



**FINANCIAL MANAGEMENT AND CHURCH INVESTMENTS
IN MASINDI-KITARA DIOCESE, UGANDA**

**BY
HERBERT KIVIIRI
12/MIML/2/021**

**A DISSERTATION SUBMITTED TO THE SCHOOL OF MANAGEMENT
SCIENCE IN FULFILMENT OF THE REQUIREMENTS FOR THE
AWARD OF A MASTER'S DEGREE IN INSTITUTIONAL
MANAGEMENT AND LEADERSHIP OF UGANDA
MANAGEMENT INSTITUTE, KAMPALA**

JANUARY 2015

DECLARATION

I, Herbert Kiviiri.B, do declare that this report is my original work and has never been presented to any institution for any academic award.

Signed.....

Date.....

HERBERT KIVIIRI

APPROVAL

This report by Herbert Kiviiri .B titled “Financial Management and Church investments in Masindi-Kitara Diocese, Uganda” has been submitted for examination with our approval as supervisors

SIGN..... Date.....

**DR.EDGAR. K. MWESIGYE
UGANDA MANAGEMENT INSTITUTE**

SIGN..... Date.....

**MRS. PROSS NAGITTA OLUKA
UGANDA MANAGEMENT INSTITUTE**

ACKNOWLEDGEMENT

My heartfelt gratitude goes to my supervisors, Dr. Edgar K Mwesigye and Mrs. Pross.N.Oluka for the professional academic guidance and advice.

Special thanks go to the Most Rev. Stanley Ntagali Archbishop of the Church of Uganda for allowing me to upgrade in academics and Mr. Tumwebaze Nicholas of Kabalega College Masindi for his assistance and all guidance availed to me during this research process.

And to my dear wife Mrs. Enid. A. Kiviiri, thank you for all the continuous support and encouragement till the end of this project and masters program.

I feel indebted to my mother Ms. Namatovu Florence, my brother Mr. Kaye Christopher and all my children, you all contributed in one way or another and prayed to see that I complete the study successfully.

Finally for those not mentioned here, I thank you very much for your contribution.

May God bless you abundantly!

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ABSTRACT

The study investigated the relationship between financial management and church investments in Masindi-Kitara Diocese, Uganda. The study specifically examined the planning/budgeting, funding and accountability in relation to investments of the church. Using a case study design, data were collected from a total of 96 clergy, heads of laity and top administrators of the diocese using self administered questionnaires and interviews, it was both qualitative and quantitative data. The finding of the study indicated a significant positive relationship between budgeting and church investments, also there is a positive significant relationship between funding and church investment and also there is a positive significant relationship between accountability and church investments. The study concluded that if proper financial management is in place there is improved investment in the church. The study recommends that Masindi-Kitara diocese should give more priority to improved financial management systems to build strength and trust from the church members through improved investment strategies in the diocese.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter presents the background, historical background, the statement of the problem, purpose of the study, objectives, research questions, hypotheses, conceptual framework, significance of the research, justification, scope of the study and the operational definitions.

The study aims at investigating the relationship between financial management and church investments in Masindi-Kitara Diocese as a case study. In other words the researcher looked at the concept of financial management as far as church investments in Masindi-Kitara Diocese are concerned by studying a selected number of parish churches.

1.1 Background to the study

1.1.2 Historical background

Isabirye (2008), the early church was only about preaching the gospel aiming at spiritual nourishment of church members. The focus was on the number of members attending church services and those getting saved (accepting Jesus Christ as personal saviour). However during the first century the trend begun to change direction where by leaders started to include financial aspects in the running of the church affairs and later it was realised that church members needed other social services beyond the spiritual aspect for holistic ministry and reflected on Jesus' comprehensive ministry which comprised of all aspects of human being development confirmed by Kilaini (1995).

Alexander (536) B.C church met in small, house-based gatherings until the third century- were first called Christians at Antioch. The first deviations from the faith came in Gnosticism; this group believed that one could only be saved through a secret knowledge of

God (Acts 8). Therefore, early Christian's leaders tried to set down exactly what was taught by the apostles. The church fathers identified certain writings as genuinely apostolic; hence New Testament was collected by A.D100.

As "Jesus Movement" grew and spread, came pressures to develop its structure and leadership as for Jesus commissioned twelve disciples after witnessing his ministry for three years and this continued and spread all over the universe. Christianity began to acquire a recognizable shape through offices of Bishop, Presbytery and deacon, instruction of new converts before baptism, regular meetings and love feast. Christians were described as extraordinary people.

