be applicable in organisations that value informal relationships, voluntary participation, where nice relations are valued and the idea of explicit



accountability may be unwelcome. While the need for accountability is acknowledged by Lusthaus et al. (2002), the reality is often a different matter as evidenced by Abraham's findings. For organisations where the culture of accountability is not yet embraced therefore, it may be necessary to change the organisation's culture so that accountability is incorporated as a positive value. That would call for introduction of more professional financial management and the use of accounting as a control mechanism. Abraham's findings were for NPOs in general. She did not spell out the geographical boundaries of her study population which justified this study that focussed on NGOs in Uganda.

### **2.4.3 Reports**

Mango (2012), Ayom (2013) and Lusthaus et al. (2002), argue that one of the main reasons for keeping accounting records is to facilitate provision of information on how the organisation is being run, thus providing accountability. Once an organisation has set up accounting systems and its budgets, they should be in position to produce financial reports for monitoring the organisation's financial matters. Maintaining of accurate accounts is foundation for producing financial reports and if accurate accounts are kept in a suitable way, a financial report can be produced in a short time. Important to note is that financial reports should be timely, accurate and relevant. Financial reporting facilitates monitoring processes that translate into improved performance. Mango therefore, recommends for NGOs to have financial reports as key outputs of their financial management practices, to inform stakeholders about the organisation's performance.

### **2.5 Financial Monitoring and Performance of NGOs**

According to Lusthaus et al. (2002), Ayom (2013) and Mango (2012), financial monitoring involves preparation of timely reports to facilitate timely financial decisions. With today's computerisation of the finance function, reports are generated regularly in line with the organisation's finance policy and can also be prepared on demand. In NGOs, forecasting financial needs through budgeting provides a framework for management. After activity implementation, financial reports are prepared for Managers to check whether projections were met, exceeded or they failed to meet the targets, so that

necessary adjustments are made to ensure organisational efficiency and effectiveness. Finance Managers therefore, should be accountable for timely preparation, objectivity and integrity of financial reports.

### **2.5.1 Systems**

Abraham (2006), posits that ratio analysis is a well-established tool to evaluate an organisation's profitability, liquidity and financial stability and that it can be used to answer a variety of questions. The key to analysis and measurement of the financial and operational control and impact is related to the organisation's mission. Ratio analysis answers the questions of whether financial resources are sufficient to support the mission, what financial resources are available to support the mission, how financial resources are used to support the mission and whether financial resources are applied efficiently and effectively to support the mission. Ratio analysis therefore is a measure of efficiency and effectiveness and a measure of organisational performance, according to Lusthaus et al. (2002). While Abraham's assertions are valid, a conclusion cannot be drawn for Uganda NGOs based on findings from a generalised study. The context in Uganda should be considered before a system of financial monitoring is prescribed. This study therefore focussed on Uganda NGOs and provided more reliable findings based on which appropriate recommendations have been made.

### **2.5.2 Budget Variance Analysis reports**

In his study on internal controls and NGO performance, Ayom (2013) established that NGOs do not use budgetary control as an internal control method, which affects their performance. Ayom's findings imply that weak implementation of budget control processes does affect the performance of the NGO. Lusthaus et al. (2002), argued that budgeting provides a framework for management based on which financial reports are prepared for Managers to know whether they are meeting, exceeding or failing to meet projections, so that necessary adjustments are made. Budget variance analysis reports specifically show the level of performance and if responded to, should facilitate improved programme performance and lead to achievement of organisational objectives. Ayom's findings were

for a study on NGOs in South Sudan therefore, this study filled the gap in literature by focusing on performance of NGOs in Uganda.

### **2.5.3 Audit**

Ayom sought to establish whether financial records were subjected to audit as one of the internal controls for NGOs. Based on his findings, he affirms that financial records were subjected to internal audit, which had a positive impact on performance. However, most of the respondents indicated that the number of Audit staff was inadequate and the financial control system was not regularly reviewed. These findings underscore the need for audit and review of financial control systems as key tools for financial monitoring and control. As Ayom's study was conducted in South Sudan, this study filled the gap by focussing on NGOs in Uganda.

## **2.6 Summary of Literature Review**

Literature was reviewed to establish what other scholars found on the study objectives or hypotheses. Pollit (2001), in his study on Integrating Financial Management and Performance Management, found that strategic planning facilitates better organisational performance and would be recommended for NGOs. Pollit's finding was supportive of the hypothesis that financial planning has a significant effect on performance however, he studied government agencies so the findings detach NGOs and render the recommendations of his study inapplicable to NGOs in Uganda. He also found that it is difficult to link budgetary allocation to effectiveness measures because outcome measures are difficult to construct for public sector programmes. As Pollit's findings did not address NGOs, the gap in literature was filled by this study which found that, there was a significant relationship between financial planning and performance of NGOs in Uganda.

In line with the second objective, establishing the effect of financial accountability on performance of NGOs, Abraham (2006) studied Financial Management in the Non-profit Sector. She suggests that accounting is not necessary and it's attributed to weak organisations, contrary to Lusthaus et al. (2002) who hold that managing an entities financial resources is a critical capacity that is essential to overall functioning of the organisation. The divergent views of these scholars justified this study which

provided independent findings relevant to NGOs in Uganda. This study filled the gap by establishing the effect of financial accountability on NGO performance and providing conclusions relevant for NGOs in Uganda.

In his study on internal controls and performance in Non-Governmental Organisations, Ayom (2013) found that internal controls affect the performance of an organisation either positively or negatively and subjecting financial records to internal audit had a positive impact on performance. These findings were supportive of the hypothesis that financial monitoring has a significant effect on performance of NGOs however, the findings could not relate to Uganda NGOs as Ayom's study was conducted in South Sudan. This study therefore, filled the gap in literature by focusing on financial management and performance of NGOs in Uganda.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.0 Introduction

This chapter presents an overview of how the study was conducted. The chapter details the processes through which required data was collected and analysed to guide conclusions and derivation of recommendations. It deals with the research design, the study population, sample size and selection, sampling techniques and procedure, methods of data collection, data collection instruments, quality control of data collection instruments, procedure for data collection, data analysis, measurement of variables and ethical considerations.

#### 3.1 Research Design

The researcher followed a cross-sectional survey design. This design was best suited for the study as it enabled collection of data at one point in time, from a sample that was selected to represent employees of NGOs in Uganda (Amin, 2005; Sekaran, 2003; Mugenda and Mugenda, 2003). A big number of respondents were reached in their natural setting in a short time, which made it cheaper. By sampling, the researcher established the preferences, opinions, practices and attitudes of a cross section of the target population, regarding the subject under investigation.

Amin (2005) indicates that qualitative and quantitative methods are the key approaches in social science research. He however, states that the use of only one of these approaches presents a limited view and therefore recommends triangulation. Based on his recommendation, the research study was quantitative and qualitative in nature. The quantitative and qualitative approaches were employed to reach International Alert and Partner staff, drawn from the Districts of Kampala, Hoima and Arua. The quantitative approach was used to investigate the relationship between financial management and performance of NGOs and was applied to collect, present, analyse and interpret numeric data. The qualitative approach facilitated interpretation of data collected using quantitative approach and it enabled the researcher to obtain descriptive/verbal data.

### **3.2 Study Population**

The target population were employees in the NGO sector however, International Alert was selected to represent NGOs in Uganda. The accessible population therefore included employees of Alert and her implementing Partners based in Kampala, Hoima and Arua. The study was conducted at Alert office in Kampala and respondents were drawn from Districts where Alert has direct programme interventions and/or where Alert works with Partner organisations. Alert works with implementing Partners who comprise of NGOs that will derive direct benefits from this study. Specific focus was on the financial management practices of planning, accountability and monitoring and how these practices affect Alert's performance, measured by effectiveness, efficiency and financial viability. The study investigated Alert for the period starting June 2014 to May 2016, which was the implementation period for the "Harnessing the potential of oil to contribute to Uganda's peaceful development" project (International Alert Report, 2015).

### **3.3 Sample Size and Selection**

Respondents were drawn from a pool of employees of International Alert and Partner organisations based in Kampala, Hoima, Arua and members of the Senior Management Teams (SMT). The respondents were those who have been employed for at least one year and were drawn from NGOs only in line with the study topic. Sample size was arrived at by use of the Table for Determining Sample Size of a Known Population (Krejcie & Morgan, 1970). Table 3.1 below shows the sample which composed of 14 respondents from Kampala, 10 respondents from Hoima, 19 respondents from Arua and 10 respondents from the SMT. A total of 43 respondents were randomly selected using simple random sampling technique, to give a chance to all respondents in the accessible population while 10 respondents were selected using purposive sampling technique, based on their knowledge on the study variables.

**Table 3.1: Summary of Population Samples used**

Category	Accessible Population	Sample size	Sampling Techniques
Kampala based staff	15	14	Simple random
Hoima based staff	10	10	Simple random
Arua based staff	20	19	Simple random
Senior Management Teams	12	10	Purposive
	<b>57</b>	<b>53</b>	

Source: *Primary Data*

### 3.4 Sampling techniques and procedures

The researcher used a probability based, simple random sampling technique to select the sample to be studied. Random sampling was adopted to avoid bias and to give each member an equal chance of being selected to participate in the study (Amin, 2005; Sekaran, 2003; Mugenda and Mugenda, 2003). Questionnaires were administered to respondents who were picked at random to represent the entire population. The large population warranted simple random sampling to minimize bias (Mugenda and Mugenda, 2003).

Purposive sampling was applied in selecting respondents to provide qualitative data. The researcher selected a sample to be interviewed from the Senior Management Teams (SMT), based on their knowledge and experience of the study variables. To understand the financial management aspects better, the researcher supplemented on data collected through quantitative approach with interviews, to capture perceptions of team leaders and members of the Senior Management Team. Purposive sampling was used to identify respondents to participate in interviews. This technique enabled collection of very informative data which required the researcher to use her discretion in selecting the sample (Sekaran, 2003).

### 3.5 Methods of Data Collection

The researcher used three methods of data collection to achieve the study objectives. These included; questionnaire survey, interviews and document review.

#### 3.5.1 Questionnaire survey

The questionnaire was administered by the researcher to a sample of Alert employees and employees of Alert's Partner NGOs by email. The questionnaire consisted of a set of closed-ended questions, designed for data collection in line with research questions and hypotheses. In line with Amin (2005)

and Mugenda and Mugenda (2003), the questionnaire survey method was used because it was cheaper than other data collection methods, it covered many respondents, it was completed at the respondents' convenience, it encouraged honest answers given its assurance of anonymity and was sent out to respondents in different districts at a short time.

### **3.5.2 Interview**

Interviews involved verbal and face to face interactions between the researcher and respondents, with the researcher asking questions and the respondents providing answers. Interviews provided avenue to validate information collected through questionnaires and observation. The questions for interviews were open ended to allow the respondents freedom to express feelings and share ideas without limitation. The researcher also validated information provided by observing the respondents body language and expressions during interviews.

### **3.5.3 Document review**

The researcher reviewed documents to supplement on information got through questionnaires and interviews. Documents reviewed included; registration documents, audit reports, donor reports, monthly accounts reports, annual reports, programme reports, annual plans and budgets, funding proposal documents, donor agreements and organisational policy documents. Document review method was used because documents contain credible pieces of evidence to justify the research findings, according to Amin (2005).