Christianity expands; the church was born just 7 weeks after Jesus' death and resurrection, when the gospel was boldly proclaimed (Acts. 2). From a group of 12 Men the church grew to 120 then 3000 then 5000 (Acts 2:42). By evangelization the church expanded from Jerusalem to Rome, until 30 years later Christianity was over spread most parts of the Roman Empire.

Sunday observance made possible large congregation as Christians already meeting on Sunday and pagans now co-opted. Formality and ceremony in worship was a distinctive feature now as was Latin replacing Greek as landed gentry and traditional church buildings built. Rev.2:12-17 the emperor really stumbled godly men as Balak had stumbled Israel.

Kilaini (1995) asserts that unlike in Western Europe, religion in Africa still has a very important role to play. Besides leading the people to God, religion in Africa is supposed to be the inspirer and source of hope; the conscience of the people and their institutions including the government. It is expected to be an agent of development and a giver of social services. It is always hoped that religion would be the pacifier and uniting factor of peoples with a

danger that sometimes it is the cause of conflict. It must be admitted that the main religions of Africa are all foreign and have a task of adapting to the African soil. While this is sometimes a disturbing factor, it is often the element that unites Africa to the outside world. Religion becomes a bridge between the African traditions and the world realities.

Isabirye (2008), Christianity came late to Uganda compared with many other parts of Africa. Missionaries first arrived at the court of Kabaka Muteesa in 1877; almost a century after the missionary impetus from Europe had begun. And yet within 25 years Uganda had become one of the most successful mission fields in the whole of Africa. Any discussion of Christianity in Uganda, the creation of colonialism at the end of the 19th Century-must begin with Buganda the ancient independent kingdom on the northern shores of the lake which the Baganda call *Nalubaale* (the home of the *balubaale* gods) and which the British christened "Victoria." Over the centuries Buganda had evolved a complex system of government under a *Kabaka* (king), a system unusual for its high degree of centralization and internal cohesiveness. Another feature of Kiganda society, of importance in explaining the eventual success of Christianity, was its remarkable adaptability and receptivity to change.

One of the chief reasons for the continuing success of the missions in the colonial era was the continued attraction of literacy. The missions began in the 1890s to establish a formal system of schooling. Each village would have, next to the church, a school for elementary instruction. In the early years of this century the missions also began to establish "central" or "high" schools for more advanced learning.

At first the government was more than content to leave education to the missions. But after the First World War, the British began to take a much more active role in African education. Oldham J.H of the International Missionary Council (based in London) played an important

part in persuading the Colonial Officer not to set up a rival system to the one the missions had pioneered, but rather to use the mission network of schools, to set up an Inspectorate and offer grants-in-aid to approved mission schools. This was highly satisfactory to the missions. They were very anxious to retain the denominational character of their schools, as well as a general "Christian atmosphere," and feared the establishment of a secular system. But they critically needed financial assistance.

Byaruhanga (2000), Church Missionary Society had pioneered high schools such as Mwiri (Busoga), Nyakasura (Toro) and Nabumali (Bugishu), and Gayaza for girls. King's College Budo was the apex of the whole system. By the 1920s a large proportion of missionary personnel were absorbed in teaching in such schools, and government funding, once begun, became absolutely necessary if the system were to be maintained. The Catholics also cooperated with the government education policy - though always with more reservations than CMS and with a concern not to lose their independence. Kisubi for the White Fathers, and Namilyango for the Mill Hill Fathers, became important high schools on the CMS model. But the Catholics did not neglect their own seminary system, which aimed primarily at encouraging vocations to the priesthood.

The church continued to develop institutions from one level to another for example Bishop Tucker school of Theology and Divinity in 1997 turned into a fully fledged Uganda Christian University which is seen as one of the recognized institutions in the country.

Byaruhanga (2000) further explained that if CMS set the pace in educational developments during the colonial period, the same can be said for medicine. CMS Mengo Hospital began in 1897. Sir Albert Cook and his wife Kathleen are the towering figures in the development of "scientific" medicine in Uganda, with their pioneering work on sleeping sickness and

venereal diseases, the training of nurses and midwives. The Catholics excelled in the establishment of local dispensaries, one can point to the great work of the Franciscan Mother Kevin in this field.

Masindi- Kitara Diocese was established and inaugurated on 19th /Dec/2004 created out Bunyoro-Kitara Diocese as provincial assembly resolution passed during the 16th assembly. The diocese has developed tremendously through structure and leadership, the diocese started with few parish churches and they have been seen developing in various aspects with funding from different source and accountability has been emphasized at all level by putting collected public resources into proper usage that satisfies church members and what ever done is able to be recognized by the concerned in agreement with the allocations. Therefore the researcher is intending to establish the investments of the diocese in terms of structures and in relation to the collected/received funds if are put into proper use.

1.1.3 Theoretical Review

One theory was advanced to explain the relationship between financial management and church investments. Positive Accounting theory builds on the principle that accounting standards should be followed to show facts and value for financial resources by observations for satisfaction

Watts et al. (1986), assert Positive accounting theory as an academic research in accounting which resorts to explaining and predicting actual accounting practices. The theory tends to explain why some accounting practices are more popular than others. Positive accounting theory was initiated to explain better how practices in accounting should be best used. Positive Accounting Theory tries to make good predictions of real world events and translate them to accounting transactions. While normative theories tend to recommend what should

be done, Positive Accounting Theories try to explain and predict actions such as which accounting policies firms will choose how firms will react to newly proposed accounting standards its overall intention is to understand and predict the choice of accounting policies across differing firms.

Henderson et al. 2004, explains that a positive accounting theory begins with some assumption(s) and, through logical deduction, enables some prediction(s) to be made about the way things will be. If the prediction is sufficiently accurate when tested against observations of reality, then the story is regarded as having provided an explanation of why things are as they are. For example, in climatology, a positive theory of rainfall may yield a prediction that, if certain conditions are met, then heavy rainfall will be observed. In economics, a positive accounting theory of prices may yield a prediction that, if certain conditions are met, then rapidly rising prices will be observed. Similarly, a positive theory of accounting may yield a prediction that, if certain conditions are met, then particular accounting practices were observed.

Tinker et al. (1982) argue that all research is value laden and not socially neutral. Specifically, 'Realism operating in the clothes of positive accounting theory claims theoretical supremacy because it is born of fact, not values'. We concede the importance of values in determining research: both the researcher's and user's preferences affect the process.

Competition among theories to meet users' demand constraints the extent to which researcher values influence research design. Positive accounting theories are 'if...then' propositions that are both predictive and explanatory. Researchers choose the topics to investigate, the method to use, and the assumptions to make. Researcher's preferences and expected payoffs affect

the choice of topics, methods and assumptions, In this sense, all research, including positive research is ‘value laden’.

The positive accounting theory of accounting has a number of key assumptions, including an assumption that all people are opportunistic and will adopt particular strategies to the extent that such strategies lead to an increase in the personal wealth of those parties making the decision. In contrast to positive accounting theory evidence about negative accounting theory from recent empirical work is consistent with managers taking actions to avoid these negative earnings surprises. Burgstahler and Eames (2001) find in the distribution of analysts' forecast errors a larger than expected proportion (assuming a smooth distribution) of zero and small positive forecast errors. Brown's (2001) evidence of an overall increase in the percent of zero and positive forecast errors over time is consistent with managers taking actions to avoid negative earnings surprises (assuming the incentive to avoid negative earnings surprises has increased over time). Richardson et al. (1999) also provide evidence of a temporal decline in the extent to which actual earnings fall short of analysts' expectations.

Holt and DeZoort (2006) observe that the cognitive dissonance theory suggests that investors will seek information in an attempt to reduce the psychological tension that occurs as a result of the information risk associated with an investment. The study revealed an increase in investor confidence in performance and reporting reliability, through effective financial management systems. We find that this has not been practiced in the church setting at the local level. Could this be one of the reasons to explain poor church investments (church buildings, clergy houses and schools/hospitals) at parish and local church levels. This calls for a keen check through the church system which emphasizes spirituality at the expense of required performance standards.

1.1.4 Contextual Background

Masindi-Kitara Diocese is a Christian faith based institution under the administrative structure of the church of the province of Uganda, with a mission of serving the whole person and taking Christ's gospel to the whole universe, it was inaugurated in 2004 under the act of the church of Uganda canons (1997) and the church of Uganda constitution (1994). The headquarters of the diocese are in Masindi town 150 miles north of Kampala city. The main governing body is called synod headed by the seating Bishop. Following the structure are the archdeaconries, followed by the parishes which are made of local churches and the local church is the smallest unit and it is headed by lay reader assisted by Christian executive body.