## **3.6 Data Collection Instruments**

The researcher collected data from primary and secondary sources. Primary data was obtained using data collection instruments while secondary data was obtained from books, reports and the internet. Before going to the field to conduct the study, the researcher developed data collection instruments and pretested them on a sample of the study population. The instruments included; the questionnaire, the interview guide and document review checklist.



### **3.6.1 Questionnaire**

For quantitative data, the researcher obtained data using the questionnaire as the key instrument. The questionnaire was used as a one-off data collection instrument with questions on the study variables i.e. financial management and performance of NGOs. In line with Amin (2005) and Mugenda and Mugenda (2003), a questionnaire was advantageous because it saved time. The questions were closed ended, simple and clear for easy interpretation by respondents. To ensure reliability of data, the words in the questionnaire were clear and simple to grasp by respondents. The researcher used comprehensive wording and avoided slangs and complicated phraseologies that could have led to miss-interpretation of questions. The researcher used ordinal scales in the main body of the questionnaire to classify and to show the strength of a response. A Likert scale ranging from “strongly agree (5)” to “strongly disagree (1)” was used in the main body section of the questionnaire. Respondents were required to check their level of agreement or disagreement against each statement in the main body of the questionnaire and responses were weighed from 1 to 5. The researcher sent questionnaires by email and most of the respondents sent back completed questionnaires by email. For a few respondents who had internet challenges, hard copies of completed questionnaires were delivered to the researcher.

### **3.6.2 Interview guide**

For qualitative data, the interview guide was used to enable the researcher collect in-depth data and to triangulate information got through questionnaires (Mugenda and Mugenda, 1999). Face to face, semi structured interviews were conducted among selected members to enable the researcher to probe for further information. The questions were both open and closed ended, simple and clear for easy interpretation by respondents. Some of the questions were open ended to allow respondents to give information in a convenient manner. To ensure a good response rate, the researcher set discussion topics and made prior appointments with respondents for interviews. The researcher took notes during interviews and used the notes to validate information after the interview or discussion.

### 3.6.3 Document review checklist

A document review checklist was also used to collect qualitative data. Documents were reviewed to validate and justify information collected through questionnaires and interviews. As recommended by Amin (2005), the researcher reviewed a list of documents and literature that is related to the study topic. The documents reviewed included; registration documents, audit reports, donor reports, monthly accounts reports, annual reports, programme reports, annual plans and budgets, funding proposal documents, donor agreements and organisational policy documents.

## 3.7 Quality Control of Data Collection Instruments

### 3.7.1 Reliability

Reliability points to consistency of the instrument while measuring variables of the study. According to Mugenda and Mugenda (1999), to ensure reliability, the number of respondents for the pre-test should be 1% to 10% of the sample. The researcher therefore, pre-tested the questionnaire once, on 6 employees of International Alert. Scores from the pre-test were correlated using Cronbach's coefficient alpha.

$$\alpha = \frac{N \cdot \bar{c}}{\bar{v} + (N - 1) \cdot \bar{c}}$$

Where N is equal to the number of items, c-bar is the average inter-item covariance among the items and v-bar equals the average variance.

The pre-test results indicated a Cronbach's alpha value of 0.928 which was greater than 0.6, therefore, the questionnaire was acceptable and the researcher proceeded to collect data. If the Cronbach's alpha value was less than 0.6, the instrument would have been re-designed.

The level of reliability of the questionnaire was obtained by analysing the items of the variables and the results are indicated in table 3.2 below.

**Table 3.2: Reliability of the questionnaire**

Reliability of the questionnaire		
Variable	Cronbach's Alpha	No. of Items
Financial Planning	0.796	13
Financial Accountability	0.771	8
Financial Monitoring	0.907	12
Organisational Performance	0.846	17
<b>Overall</b>	<b>0.928</b>	<b>50</b>

Source: *Primary Data*

Table 3.2 above shows that the overall Cronbach's Alpha was 0.928 for the 50 items (questions) in the questionnaire implying that the degree of measure at which the instrument yields consistent data after repeated times was very high (0.928). The lowest Cronbach's Alpha of 0.771 was noted for financial accountability which had 8 questions while the highest Cronbach's Alpha of 0.907 was noted for financial monitoring which had 12 questions. The overall Cronbach's Alpha of 0.928 gave green light for the researcher to proceed and collect data as it was above the recommended 0.6 minimum value for acceptance of the instrument.

### **3.7.2 Validity**

Validity refers to appropriateness of the data collected. It is the ability to produce accurate results and to measure what should be measured. To ensure validity, the researcher used logical validity which includes face, content and construct validity, determined primarily through judgement (Amin, 2005). The researcher checked validity of instruments through empirical validation i.e. checking validity of a measure against empirical evidence and through theoretical validation where validity of the instrument was ascertained through theoretical and conceptual constructs. Findings got were supported by theoretical principles therefore the instrument was valid.

Instruments were submitted to the Supervisor for professional review after which, they were pretested on International Alert employees. Pre-test responses were checked for content validity and subjected to content validity test.

<i>Content Validity Index (CVI) =</i>	<i>No. of items declared valid</i>
	<i>Total number of items in the questionnaire</i>

The questionnaire was accepted as valid as the average CVI was 0.857 which was above 0.7. However, if the average CVI had been below 0.7, the instrument would have been re-designed and changes required after pre-testing would have been incorporated in the final questionnaires before administering it to the sample.

A total of 8 questionnaires were pretested out of which 6 were returned. Table 3.3 below shows that the average CVI was 0.857 implying that the degree to which results obtained from analysis of data actually represents the phenomenon under study was 85.7% which was a good result. The questionnaire was therefore adopted as a valid instrument for data collection.

**Table 3.3: Validity test results for the questionnaire**

<b>Ser No.</b>	<b>Valid items/Number of items</b>	<b>CVI</b>
1	43/50	0.860
2	47/50	0.940
3	48/50	0.960
4	45/50	0.900
5	33/50	0.660
6	41/50	0.820
<b>Average Validity</b>		<b>0.857</b>

Source: *Primary Data*

### **3.8 Procedure of Data Collection**

Prior to data collection, instruments were prepared and approved. The researcher got an introductory letter from Uganda Management Institute that introduced the researcher to respondents. For quality control of data collection instruments, the researcher pretested the questionnaire and interview guide for their reliability and validity. After ascertaining the validity and reliability of instruments the researcher administered questionnaires by email to the sampled respondents. Completed questionnaires were sent back by email, with a few sent in hard copy. All were compiled for analysis. Interviews were conducted by the researcher to avoid errors. Prior appointments were made with respondents for interviews to ensure a good response rate. After preliminary explanations, the

researcher built rapport with respondents, issued them with the interview guide and agreed on how best the interview would be conducted. Proceedings were recorded using notebooks.

Documents to be reviewed were requested from the Senior Management Team and were cross referenced by the researcher during data entry and analysis.

### **3.9 Data Analysis Techniques**

As recommended by Amin (2005) and Mugenda and Mugenda (2003), raw data was collected from primary sources using questionnaires and cleaned to make it as error free as possible. Both quantitative and qualitative data analysis techniques were used to summarise and organise data in a manner that answered research questions and hypotheses.

#### **3.9.1 Analysis of quantitative data**

Quantitative data collected using mailed questionnaires was coded and computed into frequency counts, averages and percentages before being treated to descriptive, relational and inferential data analysis using SPSS Version 20. Results of data analysis were summarised using descriptive statistics and presented using figures and frequency tables. Pearson's coefficient was used to test if variations in respondents' opinions were significant. Regression analyses were used to measure the strength of the relationship between the independent and dependent variables i.e. the relationship between financial planning, financial accountability and financial monitoring and performance of NGOs.

#### **3.9.2 Analysis of qualitative data**

Qualitative data collected from documentary review and interviews was recorded in narrative form and later transcribed under the major thematic areas of the study objectives. Qualitative data analysis involved content and thematic analysis as guided by research questions. Using content analysis, data was edited and reorganised into meaningful shorter sentences and using thematic analysis, data was organised into coded themes (Sekaran, 2003). Information of the same category was assembled together after data collection and it was linked to similar quantitative data before report writing. Qualitative data was interpreted by composing descriptions and or explanations from collected information. It was illustrated and substantiated by description and quotation.

### **3.10 Measurement of Variables**

According to Amin (2005), measurement of variables involves assignment of numbers to objects, event or characteristics following given rules, to operationally define variables. The assignment procedure resulted in two levels of measurement for categorisation of variables in the questionnaire. Nominal measurement involved assigning numbers to each category of responses that served as names. The numbers were distinct however, they did not allow comparison of variables being measured. The researcher used nominal scales in measuring variables in the biographical section of the questionnaire, purposely to classify respondents by their sex (male/female), age, employment terms (casual/permanent/contract) and job category. These showed the nature of respondents. Ordinal measurements were used to rank observations relative to each other besides categorising elements. They allowed comparison, although the numbers did not represent equal intervals on the measurement scale. The researcher used ordinal scales in the main body of the questionnaire to classify and to show the strength of a response. A Likert scale was used in the main body section of the questionnaire.

### **3.11 Ethical considerations**

The researcher observed key ethical considerations to ensure that data was collected and the study conducted within the confines of accepted standards, rules and guidelines. The study was conducted in compliance to standards set by UMI and Uganda Council of Science and Technology. The major ethical problems were; ensuring respondent's privacy, ensuring their confidentiality and avoiding bias. In this respect, the researcher obtained informed consent from respondents, respected intellectual property, acknowledged other scholars' contributions and protected respondents' confidentiality by assigning numbers to completed questionnaires so that they could not easily be traced back to the sender. To avoid bias, the researcher ensured objectivity by disclosing personal interests that could have affected the research, the researcher was open enough to share the study findings and to receive guidance from supervisors. Finally, the study findings were honestly reported as they were received to ensure authenticity and to maintain high quality information.

## CHAPTER FOUR

### PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

#### 4.0 Introduction

This chapter presents, analyses and interprets the study findings arising from the data collected. The study sought to establish the effect of financial management on performance of International Alert Uganda (Alert) as a case study representing NGOs in Uganda. This chapter presents financial planning, financial accountability and financial monitoring as factors affecting performance of Alert. The study specifically analysed the effect of financial planning, financial accountability and financial monitoring on performance of International Alert. For purposes of this study, performance was indicated by effectiveness, efficiency and financial viability of Alert. In line with the general objective of the study, analysis was also done on financial management and performance of NGOs in Uganda.

#### 4.1 Response Rate

The response rate refers to the number of questionnaires completed and returned as compared to the total number of questionnaires mailed, expressed in numeric and percentage forms. In line with the guideline in Mugenda and Mugenda (2003), a return rate of 50% is adequate, 60% is good and above 70% is very good. A minimum of 30 respondents is sufficient for statistical inferences. A total of 43 questionnaires were mailed, out of which, 41 were returned as reflected in the Response Rate table below;

**Table 4.1: Response Rate**

Particulars	Total Sample	Actual respondents	Percentages
Questionnaires	43	41	95%
Interviews	10	6	60%
Overall	53	47	88.7%
<b>The Overall Response Rate</b>			<b>88.7%</b>

Source: *Primary data*

Table 4.1 above shows a resultant response rate of approximately 89% which was a very good response rate according to Mugenda and Mugenda (2003). This implies that the results were a reliable

representation for NGO employee responses. The high response rate is also suggestive of more accurate survey results (Amin, 2005).