Table 1: showing quota budget, actual, variances and investments in Masindi-Kitara Diocese.

Year	Budget	Actual	Variance	Investments
2011	142,115,200=	58,005,300=	84,109,900=	_____
2012	192,915,200=	77,778,950=	123,197,250=	8,000,000=
2013	192,915,200=	101,136,050=	91,779,150=	14,000,000=

Source: Diocesan Treasury office reports 2011-2013.

The researcher is interested to see if priests and church leaders have abided by church financial policies and procedures, in the process to find out whether church resources are wasted or used according to the required set standards. In this case there is some information from the Diocesan treasury office (2013) indicating that out of budgeted and expected income (quota) from the parishes totalling 192,915,200= only 101,136,050= realised and difference of 91,779,150= that is 21% and the amount shown in the last column of table is the only for investment, therefore what could be the problem.

Kobusingye (2005), states that in financial management not only must resources be acquired and allocated within the organization for the day-to-day use, they must also be efficiently and prudently used. The organization must not only ensure that this happens but it should also endeavour to prove that it happens. In this study financial management activities are supported by policies and procedures that, when carried out properly and in a timely manner, manage or reduce risks. Financial management is that function in an organization, which is concerned with raising and allocation of resources in order to attain its goals. Financial management systems are in place as provided by the provincial financial and procedure manual 2011; however, funding is not sufficient and not through rightful required procedures. Planning and budgeting processes have got gaps and financial reports are not provided about the usage of financial resources by the concerned leaders.

The church in Masindi-Kitara Diocese is highly indebted with quota arrears due to little income from limited sources and spending is too high. The number of church investments is either increasing, dropping or constant according to various clergy reports in their parishes and Christians have lost trust in church activities and leadership due to lack of financial information and usage of financial resources. Several parishes in the church/diocese do not have funds kept in bank and assets for future use, they would be investment for sustainability.

1.2 Statement of the Problem

Masindi-Kitara Diocese in principle and practice carries out financial transactions, events and conditions in accordance with church of Uganda financial policies and procedures manual (2011) and within the Christian tenets of Godliness and honesty. The church is to prepare annual budgets that are realistic, reasonable and attainable to provide a tool for mobilization of resources necessary to achieve strategic goals and objectives. Funds must be expended in accordance with all relevant policies, rules, regulations, and contractual terms

and only for the furtherance of the church activities. Actual financial management activities are expected to involve generation of income, planning/budgeting and financial resource usage in accordance to the allocations done by all concerned members covering all church activities in turn make reports on the accomplishment of responsibilities as a requirement for good (performance) investment.

However, according to the Diocesan treasurer's reports 2011-2013, Parishes budget for quota payment to the treasury but in actual they do not submit it as budgeted. To her report possibly limited financial resources are collected at parish level and she further submitted that all clergy were requested to give report about Sunday collection thus few responded. The financial examination report (2012) indicated that Christians (church members) wherever necessary are not provided with information about church plans and usage of funds to enable them participate in the activities. In diocesan secretary's report (2013) to the diocesan financial and planning committee expressed dismay about failure by clergy to submit lists of all church properties in possession. The funds are not used in accordance to the allocations therefore, indicators of financial mismanagement.

Resources are limited, affected by allocations and accountability hence little progress in church activities to show value for money that is church buildings constructed, clergy houses built and number of raised and maintained social services. Therefore, this financial mismanagement was investigated, if not controlled the trend is likely to continue and church members persistently will continue to lose trust and faith in church performance and its leadership hence this could lead to the collapse of the church. The intention of the research was to establish the relationship between financial management and church investments in Masindi-Kitara Diocese, Church of Uganda.

1.3 Purposes of the Study

The purpose of the study was to investigate the relationship between financial management and church investments in Masindi-Kitara Diocese.

1.4 Specific Objectives of the Study

The study specifically aimed at achieving the following:

- 1) To find out whether funding contributes to church investments in Masindi-Kitara Diocese.
- 2) To determine if there is a relationship between planning/budgeting and church investments in Masindi-Kitara Diocese.
- 3) To establish the role of accountability on church investments in Masindi-Kitara Diocese.

1.5 Research Questions

These included:

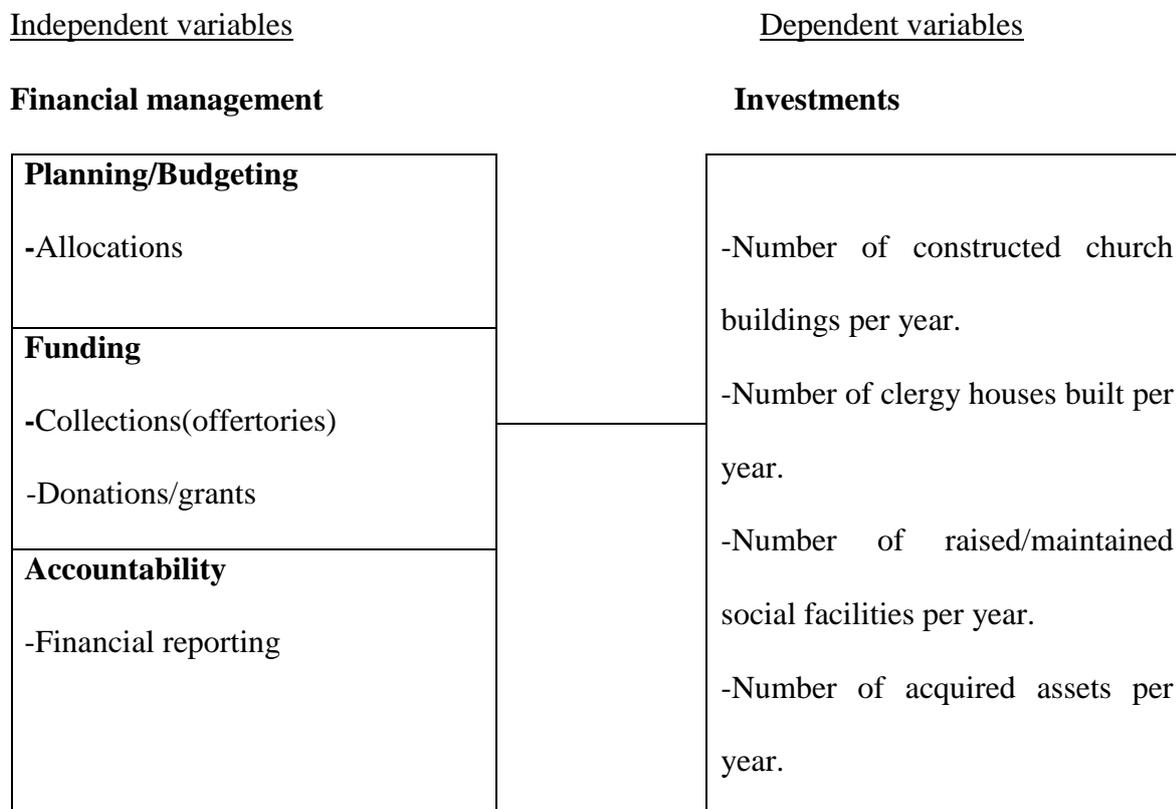
- 1). What is the role of funding on church investments in Masindi-Kitara Diocese?
- 2). What is the relationship between planning/budgeting and church investments in Masindi Kitara Diocese?
- 3). What is the role of accountability on church investments in Masindi-Kitara Diocese?

1.6 Hypothesis of the Study

- 1). Funding has significant role on church investments in Masindi-Kitara Diocese.
- 2). There is a significant relationship between planning/budgeting and church investments in the Diocese.
- 3). Accountability has significant role on church investments in the Diocese.

1.7 Conceptual frame work

Fig.1: showing the relationship between variables



Source: Modified systems theory principle by Alan Lawton et al (1991).

The conceptual frame work showing the relationship between independent variable (financial management) and the dependent variable (investments).

The above figure demonstrates the reliability of each variable is significantly and positively related to the dimension of questionnaire. All the independent variables have significant impact on the organizational investment.

Financial management in this study is taken as the independent variable while investment is the dependent variable. Financial management was measured in form of the various aspects like planning/budgeting, funding and accountability. While investments as a dependent variable is one whose values are determined by changes in the independent variable (BPP,

2012), this was measured in form of church buildings, clergy houses constructed and social services raised/maintained in given period of time.

Performance is the accomplishment of a given task measured against preset known standards of accuracy, completeness, cost, and speed. Though a not for profit making organisation for example the church also has to ensure its performance is up to a given acceptable standard as per its heads (leaders) and to the congregations' expectations. This is normally assessed against the famous three Es (economy, effectiveness and efficiency) in value for money audits.