## 4.2 Respondents' Profile

### 4.2.1 Gender

**Table 4.2: Frequency table of Respondents' Gender**

Respondents by Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	21	51.2	51.2	51.2
	Female	20	48.8	48.8	100.0
<b>Total</b>		<b>41</b>	<b>100.0</b>	<b>100.0</b>	
Source: <i>Primary Data</i>					

Table 4.2 above, represents the frequencies of respondents' gender. Male respondents were 21 out of 41, which was 51.2% of the total number of responses. Female respondents were 20, which was 48.8 % of the total number of responses. In this study, male respondents were more than the female respondents however, the number of male respondents was not significantly different from the number of female respondents. This implies that the responses are not gender biased and they are representative of all NGO staff.

### 4.2.2 Respondents' Age Group

**Table 4.3: Frequency table of Respondents' Age Group**

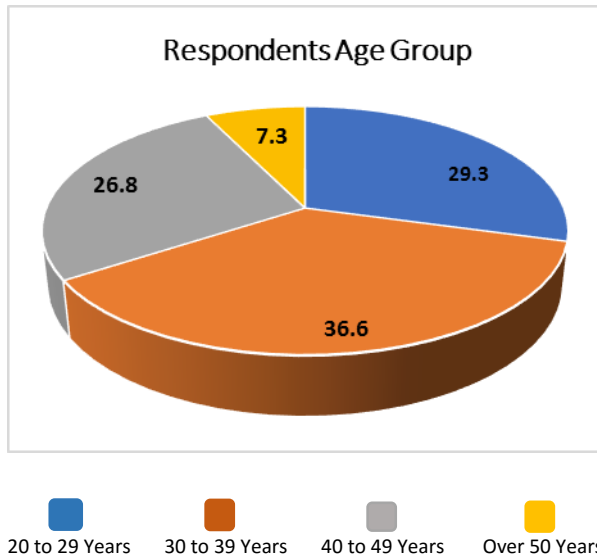
Respondents by Age					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20 to 29 Years	12	29.3	29.3	29.3
	30 to 39 Years	15	36.6	36.6	65.9
	40 to 49 Years	11	26.8	26.8	92.7
	Over 50 years	3	7.3	7.3	100.0
<b>Total</b>		<b>41</b>	<b>100</b>	<b>100</b>	
Source: <i>Primary Data</i>					

Table 4.3 above represents the frequency distribution of the respondent's age groups. From the table, 12 of the respondents were aged between 20 and 29 years, representing 29.3% of the valid percentage, 15 were aged between 30 and 39 years, representing 36.6% of the valid percentage, 11 were aged



between 40 and 49 years, representing 26.8% of the valid percentage and 3 of the respondents were aged above 50 years, representing 7.3% of the valid percentage. This implies that the data collected was not biased to a specific age group. The above information is illustrated in the pie chart below.

**Figure 4.1: A Pie Chart representing respondents Age Groups**



Source: *Primary Data*

From the pie chart above, 93% of respondents were in the regions shaded blue, orange and grey, implying that majority of respondents fall in the age bracket between 20 and 50 years. The responses represent NGO staff who are actively in service, as employees in Uganda can be treated as having retired from regular employment when they attain the age of 50 years (The NSSF Act, 1985). The data can therefore be relied on to represent views of actively employed NGO staff.

### 4.2.3 Respondents' Education level

**Table 4.4: Frequency table of Respondents' Education Level**

Respondents' Education Level					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Certificate	4	9.8	9.8	9.8
	Diploma	3	7.3	7.3	17.1
	Degree	18	43.9	43.9	61.0
	Post Graduate	16	39.0	39.0	100.0
<b>Total</b>		<b>41</b>	<b>100</b>	<b>100</b>	

Source: *Primary Data*

Table 4.4 above represents frequency of the respondents' education level and shows that; 4 out of the 41 respondents had certificates as their highest level of education representing 9.8% of the respondents, 3 had a Diploma and represented 7.3% of the respondents, 18 had a Degree and they represented 43.9% of the total number of respondents and 16 had post graduate qualifications representing 39.0 % of respondents. 82.9% of the respondents are university graduates therefore the responses can be relied on as majority respondents would be expected to understand the questions in the questionnaire and to provide valid responses.

#### 4.2.4 Respondents' Employment Terms

**Table 4.5: Frequency table of Respondents' Employment Terms**

Respondents' Employment Terms					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Casual	2	4.9	4.9	4.9
	Fixed term contract	18	43.9	43.9	48.8
	Open contract/ Permanent	21	51.2	51.2	100.0
<b>Total</b>		<b>41</b>	<b>100</b>	<b>100</b>	

Source: *Primary Data*

Table 4.5 above shows the frequency of respondents' employment terms and it indicates that; 2 respondents were casual employees representing 4.9% of the total number of respondents, 18 respondents had fixed term contracts and they represented 43.9 % of respondents while 21 had open contracts or were on permanent terms and they represented 51.2% of the total number of respondents. As all job categories were represented, this implies that the responses are free from bias and they are representative of all NGO employee categories.

Most of the respondents had open contracts and would be more interested in the NGOs continuity as their employment would be more stable. This implies that the information was willingly provided and can be trusted to represent employees of NGOs in Uganda. This was confirmed in a related interview where one of the respondents said,

*“International Alert can ably manage its activities with little or no help of outside staff as Alert staff are committed and they work towards achievement of Alert’s goals. Alert staff have open contracts*

which is an assurance of job security for as long as the organisation is in existence. This motivates staff to work in the interest of Alert.”

#### 4.2.5 Respondents’ Job Category

**Table 4.6: Frequency table of Respondents’ Job Category**

Respondents' Job Category					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Finance and Accounting	9	22.0	22.0	22.0
	Administration	8	19.5	19.5	41.5
	Programmes	13	31.7	31.7	73.2
	Management	11	26.8	26.8	100.0
<b>Total</b>		<b>41</b>	<b>100</b>	<b>100</b>	
Source: <i>Primary Data</i>					

Table 4.6 above represented frequency of respondents’ job category. Out of 41 respondents, 9 were from Finance and Accounting representing 22% of the respondents, 8 were from administration representing 19.5% of the respondents, 13 were from programmes representing 31.7% of the respondents while 11 were from management and they represented 26.8%. Responses were received from all job categories which guarantees that the responses were not biased and findings and recommendations can be embraced by all employee categories.

### 4.3 Descriptive Data Analysis

The questionnaire was the key instrument used for quantitative data collection. It was sent to a sample of Alert employees and employees of Alert’s Partner NGOs by email. The questionnaire consisted of a set of closed ended questions, designed to establish whether International Alert had financial management practices in place and the respondents’ perception of Alert’s effectiveness, efficiency and financial viability. To confirm existence of financial management practices, questions were designed for respondents to affirm or dispute whether financial planning, financial accountability and financial monitoring were conducted by International Alert. For performance, questions were designed for respondents to affirm or dispute whether Alert was effective, efficient and financially viable.

Ordinal scales were used in the main body of the questionnaire to classify and show the strength of a response. A Likert scale ranging from “strongly agree (5)” to “strongly disagree (1)” was used in the main body section of the questionnaire.

#### **4.3.1 Financial Planning and Performance of International Alert**

The first objective of the study was to establish the effect of financial planning on performance of International Alert. Table 4.7 below shows a tabulation of the number of responses to questions that assessed International Alert’s financial planning. The mean of means of 3.930 implies that most of respondents agreed that International Alert conducts financial planning. 97.56% of the respondents agreed that Alert prepares strategic plans to guide implementation, 90.24% agreed that regular and periodic financial planning is undertaken to guide activity implementation and 90.24% agreed that activity implementation follows Alert’s approved budgets. The very high ratings are suggestive that International Alert pays critical attention to financial planning processes. However, 19.51% of respondents disagreed with the statement that Alert planning process involves beneficiaries implying that planning processes are not inclusive of all beneficiaries.

A significant number of respondents were indecisive on questions 3,6 and 7 in this section. 31.7% were undecided on whether the previous budget performance reports are used for future planning, 41.46% were undecided on whether budget planning is done on a timely basis and 35.9% were undecided on whether Alert has appropriate budgets for purchase of equipment/capital items. This implies that respondents did not have all the information. In a related interview, one respondent indicated that he did not have access to all the information and therefore could not respond adequately to some questions.

**Table 4.7: Responses on Financial Planning**

No.	DETAILS	LIKERT SCALE					TOTAL	MEAN
		SA(5)	A(4)	N(3)	DA(2)	SDA(1)		
	<b>Financial Planning</b>							
1	Alert prepares strategic plans to guide programme implementation	18	22	1	0	0	41	4.415
		43.90%	53.66%	2.44%	0.00%	0.00%		
2	Regular and periodic financial planning is undertaken to guide activity implementation	14	23	4	0	0	41	4.244
		34.15%	56.10%	9.76%	0.00%	0.00%		
3	Previous year's budget performance reports are used for future planning	7	15	13	6	0	41	3.561
		17.07%	36.59%	31.71%	14.63%	0.00%		
4	Alert planning process involves beneficiaries	10	11	12	4	4	41	3.463
		24.39%	26.83%	29.27%	9.76%	9.76%		
5	Adequate budget planning is done for all departments	6	20	13	2	0	41	3.732
		14.63%	48.78%	31.71%	4.88%	0.00%		
6	Budget planning is done on a timely basis	1	22	17	1	0	41	3.561
		2.44%	53.66%	41.46%	2.44%	0.00%		
7	Alert has appropriate budgets for purchase of equipment/capital items	9	14	14	2	0	39	3.769
		23.08%	35.90%	35.90%	5.13%	0.00%		
8	Budget planning is done by both finance and programme staff	15	20	6	0	0	41	4.220
		36.59%	48.78%	14.63%	0.00%	0.00%		
9	Members of the Senior Management Team are involved in financial planning	24	9	8	0	0	41	4.390
		58.54%	21.95%	19.51%	0.00%	0.00%		
10	Budget plans are updated based on financial information	4	20	13	4	0	41	3.585
		9.76%	48.78%	31.71%	9.76%	0.00%		
11	Cash requests are analysed through cash flow statements	8	17	15	1	0	41	3.780
		19.51%	41.46%	36.59%	2.44%	0.00%		
12	Financing of projects/programmes is properly managed	11	20	8	2	0	41	3.976
		26.83%	48.78%	19.51%	4.88%	0.00%		
13	Activity implementation follows Alert's approved budgets	21	16	3	1	0	41	4.390
		51.22%	39.02%	7.32%	2.44%	0.00%		
	<b>Mean of the means</b>				<b>3.930</b>			

Source: *Primary Data*

### **4.3.2 Financial Accountability and Performance of International Alert**

The second objective of the study was to establish the effect of financial accountability on performance of International Alert. Table 4.8 below shows a tabulation of the number of responses to questions that assessed International Alert's financial accountability. The mean of means of 4.084 implies that most of the respondents agreed that International Alert conducts financial accountability. 95.12% of the respondents agreed that Alert has competent staff and Senior Management Team members who understand the role of finance procedures and information and 92.50% agreed that Financial management and accounting are part of Alert's control mechanisms. The very high ratings are suggestive that International Alert has financial accountability practices. These findings agree with the DGF Financial Monitoring report (2015), which indicated that Alert has functional financial, program, operational and general management systems and a committed management team to ensure proper implementation of donor funded projects.