The cash and need analysis and income expenditure budgeting showed the best way possible in managing income. Regardless of the amount of income earned, part of the earning will go for expenditures and what is left would be the saving. Thus, proper management of income is necessary in increasing cash flow.

Funding will help in determining what should be done to generate cash in order to make investing possible. Careful budgeting and prudent spending are aspects that need to be paid attention to in generating cash flow. This will help as part of the cash to be preserved for long term use.

Adams (2001), views budget as a future plan of action for the whole organisation or a sector thereof. Budgets are plans that deal with future allocations and utilisation of resources to different activities over a given period of time. For any organisation to make progress or achieve its goals it needs capital and to be able to make profit, it requires planning of its resources, which can only be achieved through budgeting, hence budgeting serves as a tool for financial management.

Batty (1982), explains budgetary control as a system which uses budgets as a means of planning and controlling all aspects of producing and or selling commodities or services. This is true as we tend to prepare revenue and expenditure variance analysis to be able to deduce areas of divergences for which the management needs to watch to avoid embarrassment as any adverse variance will translate into inability to meet the corporate objective which will eventually lead to disagreement with stakeholders.

Budgeting will help keep track of the organization's daily expenses. Within the programs, you can get detailed information as to where the funds are actually directed for the good performance of the churches.

Therefore, it can be said that planning/budgeting is a parameter which measures the actual achievement of church leaders and investments, while budgetary management ensures that actual results are positively or negatively in accordance with the overall financial and policy objectives of the establishment.

Accountability is among the tools that leaders use to satisfy the aspects of their roles, tracking progress and evaluating results. This is the most important for an objective measure and the church investments.

Accountability focuses on improving the performance through good stewardship and control of the organization and enables to have a greater effect on strategic formulation and execution across the churches. Accountability has a positive effect in financial management as it stipulates clearly the cash flow that is Incoming and outgoing of cash, representing the operation activities of an organization.

1.8 significance of the study

The result of this research assist churches in Masindi-Kitara Diocese to address identified financial management gaps with a view of putting in place proper systems and good investments.

Institution: The Cadbury report (2002) emphasized financial management as tool to ensure effective utilization of organizational resources for efficient investments. Therefore the study is to help the diocesan administrators understand why it is important to follow policies and procedures instead of mutual trust based on one's spirituality in the management of church resources and affairs.

Society: The study helps society to appreciate different factors which determine financial prosperity and failure in investments of non profit making organization.

Academia: The findings of the study are to contribute to existing knowledge and literature about the effect of funding (collections and donations), planning/budgeting and accountability as dimensions of financial management in relation to church investments in the diocese.

1.9 Justification of the Study

According to Mugenda and Mugenda (1999), justification of the study highlights the reasons for conducting the study as well as the importance of carrying it out. Research has been carried out in the area of public financial management and performance of the organization but the researcher in this particular study is interested in establishing the relationship between financial management and church investments in Masindi-Kitara diocese. The area has not specifically been studied in Uganda though some related research and literature could be

available thus it will help the diocese save most of what it may not be saving today and having tangible investment for better performance.

1.10 Scope of the Study

The study focuses on three dimensions of financial management; funding, planning/budgeting, and accountability, other dimensions of financial management are beyond the scope of the study and their relationship with investments in dimension of church buildings, clergy houses and social services put in place.

The study covered Masindi-Kitara Diocese composed of four (4) archdeaconries, and thirty (30) parish churches. However the study took selected churches using sampling techniques.

1.10.1 Time scope

The study looked at the past three years of operation that is 2011-2013. This is because it is within these years that emphasis has been on having financial management systems be implemented in the running of church business, the diocesan secretary and treasurer reports (2013).

1.11 Operational Definitions

Financial management: This is the process of managing or controlling flow of money or fund. It is a process of acquitting of funds from various sources to meet the business needs in order to accomplish overall objectives of the firm and considered as a life blood of all business activities. According to the researcher it is about planning, organization, directing and controlling of the monetary resources. The way church leaders manage the finances will determine the performance in terms of revenue realised, congregation (attendance of church member and trust) and investments through savings.

Funding: Is the provision of financial resources to finance a need, program, or project. In general, this term is used when a firm fills the need for cash from its own internal reserves, and the term 'financing' is used when the need is filled from external or borrowed money.

In church setting incomings are the funds (cash) collected and this could be in terms of offertories, donations/grants and other performed activities which can generate money like fund raising.

Income generation (collections): This is about making the organisation sustainable by establishing a range of funding (diversifying your sources of income), so that you are not dependent on one source. Your income generation plan must ensure that; you are raising sufficient levels of income to enable you to deliver your organisation's purpose; it must cover all costs incurred, you have taken into account any restrictions imposed by funders on how your organisation can apply the funds received and you have a sufficiently diverse source of income to avoid the high level of risk associated with depending on one source. The researcher looks at this as the amount of money or its equivalent received during a period of time in exchange for labour or services, and any other contribution in terms of donations or as profit from financial investments.

Donations/grants: Something that is given to a charity such as funds to not-for-profit organization especially a sum of money which may be given by a government or other organization for a particular purpose depending on the request.

Budgeting: Managers need to be able to exercise control over the organisations that they manage that is to make sure that the organisation is keeping to its plan and that necessary actions can be taken to put it back on track when needed. In the same way that a thermostat

will regulate and control the temperature of your central heating, system managers need to have control tools to make sure that financial plans and targets are being achieved.

The researcher looks at budgeting as the allocation of resources in monetary terms to specified items as may be drawn. The church must execute its operations according to the priorities in chronological way. All concerned people in the church should participate and all departments and required items have to be included.

Planning: This is a systematic process of establishing a need and then working out the best way to meet the need, within a strategic framework that enables you to identify priorities and determines your operational principles. Planning means thinking about the future so that you can do something about it now. This doesn't necessarily mean that everything will go according to plan. It probably won't. But if you have planned properly, your ability to adjust, without compromising your overall purpose, will be that much greater.

Allocation: the act of allocating and apportionment of specified resources to particular item as may be deemed necessary by prioritizing.

Accountability: This is an amorphous concept that is difficult to define in precise terms. However, broadly speaking, accountability exists when there is a relationship where an individual or body, and the performance of tasks or functions by that individual or body, are subject to another's oversight, direction or request that they provide information or justification for their actions. Therefore, in operation the concept of accountability refers to the state of being accountable; willingness and responsibility of giving a report on any transaction that have taken place to prevent something from going wrong. Any person assigned duty should give a report in return of the responsibility accomplished.

Financial reporting is the preparation of reports about monetary resources in a given period of time as a formal record of the financial activities of the organization. The reporting of financial resources has to be done in accordance to the required standards stipulated in the church setting.

Performance refers to the accomplishment of a given task measured against the present set standards and requirements. Performance can be visibly realised and people involved are able to feel it at all levels but not a particular section in an organization or society. In other words performance could be looked at as output results and their outcomes obtained from ongoing process and services in the case of church investments in other social services like schools and medical facilities through savings.

Investments: It means every asset that an investor owns or controls, directly or indirectly, that has the characteristics of an investment, including such characteristics as the commitment of capital or other resources, the expectation of gain or profit, or the assumption of risk. Forms that an investment may take include futures, options and other derivatives. Investment will be looked at as means to use money in the hope of making more money. The church can use the remaining amount of collections (savings) to invest in purchase and development of assets for public use and future income generation.

1.12 Conclusion.

This chapter presents the contextual and conceptual background to the study in form of issues relating to the financial management and church performance in Masindi Kitara Diocese. The statement of the problem focusing mainly on the gaps between the real situation and actual situation of the church in the Diocese thus the gaps are to be closed using the research objectives and questions, including hypothetical answers. Analysis will be made using the

conceptual framework to clearly examine the relationship between financial management and church investments in Masindi-Kitara Diocese. This leads to the next chapter of literature review, reviewing objective by objective with related literature to financial management and church investments.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The chapter presents related literature on the relationship of financial management and church investments. This is done by reviewing literature objective by objective in relation to investments. Documents studied are classified as textbooks, reports, audits, journals, dissertations, magazines and internet sources. The researcher is to give his opinion in relation or contrast to what other authors have written.

2.1 Conceptual review/conceptual frame work

The study measures the relationship between financial management practices like planning/budgeting, funding and accountability and church investments in terms church buildings, clergy houses built and raised/maintained social services in Masindi- Kitara diocese.