The above notwithstanding, some of the respondents were indecisive on questions 2, 3 and 7 in this section. 31.71% were undecided on whether financial information is aligned with Alert's strategic plan, 30.00% were undecided on whether Alert has clearly defined when the financial year begins and ends and 34.15% were undecided on whether Alert has a board/management committee to oversee financial issues. This is also suggestive that respondents were not well informed about all aspects of financial accountability.

**Table 4.8: Responses on Financial Accountability**

No.	DETAILS	LIKERT SCALE					TOTAL	MEAN
		SA(5)	A(4)	N(3)	DA(2)	SDA(1)		
	<b>Financial Accountability</b>							
1	Alert has competent staff and Senior Management Team members who understand the role of finance procedures and information	24	15	2	0	0	41	4.537
		58.54%	36.59%	4.88%	0.00%	0.00%		
2	Financial information is aligned with Alerts strategic plan	10	14	13	4	0	41	3.732
		24.39%	34.15%	31.71%	9.76%	0.00%		
3	Alert has clearly defined when the financial year begins and ends	17	11	12	0	0	40	4.125
		42.50%	27.50%	30.00%	0.00%	0.00%		
4	Reports are provided to Senior Management and Donors on a regular basis, at least once a quarter/year	24	9	8	0	0	41	4.390
		58.54%	21.95%	19.51%	0.00%	0.00%		
5	Financial information is provided in a timely manner to those who need it	8	18	12	3	0	41	3.756
		19.51%	43.90%	29.27%	7.32%	0.00%		
6	Financial management and accounting are part of Alert's control mechanisms	22	15	3	0	0	40	4.475
		55.00%	37.50%	7.50%	0.00%	0.00%		
7	Alert has a board/management committee to oversee financial issues	10	12	14	5	0	41	3.659
		24.39%	29.27%	34.15%	12.20%	0.00%		
8	Alert staff follow clearly stated financial procedures	13	18	8	1	1	41	4.000
		31.71%	43.90%	19.51%	2.44%	2.44%		
	<b>Mean of the means</b>				<b>4.084</b>			

Source: *Primary Data*

### 4.3.3 Financial Monitoring and Performance of International Alert

The third objective of the study was to establish the effect of financial monitoring on performance of International Alert. Table 4.9 below shows a tabulation of the number of responses to questions that assessed International Alert's financial monitoring. The mean of means of 3.975 implies that most of the respondents agreed that International Alert conducts financial monitoring. 90.24% of the respondents agreed that Alert prepares financial reports and statements to support effective decision making and 90.24% agreed that financial reports are prepared on a timely basis at least quarterly.

These very high ratings are suggestive that International Alert does conduct financial monitoring.

One interviewee had this to say;

*“Project budgets are prepared alongside proposal documents and they are approved by the donor prior to agreement signing. The budget is used as a benchmark to assess whether we are achieving the set out puts or not. The finance team facilitates this process by providing BVA reports on a monthly basis and the BVA reports guide the budget holders to monitor our implementation progress.”*

Some respondents, however, were indecisive on questions 7, 8, 9, 10, 11 and 12 in this section. 34.15% were undecided on whether Alert prepares adequate reports for control of organisation assets, 46.34% were undecided on whether budget monitoring reports are prepared in a timely manner, 48.78% were undecided on whether budget monitoring reports are reviewed and used by management, 47.50% were undecided on whether the senior management team reviews financial policies and procedures on a regular basis, 39.02% were undecided on whether Auditors were satisfied with Alert’s controls on cash and assets and 41.46% were undecided on whether cash is managed so that Alert benefits from surpluses and minimises cash shortages . The indecisiveness on many questions further suggests that respondents were not well informed about all aspects of financial monitoring.



**Table 4.9: Responses on Financial Monitoring**

No.	DETAILS	LIKERT SCALE					TOTAL	MEAN
		SA(5)	A(4)	N(3)	DA(2)	SDA(1)		
	<b>Financial Monitoring</b>							
1	Alert prepares financial reports and statements to support effective decision making	18	19	4	0	0	41	4.341
		43.90%	46.34%	9.76%	0.00%	0.00%		
2	Alert prepares financial reports to support good performance	17	18	6	0	0	41	4.268
		41.46%	43.90%	14.63%	0.00%	0.00%		
3	Comparison of both actual and planned budget are monitored and analysed for decision making	13	15	11	2	0	41	3.951
		31.71%	36.59%	26.83%	4.88%	0.00%		
4	Members of the Senior Management Team are involved in financial monitoring	15	16	10	0	0	41	4.122
		36.59%	39.02%	24.39%	0.00%	0.00%		
5	Alert has an adequate accounting system that generates monitoring information	17	15	8	1	0	41	4.171
		41.46%	36.59%	19.51%	2.44%	0.00%		
6	Financial reports are prepared on a timely basis at least quarterly	19	18	4	0	0	41	4.366
		46.34%	43.90%	9.76%	0.00%	0.00%		
7	Alert prepares adequate reports for control of organisation assets	7	20	14	0	0	41	3.829
		17.07%	48.78%	34.15%	0.00%	0.00%		
8	Budget monitoring reports are prepared in a timely manner	8	14	19	0	0	41	3.732
		19.51%	34.15%	46.34%	0.00%	0.00%		
9	Budget monitoring reports are reviewed and used by management	7	14	20	0	0	41	3.683
		17.07%	34.15%	48.78%	0.00%	0.00%		
10	The Senior Management Team reviews financial policies and procedures on a regular basis to assess whether they are adequate, inadequate or excessive	9	11	19	1	0	40	3.700
		22.50%	27.50%	47.50%	2.50%	0.00%		
11	Auditors are satisfied with Alert's controls on cash and assets	8	17	16	0	0	41	3.805
		19.51%	41.46%	39.02%	0.00%	0.00%		
12	Cash is managed so that Alert benefits from surpluses and minimises cash shortages	8	15	17	1	0	41	3.732
		19.51%	36.59%	41.46%	2.44%	0.00%		
	<b>Mean of the means</b>				<b>3.975</b>			

Source: *Primary Data*

#### 4.3.4 Effectiveness of International Alert

**Table 4.10: Responses on Effectiveness**

No.	DETAILS	LIKERT SCALE					TOTAL	MEAN
		SA(5)	A(4)	N(3)	DA(2)	SDA(1)		
	<b>Effectiveness</b>							
1	Alert meets goals as stated in its mission statement	13	22	5	1	0	41	4.146
		31.71%	53.66%	12.20%	2.44%	0.00%		
2	Alerts mission is fulfilled through program goals, objectives and activities	19	16	6	0	0	41	4.317
		46.34%	39.02%	14.63%	0.00%	0.00%		
3	Alert meets its short term targets in the annual work plan	13	14	13	1	0	41	3.951
		31.71%	34.15%	31.71%	2.44%	0.00%		
4	Beneficiaries of Alert services judge Alert to be satisfactory	12	21	7	1	0	41	4.073
		29.27%	51.22%	17.07%	2.44%	0.00%		
5	Alert monitors and evaluates its achievements against pre-set benchmarks	8	24	6	1	0	39	4.000
		20.51%	61.54%	15.38%	2.56%	0.00%		
6	Alert's achievements compare well with other similar organisations	16	15	8	2	0	41	4.098
		39.02%	36.59%	19.51%	4.88%	0.00%		
	<b>Mean of the means</b>				<b>4.098</b>			

Source: *Primary Data*

Table 4.10 above shows a tabulation of the number of responses to questions that assessed effectiveness of International Alert. The mean of means of 4.098 implies that most of the respondents agreed that International Alert is effective. However, a significant number of respondents were indecisive on question 3 in this section. 31.71% were undecided on whether Alert meets its short-term targets in the annual workplan which is suggestive that some respondents were not informed enough to be in position to pronounce themselves on Alert's targets.

#### 4.3.5 Efficiency of International Alert

Table 4.11 below shows a tabulation of the number of responses to questions that assessed efficiency of International Alert. The mean of means of 3.945 implies that most of the respondents agreed that International Alert is efficient. Although the majority agreed, a further look at the individual questions reveals that 7.32% of respondents disagreed with the statement that Alert has quality administrative systems to facilitate efficiency. This is suggestive that although respondents generally agreed, there

are some aspects of efficiency that International Alert does not implement or the respondents were not well informed about Alert’s administrative systems.

**Table 4.11: Responses on Efficiency**

No.	DETAILS	LIKERT SCALE					TOTAL	MEAN
		SA(5)	A(4)	N(3)	DA(2)	SDA(1)		
	<b>Efficiency</b>							
1	Alert is efficiently utilising its human, financial and physical resources	10	19	10	2	0	41	3.9024
		24.39%	46.34%	24.39%	4.88%	0.00%		
2	Alert has quality administrative systems to facilitate efficiency	14	16	8	3	0	41	4.000
		34.15%	39.02%	19.51%	7.32%	0.00%		
3	Alert’s administrative systems provide for value for money	7	26	8	0	0	41	3.976
		17.07%	63.41%	19.51%	0.00%	0.00%		
4	Alert’s programme achievements reflect value for money	6	26	8	1	0	41	3.902
		14.63%	63.41%	19.51%	2.44%	0.00%		
	<b>Mean of the means</b>				<b>3.945</b>			

Source: *Primary Data*

#### 4.3.6 Financial Viability of International Alert

Table 4.12 below shows a tabulation of the number of responses to questions that assessed financial viability of International Alert. The mean of means of 2.758 shows that most of the respondents disagreed with questions, implying that International Alert is not financially viable. 68.29% disagreed with the statement that Alert can sustain itself without donor financial support and 58.54% disagreed with the statement that Alert has future prospects to sustain all activities without external support thus confirming that Alert is a donor funded agency that is highly dependent on external financial support. This was confirmed by International Alerts annual financial report to the DGF, for the period ending June 2016 which indicated that 100% of the funds spent had been received from the DGF, International Alert Audit Report (2016).

Although the majority disagreed with the questions, 53.66% of the respondents agreed that Alert has continued support from its current funders which is suggestive that Alert has had good relations with donors. In a related interview, one of the respondents said;

“Alert has been receiving funding from SIDA since 2009 for the business for peace project. We are currently implementing phase three of the project and each phase consists of three years so we have had SIDA funding for over eight years.”

A significant number of respondents were indecisive on questions 3 and 4 in this section. 60.98% were undecided on whether Alert consistently has more revenue than expenses and 57.50% were undecided on whether Alert’s assets (cash and physical items) are greater than its liabilities. This implies that a significant number of respondents did not have enough information to enable them to decide. In a related interview, one of the respondents remarked;

“We partners do not access all the information. For example, we do not receive detailed reports that show Alert’s finances, assets, revenue and expenses so I cannot respond adequately to such questions. Its only Alert staff who may answer those questions fully.”

**Table 4.12: Responses on Financial Viability**

No.	DETAILS	LIKERT SCALE					TOTAL	MEAN
		SA(5)	A(4)	N(3)	DA(2)	SDA(1)		
	<b>Financial Viability</b>							
1	Alert consistently generates an increasing level of funds	7	8	11	14	1	41	3.1463
		17.07%	19.51%	26.83%	34.15%	2.44%		
2	Alert has continued and sustained support from its current funders	5	17	12	2	5	41	3.3659
		12.20%	41.46%	29.27%	4.88%	12.20%		
3	Alert consistently has more revenue than expenses	1	7	25	8	0	41	3.0244
		2.44%	17.07%	60.98%	19.51%	0.00%		
4	Alerts assets (cash and physical items) are greater than its liabilities (payments due and commitments)	4	11	23	2	0	40	3.425
		10.00%	27.50%	57.50%	5.00%	0.00%		
5	Alert can sustain itself without Donor financial support	0	1	12	8	20	41	1.8537
		0.00%	2.44%	29.27%	19.51%	48.78%		
6	Alert can manage its activities without external staff support	1	2	15	15	8	41	2.3415
		2.44%	4.88%	36.59%	36.59%	19.51%		
7	Alert has future prospects to sustain all activities without external support	0	2	15	11	13	41	2.1463
		0.00%	4.88%	36.59%	26.83%	31.71%		
	<b>Mean of the means</b>	<b>2.758</b>						

Source: *Primary Data*

#### 4.4 Objective 1: Effect of Financial Planning on Performance of International Alert Uganda

##### 4.4.1 Pearson’s Correlation

**Table 4.13: Pearson’s Correlation between Financial Planning and Performance of NGOs**

CORRELATIONS			
	Financial Planning	Performance of NGOs	
Financial Planning	Pearson Correlation	1	.563**
	Sig. (2-tailed)		.000
	N	41	41
Performance	Pearson Correlation	.563**	1
	Sig. (2-tailed)	.000	
	N	41	41

Source: *Primary Data*

Table 4.13 shows results of the Pearson’s correlation between financial planning and performance of NGOs. A correlation of 0.563 shows that there is a moderate positive relationship between financial planning and performance of NGOs which implies that, a variation in financial planning has a positive effect on performance of NGOs. Since the P-value of 0.000 is less than the level of significance of the above results which is 0.05 (P-value < 0.05) the variable type, financial planning, is significant at 5% level of significance. Therefore, the null hypothesis that there is no relationship between financial planning and performance of NGOs is rejected. The alternative hypothesis that there is a significant relationship between financial planning and performance of NGOs is upheld. One interviewee confirmed that;

*“Alert prepares a strategic plan for a five-year period which guides activity implementation through various projects. Also, project budgets and annual cash flows are prepared to project the expected flow of funds during the year. The planning exercises go a long way in ensuring that planned activities are achieved and although there have been shortfalls along the way, generally, most of the planned interventions have been implemented over the years.”*

#### 4.4.2 Model Summary

**Table 4.14: Regression between Financial Planning and Performance of NGOs – Model Summary**

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics
					Sig. F Change
1	.563 <sup>a</sup>	.316	.299	.37508	.000

a. Predictors: (Constant), Financial Planning

b. Dependent Variable: Performance of NGOs

Source: *Primary Data*

Table 4.14 shows results of a univariate regression between financial planning and performance of NGOs. The  $R^2$  result of 0.316 shows that financial planning accounts for 31.6% of the variations in performance of NGOs and the remaining 68.4% arises from other factors. The adjusted R Square of 0.299 implies that the independent variable financial planning accounts for 29.9% of the variations in the dependent variable which is performance of NGOs. The remaining 70.1% is accounted for by all other factors that affect performance of NGOs.

Since the significance value of 0.000 is less than the level of significance of the above results which is 0.05 (Sig. < 0.05) the variable financial planning is significant at 5% level of significance. Therefore, the null hypothesis that there is no relationship between financial planning and performance of NGOs is rejected and the alternative hypothesis that there is a significant relationship between financial planning and performance of NGOs is upheld.

#### 4.4.3 Analysis of Variance

**Table 4.15: Regression between Financial Planning and Performance of NGOs – ANOVA**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.540	1	2.540	18.055	.000 <sup>b</sup>
	Residual	5.487	39	.141		
	Total	8.027	40			

a. Dependent Variable: Performance of NGOs

b. Predictors: (Constant), Financial Planning

Source: *Primary Data*

The results in Table 4.15 show that the estimates of variability are 2.540 and 0.141 as indicated under the mean square column and the ratio is 18.055 indicated in column F(F-ratio). Since the mean square of 2.540 is closer to 1, the relationship between financial planning and performance of NGOs is significant. From the Sig. column, it shows that the probability of obtaining the F-ratio of 18.055 is 0.000 (P-value), which is less than the level of significance of 0.05. This implies that the Probability value (P-value)  $0.000 < 0.05$  therefore, the null hypothesis that there is no relationship between financial planning and performance of NGOs is rejected and a conclusion is made that there is a relationship between financial planning and performance of NGOs.

#### 4.4.4 Coefficients

**Table 4.16: Regression between Financial Planning and Performance of NGOs – Coefficients**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.227	.540		2.272	.029
	Financial Planning	.581	.137	.563	4.249	.000

a. Dependent Variable: Performance of NGOs

b. Predictors: (Constant), Financial Planning

Source: *Primary Data*

Data analysis was run on the following model;

#### Equation 4.1: Model

$$Y = a_0 + a_1FP + C \dots \dots \dots \text{Equation 4.1}$$

Where C is the error term of the equation, representing other factors that affect the dependent variable (performance of NGOs)

Y is the dependent variable (performance of NGOs)

$a_0$  is the constant value of the dependent variable

$a_1$  is the coefficient of the independent variable (financial planning)

The above results show the constant value of 1.227 and the standardized coefficient value of 0.563 therefore the fitted model is

**Equation 4.2: Fitted Model**

$$Y = 1.227 + 0.563FP + C \dots \dots \dots \text{Equation 4.2}$$

The standardised coefficient of 0.563 implies that a unit increase in financial planning will lead to a 0.563 increase in performance of NGOs. If the NGO does not conduct financial planning, its performance will be at 1.227 if other factors remain constant.

**4.5 Objective 2: Effect of Financial Accountability on Performance of International Alert Uganda**

**4.5.1 Pearson’s Correlation**

**Table 4.17: Correlation between Financial Accountability and Performance of NGOs**

Correlations			
		Financial Accountability	Performance of NGOs
Financial Accountability	Pearson Correlation	1	.478**
	Sig. (2-tailed)		.002
	N	41	41
Performance	Pearson Correlation	.478**	1
	Sig. (2-tailed)	.002	
	N	41	41

Source: *Primary Data*

The results in Table 4.17 show the Pearson’s correlation between financial accountability and performance of NGOs. A correlation of 0.478 shows that there is a weak positive relationship between financial accountability and performance of NGOs which implies that, a variation in financial accountability will have a positive effect on performance of NGOs. Since the P-value of 0.002 is less than the level of significance of the above results which is 0.05 (P-value < 0.05) the variable type, financial accountability, is significant at 5% level of significance. Therefore, the null hypothesis that there is no relationship between financial accountability and performance of NGOs is rejected. The



alternative hypothesis that there is a significant relationship between financial accountability and performance of NGOs is upheld.

#### 4.5.2 Model Summary

**Table 4.18: Regression between Financial Accountability and Performance of NGOs – Model Summary**

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics
					Sig. F Change
1	.478 <sup>a</sup>	.229	.209	.39837	.002

a. Predictors: (Constant), Financial Accountability

b. Dependent Variable: Performance of NGOs

Source: *Primary Data*

Table 4.18 shows results of a univariate regression between financial accountability and performance of NGOs. The  $R^2$  result of 0.229 shows that financial accountability accounts for 22.9% of the variations in performance of NGOs and the remaining 77.1% arises from other factors. The adjusted R Square of 0.209 implies that the independent variable financial accountability accounts for 20.9% of the variations in the dependent variable which is performance of NGOs. The remaining 79.1% is accounted for by all other factors that affect performance of NGOs. Since the significance value of 0.002 is less than the level of significance of the above results which is 0.05 (Sig. < 0.05) the variable financial accountability is significant at 5% level of significance. Therefore, the null hypothesis that there is no relationship between financial accountability and performance of NGOs is rejected and the alternative hypothesis that there is a significant relationship between financial accountability and performance of NGOs is upheld.

### 4.5.3 Analysis of Variance

**Table 4.19: Regression between Financial Accountability and Performance of NGOs – ANOVA**

ANOVA <sup>a</sup>						
Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	1.838	1	1.838	11.581	.002 <sup>b</sup>
	Residual	6.189	39	.159		
	Total	8.027	40			

a. Dependent Variable: Performance of NGOs

b. Predictors: (Constant), Financial Accountability

Source: *Primary Data*

Results in Table 4.19 show that the estimates of variability are 1.838 and 0.159 as indicated in the mean square column and the ratio is 11.581 indicated in column F(F-ratio). Since the mean square of 1.838 is closer to 1, the relationship between financial accountability and performance of NGOs is significant. From the Sig. column, it shows that the probability of obtaining the F-ratio of 11.581 is 0.002 (P-value), which is less than the level of significance of 0.05. This implies that the Probability value (P-value)  $0.002 < 0.05$  therefore, the null hypothesis that there is no relationship between financial accountability and performance of NGOs is rejected and a conclusion is made that there is a relationship between financial accountability and performance of NGOs.

### 4.5.4 Coefficients

**Table 4.20: Regression between Financial Accountability and Performance of NGOs – Coefficients**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.815	.502		3.616	.001
	Financial Accountability	.415	.122	.478	3.403	.002

a. Dependent Variable: Performance of NGOs

b. Predictors: (Constant), Financial Accountability

Source: *Primary Data*

Data analysis was run on the following model;

**Equation 4.3: Model**

$$Y = a_0 + a_1FA + C \dots \dots \dots \text{Equation 4.3}$$

Where C is the error term of the equation, representing other factors that affect the dependent variable (performance of NGOs)

Y is the dependent variable (performance of NGOs)

$a_0$  is the constant value of the dependent variable

$a_1$  is the coefficient of the independent variable (financial accountability)

The above results show the constant value of 1.815 and the standardized coefficient of 0.478 therefore the fitted model is

**Equation 4.4: Fitted Model**

$$Y = 1.815 + 0.478FA + C \dots \dots \dots \text{Equation 4.4}$$

The standardised coefficient of 0.478 implies that a unit increase in financial accountability will lead to a 0.478 increase in performance. If the NGO does not conduct financial accountability, performance will be at 1.815 if other factors remain constant.

**4.6 Objective 3: Effect of Financial monitoring on performance of International Alert Uganda**

**4.6.1 Pearson’s Correlation**

**Table 4.21: Correlation between Financial Monitoring and Performance of NGOs**

		Financial Monitoring	Performance of NGOs
Financial Monitoring	Pearson Correlation	1	.466**
	Sig. (2-tailed)		.002
	N	41	41
Performance	Pearson Correlation	.466**	1
	Sig. (2-tailed)	.002	
	N	41	41

Source: *Primary Data*

Table 4.21 shows results of the Pearson’s correlation between financial monitoring and performance of NGOs. A correlation of 0.466 shows that there is a weak positive relationship between financial monitoring and performance of NGOs which implies that, a variation in financial monitoring will have a positive effect on performance of NGOs. Since the P-value of 0.002 is less than the level of significance of the above results which is 0.05 (P-value < 0.05) the variable financial monitoring is significant at 5% level of significance. Therefore, the null hypothesis that there is no relationship between financial monitoring and performance of NGOs is rejected. The alternative hypothesis that there is a significant relationship between financial monitoring and performance of NGOs is upheld.

#### 4.6.2 Model Summary

**Table 4.22: Regression between Financial Monitoring and Performance of NGOs – Model Summary**

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics
					Sig. F Change
1	.466 <sup>a</sup>	.217	.197	.40143	.002

- a. Predictors: (Constant), Financial Monitoring
- b. Dependent Variable: Performance of NGOs

Source: *Primary Data*

Table 4.22 shows results of a univariate regression between financial monitoring and performance of NGOs. The R<sup>2</sup> result of 0.217 shows that financial monitoring accounts for 21.7% of the variations in performance of NGOs and the remaining 78.3% arises from other factors. The adjusted R Square of 0.197 implies that the independent variable financial monitoring accounts for 19.7% of the variations in the dependent variable which is performance of NGOs. The remaining 80.3% is accounted for by all other factors that affect performance of NGOs.

Since the significance value of 0.002 is less than the level of significance of the above results which is 0.05 (Sig. < 0.05) the variable financial monitoring is significant at 5% level of significance. Therefore, the null hypothesis that there is no relationship between financial monitoring and performance of NGOs is rejected and the alternative hypothesis that there is a significant relationship between financial monitoring and performance of NGOs is upheld.

### 4.6.3 Analysis of Variance

**Table 4.23: Regression between Financial Monitoring and Performance of NGOs – ANOVA**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.742	1	1.742	10.811	.002 <sup>b</sup>
	Residual	6.285	39	.161		
	Total	8.027	40			

a. Dependent Variable: Performance of NGOs

b. Predictors: (Constant), Financial Monitoring

Source: *Primary Data*

Results in Table 4.23 show that the estimates of variability are 1.742 and 0.161 as indicated in the mean square column and the ratio is 10.811 indicated in column F(F-ratio). Since the mean square of 1.742 is closer to 1, the relationship between financial monitoring and performance of NGOs is significant. From the Sig. column, it shows that the probability of obtaining the F-ratio of 10.811 is 0.002 (P-value), which is less than the level of significance of 0.05. The Probability value (P-value)  $0.002 < 0.05$  therefore, the null hypothesis that there is no relationship between financial monitoring and performance of NGOs is rejected and a conclusion is made that there is a relationship between financial monitoring and performance of NGOs.

### 4.6.4 Coefficients

**Table 4.24: Regression between Financial Monitoring and Performance of NGOs – Coefficients**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.985	.468		4.245	.000
	Financial Monitoring	.383	.117	.466	3.288	.002

a. Dependent Variable: Performance of NGOs

b. Predictors: (Constant), Financial Monitoring

Source: *Primary Data*

Data analysis was run on the following model;

**Equation 4.5: Model**

$$Y = a_0 + a_1FM + C \dots\dots\dots \text{Equation 4.5}$$

Where C is the error term of the equation, representing other factors that affect the dependent variable (performance of NGOs)

Y is the dependent variable (performance of NGOs)

$a_0$  is the constant value of the dependent variable

$a_1$  is the coefficient of the independent variable (financial monitoring)

The above results show the constant of 1.985 and the standardized coefficient of 0.466 therefore the fitted model is

**Equation 4.6: Fitted Model**

$$Y = 1.985 + 0.466FM + C \dots\dots\dots \text{Equation 4.6}$$

The standardised coefficient of 0.466 implies that a unit increase in financial monitoring will lead to a 0.466 increase in performance. If the NGO does not conduct financial monitoring, performance will be at 1.985 if other factors remain constant.

**4.7 General objective: Effect of Financial Management on Performance of NGOs in Uganda**

This section provides a summary of multiple linear correlation and regression results between financial management and performance of NGOs.

#### 4.7.1 Pearson's Correlation

**Table 4.25: Correlation between the Independent Variable (Financial Management) and the Dependent Variable (Performance of NGOs)**

		Correlations			
		Financial Planning	Financial Accountability	Financial Monitoring	Performance
Financial Planning	Pearson Correlation	1	.672**	.744**	.563**
	Sig. (2-tailed)		.000	.000	.000
	N	41	41	41	41
Financial Accountability	Pearson Correlation	.672**	1	.787**	.478**
	Sig. (2-tailed)	.000		.000	.002
	N	41	41	41	41
Financial Monitoring	Pearson Correlation	.744**	.787**	1	.466**
	Sig. (2-tailed)	.000	.000		.002
	N	41	41	41	41
Performance	Pearson Correlation	.563**	.478**	.466**	1
	Sig. (2-tailed)	.000	.002	.002	
	N	41	41	41	41

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Source: *Primary Data*

Table 4.25 shows results of Pearson's Correlation for the relationship between the Independent Variable and the Dependent Variable. The correlation is significant at 0.01 level of significance for a two-tailed normal curve. The sample size represented by "N" was 41.

The study findings showed that the correlation between financial planning and performance of NGOs is positive implying that there is a positive relationship between financial planning and performance of NGOs. The Pearson's Correlation of 0.563 shows that there is a moderate positive correlation between financial planning and performance of NGOs. This means that if an NGO conducts financial planning it will lead to better performance.

The study findings showed that the correlation between financial accountability and performance of NGOs is positive implying that there is a positive relationship between financial accountability and performance of NGOs. The Pearson's Correlation of 0.478 shows that there is a weak positive correlation between financial accountability and performance of NGOs. This means that if an NGO conducts financial accountability it will lead to better performance. The study findings showed that

the correlation between financial monitoring and performance of NGOs is positive implying that there is a positive relationship between financial monitoring and performance of NGOs. The Pearson's Correlation of 0.466 shows that there is a weak positive correlation between financial monitoring and performance of NGOs. This means that if an organisation conducts financial monitoring it will lead to better performance.

#### 4.7.2 Model Summary

**Table 4.26: Regression between Financial Management and Performance of NGOs – Model Summary**

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics	
					R Square Change	Sig. F Change
1	.579 <sup>a</sup>	.335	.281	.37983	.335	.002

a. Predictors: (Constant), Financial Monitoring, Financial Planning, Financial Accountability

b. Dependent Variable: Performance of NGOs

Source: *Primary Data*

Table 4.26 shows results of a multivariate regression between financial management and performance of NGOs. The R<sup>2</sup> result of 0.335 shows that financial management accounts for 33.5% of the variations in performance of NGOs and the remaining 66.5% arises from other factors other than financial management. The adjusted R Square of 0.281 implies that the independent variable accounts for 28.1% of the variations in the dependent variable. The remaining 71.9% is accounted for by all other factors that affect performance of NGOs.

Since the significance value of 0.002 is less than the level of significance of the above results which is 0.05 (Sig. < 0.05), the independent variable financial management is significant at 5% level of significance. Therefore, the null hypothesis that there is no relationship between financial management and performance of NGOs is rejected and the alternative hypothesis that there is a significant relationship between financial management and performance of NGOs is upheld.



### 4.7.3 Coefficients

**Table 4.27: Regression between Financial Management and Performance of NGOs – Coefficients**

Coefficients <sup>a</sup>						
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	1.074	.568		1.890	.067
	Financial Planning	.461	.212	.446	2.175	.036
	Financial Accountability	.167	.193	.193	.868	.391
	Financial Monitoring	-.015	.203	-.018	-.073	.942

a. Dependent Variable: Performance of NGOs  
Source: *Primary Data*

Table 4.27 above shows that three independent variables were regressed against one dependent variable.

Data analysis was run on the following model;

#### Equation 4.7: Model

$$Y = a_0 + a_1FP + a_2FA + a_3FM + C \dots \dots \dots \text{Equation 4.7}$$

Where C is the error term of the equation, representing other factors that affect the dependent variable (performance of NGOs)

Y is the dependent variable (performance of NGOs)

$a_0$  is the constant value of the dependent variable

$a_1, a_2, a_3$  are the coefficients of the independent variable (financial management)

FP, FA, FM are the independent variables, Financial Planning, Financial Accountability and Financial Monitoring.

The above results show the constant of 1.074 and the standardized coefficients of 0.446 for FP, 0.193 for FA and -0.18 for FM therefore the fitted model is

#### Equation 4.8: Fitted Model

$$Y = 1.074 + 0.466FP + 0.193FA - 0.018FM \dots \dots \dots \text{Equation 4.8}$$

The results show that there is a positive relationship between financial planning and performance of NGOs implying that conducting financial planning will lead to better performance. The results show that there is a positive relationship between financial accountability and performance of NGOs which implies that conducting financial accountability leads to better performance. The results also show that there is a negative relationship between financial monitoring and performance of NGOs. This implies that conducting financial monitoring does not improve performance of NGOs but rather has a negative effect. The results show that there is a positive relationship between financial management and performance of NGOs. However, if an organisation conducts financial planning and financial accountability, introducing financial monitoring systems leads to a decline in its performance.

## **CHAPTER FIVE**

### **SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.0 Introduction**

This chapter presents the summary, discussion, conclusions and recommendations of the study on financial management and performance of NGOs in Uganda, a case of International Alert. The discussion was done in line with the general objective of establishing the effect of financial management on performance of NGOs in Uganda and it was guided by the specific objectives of the study which were;

- (i) To establish the effect of financial planning on performance of International Alert.
- (ii) To establish the effect of financial accountability on performance of International Alert.
- (iii) To establish the effect of financial monitoring on performance of International Alert.

#### **5.1 Summary of the Study Findings**

This section presents a summary of findings in line with the specific objectives of the study.

##### **5.1.1 Financial Planning and Performance of International Alert Uganda**

The study findings revealed that, there is a significant relationship between financial planning and performance of NGOs. Correlation analysis showed a moderate positive relationship between financial planning and performance of NGOs which implies that, conducting financial planning leads to better performance. The study also found that there are other factors that explain performance of NGOs.

The study findings further indicated that at International Alert, strategic plans are prepared, regular and periodic financial planning is conducted by both finance and programme staff to guide activity implementation, previous performance reports are used for future planning and the planning process involves beneficiaries. Adequate budget planning is done for all departments on a timely basis, budget plans are updated based on financial information and there are appropriate budgets for purchase of capital items. The Senior Management team is involved in financial planning, cash requests are

analysed through cash flow statements, projects financing is properly managed and activity implementation follows Alert's approved budgets.

### **5.1.2 Financial Accountability and Performance of International Alert Uganda**

From the study findings, it was evident that, there is a significant relationship between financial accountability and performance of NGOs. Correlation analysis showed a weak positive relationship between financial accountability and performance of NGOs which implies that, conducting financial accountability leads to better performance. The study also found that there are other factors that explain performance of NGOs.

The study findings further revealed that International Alert has competent staff and members of the Senior Management Team who understand the role of finance procedures and information. Alert's financial information is aligned to the strategic plan and the financial year is clearly defined. Reports are provided to Senior Management, donors and to staff in a timely manner and Alert staff follow clearly stated financial procedures. Financial management and accounting are part of Alert's control mechanisms and there is a management committee that oversees financial issues at Alert Uganda although a considerable number of respondents were not knowledgeable on Alert's board/management committee.

### **5.1.3 Financial Monitoring and Performance of International Alert Uganda**

The study findings revealed that there is a significant relationship between financial monitoring and performance of NGOs. Correlation analysis indicated that there is a weak positive relationship between financial monitoring and performance of NGOs which implies that, conducting financial monitoring leads to better performance. The study also found that there are other factors that explain performance of NGOs.

The study findings further indicated that International Alert prepares financial reports and statements to support effective decision making and good performance. Comparison of actual and planned budgets are monitored and analysed for decision making and members of the Senior Management Team are involved in financial monitoring. Alert has an adequate accounting system that generates

monitoring information, financial reports are prepared on a timely basis at least quarterly and Alert prepares adequate reports for control of organisation assets. Budget monitoring reports are prepared in a timely manner and they are reviewed and used by management. The Senior Management Team reviews financial policies and procedures on a regular basis, cash is managed so that Alert benefits from surpluses and minimises cash shortages and Auditors are satisfied with Alert's controls on cash and assets.

## **5.2 Discussion of Findings**

This section of the report discusses findings of the study, objective by objective. The study was guided by the Institutional and Organisational Assessment Model (IOA Model) that defines organisational performance as a balance between effectiveness, efficiency and relevance while remaining financially viable (Lusthaus et al. 2002). The model suggests that financial management is a critical capacity that drives performance of NGOs, alongside other factors which was the basis for hypotheses of this study. The IOA model elaborates that organisational performance results from an interplay between the external environment (administrative/legal, political, social/cultural, economic, stake holder, technological, ecological), organisational capacity (financial management, program management, process management, inter-organisational linkages, strategic leadership, human resources, infrastructure, organisation structure) and organisational motivation (history, mission, culture and rewards). The study was therefore guided by the general hypothesis that financial management has a significant effect on performance of NGOs and specific hypotheses that financial planning, financial accountability and financial monitoring have a significant effect on performance of International Alert. Having conducted the correlation and regression analyses, this section discusses the detailed findings of the study.

### **5.2.1 Financial Planning and Performance of International Alert Uganda**

The study findings revealed that there is a significant relationship between financial planning and performance of NGOs. The study established that financial planning accounts for 31.6% of the variations in performance of NGOs and the remaining 68.4% is accounted for by all other factors that

affect performance of NGOs. From the study findings, it is evident that International Alert prepares strategic plans to guide activity implementation and financial planning is one of the key strengths contributing to Alert's performance. According to Mango (2012), financial planning is a strategic process linked to the achievement of objectives. Lusthaus et al. (2002) state that financial planning enables the organisation to predict its future financial requirements necessary for the achievement of objectives. In a related study on integrating financial management and performance management systems, the findings revealed that strategic planning is a pre-requisite for good resource management and it facilitates better performance (Pollit 2001).

The study revealed that a unit increase in financial planning leads to a 0.563 increase in performance of NGOs and if the NGO does not conduct financial planning, its performance will be at 1.227 if other factors remain constant. This implies that performance of NGOs does not depend solely on financial planning. From the findings, it is noted that financial planning is not the only factor contributing to the performance of international Alert. Lusthaus et al. (2002) held that organisational performance is a result of an interplay between the external environment, organisational capacity and organisational motivation which confirms that performance of NGOs does not result from a single factor.

### **5.2.2 Financial Accountability and Performance of International Alert Uganda**

Based on the study findings, there is a significant relationship between financial accountability and performance of NGOs. The study findings revealed that financial management and accounting are part of International Alert's control mechanisms. According to Lusthaus et al. (2002), stewardship and accounting for organisations financial resources are prerequisites for external trust and they play a pivotal role in ensuring efficient and effective service delivery. On the contrary, Abraham (2006) asserts that accounting is less necessary for an organisation that is relatively complete and that accounting arises in partially rationalised and partially bureaucratised settings. While Abraham suggests that financial accountability may not be necessary, the current study confirmed that financial accountability contributes significantly to the performance of NGOs.

It was noted that at International Alert, financial reports are provided to Senior Management, donors and to staff in a timely manner. According to Mango (2012), accounting records facilitate provision of reports on how the organisation is being run. Once an organisation has set up accounting systems and its budget, financial reports are produced. Financial reports facilitate monitoring processes and lead to improved performance. International Alert reports enable monitoring and ensure stakeholder updates on the organisations state of affairs, which leads to better performance.

The study findings also indicated that Alert staff follow clearly stated financial procedures as part of its accountability processes. Lusthaus et al. (2002) hold that financial accountability requires transparent rule based procedures that are highly structured and can be verified. Accountability, developed through the rules and approval procedures leads to efficient and effective service delivery. Abraham (2006) on the contrary suggested that a rule based system is not applicable in organisations that value informal relations and the idea of explicit accountability may be unwelcome. From the findings however, it was confirmed that following financial procedures ensures proper accountability and it contributes to better performance.

The study findings revealed that a unit increase in financial accountability leads to a 0.478 increase in performance of NGOs and if the NGO does not conduct financial accountability, its performance will be at 1. 815, if other factors remain constant. This implies that performance of NGOs does not depend solely on financial accountability. There are various factors that contribute to organisational performance as illustrated by the institutional and organisational assessment model Lusthaus et al. (2002).

### **5.2.3 Financial Monitoring and Performance of International Alert Uganda**

Based on the study findings, there is a significant relationship between financial monitoring and performance of NGOs. The study findings revealed that International Alert prepares financial reports and statements to support effective decision making and good performance. Comparison of actual and planned budgets are monitored and analysed for decision making and members of the Senior Management Team are involved in financial monitoring. According to Lusthaus et al. (2002),

financial monitoring involves timely preparation of reports to facilitate timely financial decisions and reports are prepared for managers to review their performance against pre-set benchmarks. In a related study on internal controls and performance in NGOs, the findings revealed that NGOs do not use budgetary control as an internal control method which affects their performance Ayom (2013).

From the study findings, it is evident that International Alert has an adequate accounting system that generates monitoring information, financial reports are prepared on a timely basis at least quarterly and Alert prepares adequate reports for control of organisation assets. International Alert has established systems for financial monitoring that lead to better performance. In a related study, findings revealed that internal controls affect the performance of an organisation positively or negatively depending on how it has been done, Ayom (2013). Ayom's findings are in keeping with findings of this study.

The study findings revealed that Auditors are satisfied with Alert's controls on cash and assets. According to Lusthaus et al. (2002), financial accountability calls for transparent rule based procedures that can be verified using monitoring systems such as audits. The affirmation of International Alert's systems by Auditors confirms the presence of internal control and financial monitoring systems. In a related study, Ayom sought to establish whether financial records were subjected to audit as one of the internal controls. The findings revealed that financial records were subjected to internal audit and it had a positive impact on performance.

The study findings further revealed that that a unit increase in financial monitoring leads to a 0.466 increase in performance of NGOs and if the NGO does not conduct financial monitoring, its performance will be at 1.985 if other factors remain constant. This implies that performance of NGOs does not depend solely on financial monitoring as confirmed by Lusthaus et al. (2002).



### **5.3 Conclusions of the Study**

Based on the study findings, several conclusions were made;

#### **5.3.1 Financial Planning and Performance of NGOs**

The study found that NGOs that conduct strategic planning perform better as the strategic plan provides guidance on the mission and goals to be achieved; the budgeting process enables NGOs to plan ahead and facilitates better performance and cash forecasting enables NGOs to meet short, mid and long term cash requirements thus enabling timely implementation of planned activities and better performance. Therefore, it is concluded that there is a positive relationship between financial planning and performance of NGOs, and financial planning affects performance of NGOs in Uganda.

#### **5.3.2 Financial Accountability and Performance of NGOs**

The study found that accounting plays a pivotal role in ensuring efficient and effective service delivery and leads to better NGO performance; a rule based system of policy procedures facilitates accountability and better NGO performance and financial reports provide information on the NGOs state of affairs, which enables stake holder review and update. Accordingly, it is concluded that there is a positive relationship between financial accountability and performance of NGOs, and financial accountability affects performance of NGOs in Uganda.

#### **5.3.3 Financial Monitoring and Performance of NGOs**

The study found that financial monitoring systems provide a measure of efficiency and effectiveness and facilitate improved NGO performance; budget variance analysis reports show the level of performance and guide stakeholders in decision making that translates in better NGO performance and subjecting financial records to audit has a positive impact on performance of NGOs. In light of the above, it is concluded that there is a positive relationship between financial monitoring and performance of NGOs, and financial monitoring affects performance of NGOs in Uganda.

## **5.4 Recommendations**

In light of the study conclusions, a number of recommendations were made based on the study objectives;

### **5.4.1 Financial Planning and Performance of NGOs**

The study findings confirmed that financial planning has a significant effect on performance of NGOs. It is therefore recommended that management and staff of NGOs should plan for financial resources. NGOs should predict their future financial requirements, determine their anticipated revenues and be proactive by planning in advance. NGOs financial planning should be both strategic and operational and should involve all stakeholders. NGOs should acquire the required physical and human resources to conduct the recommended financial planning processes.

The study findings also confirmed financial planning does not contribute to performance of NGOs in isolation, but it is part of various factors. It is therefore recommended that NGOs should focus on all factors but give priority to financial planning based on established empirical evidence that shows its significant effect on performance of NGOs.

### **5.4.2 Financial Accountability and Performance of NGOs**

From the study findings, financial accountability has a significant effect on performance of NGOs. Accordingly, it is recommended that staff of NGOs should establish and follow financial accountability procedures. NGOs should have transparent rule based procedures that are highly structured and verifiable using monitoring systems. NGOs accountability should be developed through rules and approval procedures.

The study findings also revealed that financial accountability is one of various factors affecting performance of NGOs. Based on empirical evidence that shows that financial accountability has a significant effect on performance of NGOs, it is recommended that NGOs should focus on all factors that affect performance but give priority to financial accountability.

### **5.4.3 Financial Monitoring and Performance of NGOs**

The study findings revealed that financial monitoring has a significant effect on performance of NGOs. In light of the conclusions, it is recommended that NGO management and staff should establish and adhere to financial monitoring systems. NGOs should prepare timely reports to facilitate timely financial decisions. Reports should be utilised by managers to check whether their performance is on track and in line with predetermined benchmarks. NGO finance staff should be held accountable for timely preparation, objectivity and integrity of financial reports.

The study findings revealed that financial monitoring is one out of various factors affecting performance of NGOs. Based on empirical evidence that shows that financial monitoring has a significant effect on performance of NGOs, it is recommended that NGOs should focus on all factors that affect performance but give priority to financial monitoring.

From the study findings, the success of financial monitoring systems depends on the organisation culture and attitude towards accountability. Accordingly, it is recommended that NGOs should assess their internal environment before implementing financial monitoring systems. It's important to confirm that such practices will be acceptable and productive before adopting them. For NGOs where interpersonal relations are highly valued, the implementation of financial monitoring systems should be cautiously done to ensure that the systems are not counterproductive.

### **5.5 Limitations of the Study**

The study focused on International Alert as a case study and did not consider other NGOs input which could have enriched the study and enhanced the quality of data collected. International Alert is an International NGO whose focus is service delivery and therefore the responses may be more appropriate for similar NGOs only. The NGO sector however, also has organisations that provide tangible items and their perspective of financial planning, accountability and monitoring may be different. The study findings therefore may not be representative enough for all NGOs in Uganda.

The respondents were drawn from a small sample, that was limited to the case study. Data was collected from a small number of NGO employees and all analysis is based on data collected through the sample. The small sample however is not fully representative of all NGO employees.

The time scope of the study was limited to June 2104 to May 2016 however, International Alert has been in existence since 2007. A wider time scope would have exposed the researcher to a broader perspective that would give better quality results.

## **5.6 Contributions of the Study**

The study provided information that will stimulate debate among policy makers and key stakeholders in the NGO sector, on financial management and its effect on performance of NGOs. Policy decisions will be guided by the findings to facilitate better performance of NGOs.

The study demonstrated the importance of financial management and its contribution towards performance of NGOs in Uganda. The study confirmed that financial planning, financial accountability and financial monitoring account for 31.6%, 22.9% and 21.7% of the variations in performance of NGOs, respectively. The study also confirmed that financial management accounts for 33.5% of the variations in performance of NGOs. Financial management therefore, should be given due attention, to maintain organisational stability. These findings will facilitate decision making and lead to improved performance of NGOs in Uganda.

Finally, the study contributed towards filling gaps in literature. This study provided empirical evidence on financial management aspects that affect performance of NGOs in Uganda. The study therefore contributed to the existing body of knowledge. Other studies on the study objectives had focused on government agencies and a similar study was conducted in South Sudan. This study therefore filled the gap by providing findings and recommendations for NGOs in Uganda.

## **5.7 Recommendations for Further Research**

The study set out to establish the effect of financial management on performance of NGOs having observed the problem of low budgetary performance at International Alert. Future research should focus on the following areas;

1. Financial Management and Performance of Government Agencies.
2. External Environment and Performance of NGOs in Uganda.
3. Human Resources and Performance of Private Companies in Uganda.
4. Organisational Motivation and Performance of NGOs in Uganda.
5. Financial Monitoring and Performance of Private Companies in Uganda.

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## **APPENDICES**

### **APPENDIX I: QUESTIONNAIRE**

#### **QUESTIONNAIRE FOR INTERNATIONAL ALERT STAFF AND PARTNERS**

Dear Respondent,

I am a UMI participant, pursuing a Master of Management Studies (Financial Management) degree. As a partial fulfilment for the award of the said degree, this questionnaire has been designed purposely to collect data on Financial Management and Performance of International Alert. The study aims at establishing the relationship between financial management and performance of NGOs in Uganda and the findings will inform recommendations which will be useful to International Alert, her Partners and other NGOs in Uganda.

You have been selected as a respondent because of your expertise, knowledge, experience and role in Alert's programme implementation. I request you to set aside a few minutes of your time to provide honest answers to the statements here. I pledge my assurance that all responses will be handled with strict confidentiality and will be used solely for academic purposes, you need not to mention your name. I will be happy to share the findings and recommendations of the study at a later stage.

Thank You

Juliet N. Gizamba

## SECTION A: RESPONDENT'S BACKGROUND INFORMATION

Please choose by ticking the option you consider the most appropriate to you.

- 1. Your Sex**
  - (a) Male
  - (b) Female
  
- 2. Your Age**
  - (a) 20-29 years
  - (b) 30-39 years
  - (c) 40-49 years
  - (d) 50 years and above
  
- 3. Your highest level of education**
  - (a) Certificate
  - (b) Diploma
  - (c) Degree
  - (d) Post Graduate
  - (e) Others (specify)
  
- 4. Your employment terms**
  - (a) Casual
  - (b) Fixed term contract
  - (c) Open contract/Permanent
  
- 5. Your job category**
  - (a) Finance and Accounting
  - (b) Administration
  - (c) Programmes
  - (d) Management

Sections B and C have statements that will be used to measure three dimensions of financial management and performance of NGOs using a five-point Likert scale ranging from 5 (Strongly Agree) to 1 (Strongly Disagree). Please tick the option that shows the extent to which you agree or disagree with the statements.

## SECTION B: FINANCIAL MANAGEMENT

	5=Strongly Agree (SA); 4= Agree (A); 3= Neutral (N); 2= Disagree (D); 1= Strongly Disagree (SD)	SA 5	A 4	N 3	DA 2	SDA 1
	<b>Financial Planning</b>					
1	Alert prepares strategic plans to guide programme implementation					
2	Regular and periodic financial planning is undertaken to guide activity implementation					

	5=Strongly Agree (SA); 4= Agree (A); 3= Neutral (N); 2= Disagree (D); 1= Strongly Disagree (SD)	SA 5	A 4	N 3	DA 2	SDA 1
3	Previous year's budget performance reports are used for future planning					
4	Alert planning process involves beneficiaries					
5	Adequate budget planning is done for all departments					
6	Budget planning is done on a timely basis					
7	Alert has appropriate budgets for purchase of equipment/capital items					
8	Budget planning is done by both finance and programme staff					
9	Members of the Senior Management Team are involved in financial planning					
10	Budget plans are updated based on financial information					
11	Cash requests are analysed through cash flow statements					
12	Financing of projects/programmes is properly managed					
13	Activity implementation follows Alert's approved budgets					
<b>Financial Accountability</b>						
		<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
1	Alert has competent staff and Senior Management Team members who understand the role of finance procedures and information					
2	Financial information is aligned with Alerts strategic plan					
3	Alert has a clearly defined when the financial year begins and ends					
4	Reports are provided to Senior Management and Donors on a regular basis, at least once a quarter/year.					
5	Financial information is provided in a timely manner to those who need it					
6	Financial management and accounting are part of Alert's control mechanisms					
7	Alert has a board/management committee to oversee financial issues					
8	Alert staff follow clearly stated financial procedures					
<b>Financial Monitoring</b>						
1	Alert prepares financial reports and statements to support effective decision making					
2	Alert prepares financial reports to support good performance					

	5=Strongly Agree (SA); 4= Agree (A); 3= Neutral (N); 2= Disagree (D); 1= Strongly Disagree (SD)	SA 5	A 4	N 3	DA 2	SDA 1
3	Comparison of both actual and planned budget are monitored and analysed for decision making					
4	Members of the Senior Management Team are involved in financial monitoring					
5	Alert has an adequate accounting system that generates monitoring information					
6	Financial reports are prepared on a timely basis at least quarterly					
7	Alert prepares adequate reports for control of organisation assets					
8	Budget monitoring reports are prepared in a timely manner					
9	Budget monitoring reports are reviewed and used by management					
10	The Senior Management Team reviews financial policies and procedures on a regular basis to assess whether they are adequate, inadequate or excessive					
11	Auditors are satisfied with Alert's controls on cash and assets					
12	Cash is managed so that Alert benefits from surpluses and minimises cash shortages					

### SECTION C: PERFORMANCE OF INTERNATIONAL ALERT (ALERT)

	5=Strongly Agree (SA); 4= Agree (A); 3= Neutral (N); 2= Disagree (D); 1= Strongly Disagree (SD)	SA 5	A 4	N 3	DA 2	SDA 1
	<b>Effectiveness</b>					
1	Alert meets goals as stated in its mission statement					
2	Alerts mission is fulfilled through program goals, objectives and activities					
3	Alert meets its short-term targets in the annual work plan					
4	Beneficiaries of Alert services judge Alert to be satisfactory					
5	Alert monitors and evaluates its achievements against pre-set benchmarks					
6	Alert's achievements compare well with other similar organisations					
	<b>Efficiency</b>					
1	Alert is efficiently utilising its human, financial and physical resources					
2	Alert has quality administrative systems to facilitate efficiency					
3	Alert's administrative systems provide for value for money					

	5=Strongly Agree ( <b>SA</b> ); 4= Agree ( <b>A</b> ); 3= Neutral ( <b>N</b> ); 2= Disagree ( <b>D</b> ); 1= Strongly Disagree ( <b>SD</b> )	<b>SA</b> <b>5</b>	<b>A</b> <b>4</b>	<b>N</b> <b>3</b>	<b>DA</b> <b>2</b>	<b>SDA</b> <b>1</b>
4	Alert's programme achievements reflect value for money					
	<b>Financial viability</b>					
1	Alert consistently generates an increasing level of funds					
2	Alert has continued and sustained support from its current funders					
3	Alert consistently has more revenue than expenses					
4	Alerts assets (cash and physical items) are greater than its liabilities (payments due and commitments)					
5	Alert can sustain itself without Donor financial support					
6	Alert can manage its activities without external staff support					
7	Alert has future prospects to sustain all activities without external support					

**THE END**

THANK YOU FOR YOUR VALUED INPUT

## **APPENDIX II: INTERVIEW GUIDE**

### **INTERVIEW GUIDE FOR INTERNATIONAL ALERT STAFF AND PARTNERS**

#### **SECTION A: FINANCIAL MANAGEMENT**

##### **Financial Planning**

1. Does Alert prepare strategic plans?
2. Is financial planning undertaken to support performance?
3. Does Alert planning process involve beneficiaries?
4. How is budget planning conducted at Alert?
5. Do Alert staff prepare and analyse cash flow statements?
6. Does Alert have sufficient funds for projects/programmes?
7. Is activity implementation done in line with Alert's approved budgets?

##### **Financial Accountability**

1. Does Alert have competent staff who understand the role of finance procedures and information?
2. Is Alert's financial information aligned with Alerts strategic plan?
3. Does Alert have clearly stated financial rules and procedures?
4. Are finance rules and procedures followed?
5. Are finance reports prepared and provided to stakeholders on a regular basis?
6. Who oversees financial issues at Alert?

##### **Financial Monitoring**

1. Do Alert staff prepare financial reports and statements?
2. Are actual and planned budgets monitored and analysed for decision making?
3. Comment on Alert's cash management and cash availability.
4. Who are involved in financial monitoring?
5. Does Alert have an accounting system that generates monitoring information?
6. Do Alert staff prepare reports for control of organisation assets?
7. Are financial policies and procedures reviewed on a regular basis?
8. Are external audits conducted at Alert?

## **SECTION B: PERFORMANCE OF INTERNATIONAL ALERT**

### **Effectiveness**

1. Does Alert meet its goals as stated in its mission statement?
2. Comment on Alert's mission in relation to program goals, objectives and activities.
3. Does Alert meet its short-term targets in the annual work plan?
4. How is Alert judged by beneficiaries of its services?
5. Does Alert monitor and evaluate its achievements against pre-set benchmarks?
6. Comment on Alert's achievements in comparison with similar organisations?

### **Efficiency**

1. How well does Alert utilize its human, financial and physical resources?
2. Comment on Alert's administrative systems and efficiency.
3. Does Alert's programme achievements reflect value for money?

### **Financial Viability**

1. Comment on Alert's ability to generate domestic revenue.
2. Does Alert have continued support from funders?
3. Does Alert have sufficient revenue to cover expenses?
4. Compare Alert's assets and liabilities.
5. Can Alert sustain itself without Donor financial support?
6. Can Alert handle its activities without outside staff support?
7. Is Alert able to sustain future activities on its own?

### APPENDIX III: DOCUMENTS REVIEWED

	<b>Description</b>	<b>Key Information/aspects</b>
1	Legal documents	Organisational set up and compliance issues
2	Audit reports	Audit findings and opinions
3	Donor reports	Timeliness, quality, budgetary performance
4	Monthly accounts reports	Timeliness, accuracy, frequency
5	Annual reports	Timeliness, accuracy, frequency
6	Programme reports	Effectiveness, efficiency, monitoring
7	Annual plans and budgets	Timeliness, accuracy, frequency
8	Proposal documents	Fundraising, stakeholder needs, sustainability of funders
9	Donor Agreements	Fundraising, compliance, sustainability of funders
10	Organisation Policies	Relevance, adequacy, review, applicability, compliance



## APPENDIX IV: WORKPLAN AND TIME FRAME

Activity	Duration	Dates
1. Proposal Submission		July 2017
2. Proposal review and approval	One week	July 2017
3. Planning and resource mobilization	One week	July 2017
4. Pre-testing data collection instruments and amendments	One week	Aug 2017
5. Field work	Three weeks	Aug 2017
6. Data entry, cleaning, sorting, coding and analysis	Two weeks	Sept 2017
7. Report writing	Two weeks	Sept 2017
8. Report review	Four weeks	Oct 2017
9. Final report presentation	One week	Nov 2017