2.2.1 Funding and church investments in Masindi-Kitara Diocese

Massachusetts Conference, United Church of Christ (2010), asserts that Contributions from members and friends are the primary source of income for most local churches. Such contributions are usually tax-deductible. To be deductible, a contribution must meet the following six conditions. The contribution must be; a gift of cash or other property, claimed as a deduction in the year in which the contribution is made, unconditional and without personal benefit to the donor, made “to or for the use of” a qualified charity, within the allowable legal limits, and properly substantiated. For the IRS, it is the date of the check and the date that the church receives the contribution that matters, even if it is payment of a prepaid pledge for a future year.

United Church of Christ further explains that many Christians support their churches and pastors with monetary contributions of one sort or another. Frequently these monetary contributions are called tithes whether or not they actually represent ten percent of anything. Some claim that as tithing was an ingrained Jewish custom by the time of Jesus, no specific command to tithe per se is found in the New Testament. According to Strong's Concordance, there are four references to tithing in the New Testament.

If a church receives a contribution for a specific purpose, the church must keep track of it until it is used for that purpose. However, many churches do not have a good system in place for monitoring restricted funds. Since churches are not required to have annual audits and are exempt from most external reporting requirements, many have not kept up with recent changes in non-profit accounting (Young 1994).

Horngren et al (1997), cash is a vital resource for a not-for-profit organization. To maintain financial viability, the organization must have enough cash to pay its bills. Accrual basis financial statements can report an excess of revenues over expenses but this does not necessarily mean that there is cash in the bank. Cyclical and seasonal fluctuations also have an impact on an organization's cash. Cash inflows and outflows for most not-for-profits typically fluctuate throughout the year. This increases the importance of the budgeting process because obligations must be met on a timely and consistent basis. The organization must plan ahead for those periods when cash inflow tends to be less than cash outflows. Postponing expenditures or accelerating constituent billings are two options for solving the problem.

The cash and need analysis and income expenditure budgeting will show the best way possible in managing income. Regardless of the amount of income earned, part of the earning

will go for expenditures and what is left would be the savings. Thus, proper management of income is necessary in increasing cash flow.

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The organization must not only ensure that this happens but it should also endeavour to prove that it happens. In this study financial management activities are supported by policies and procedures that, when carried out properly and in a timely manner, manage or reduce risks. Financial management is that function in an organization that is concerned with raising and allocation of resources in order to attain its goals. The public finance and Accountability Act (2003) section 8(3) (d) of Uganda affirms the above statement.

Becket (1999), in organization it is important to know how much cash is flowing through the enterprise as it is to check the profit. Sales may be booming and cash flow apparently healthy, but in reality the company is making disastrous losses, conversely profits may look fine but people are so slow paying thus the company founders cannot pay debts or even wages.

Businesses evaluate investment through cash flow, usually discounting future receipts (because it is worth less than cash in hand which can be invested). This produces the net present value of a sum to be received in the future. Finding the correct discounting factor is tricky and the cash flows are only estimates, but it is still better than a blind guess. Cash management will help in determining what should be done to generate cash flow in order to make investing possible. Careful budgeting and prudent spending are aspects that need to be paid attention to in generating cash flow. This will help as part of the cash can be preserved for long term use.

Funding in terms of cash management will provide directions and meaning to institution's financial decisions. It allows an understanding of how financial decisions made can affect other areas of finances. By viewing each financial decision as part of a whole, the short and the long term effects on the institution's life goals can be considered. This will help in adapting more easily to situational changes and feel more secure financially, knowing that financial mastery has been achieved.

2.2.2 Planning/Budgeting and church investments in Masindi-Kitara Diocese

Adams (2001), views budget as a future plan of action for the whole organisation or a sector thereof. Budgets are plans that deal with future allocations and utilisation of resources to different activities over a given period of time. For any organisation to make progress or achieve its goals it needs capital and to be able to make profit, it requires planning of its

resources, which can only be achieved through budgeting, hence budgeting serves as a tool for financial planning.

Good budgeting means not running into deficit but equally it means not carrying large balances of unspent money from year to year without good reason, Audit commission (2000). Okello and Bukenya concluded that the most visible tool you have and a great way to highlight your financial skills while demonstrating your contribution to bottom line is to use the budget.

Obura and Kigongo (2008) states that a budget is a tool which forces management to be accountable in a structured and objective manner. It facilitates planning and resource allocation plus providing a mechanism for monitoring financial performance through the year, Seer (2000) as cited in Okello-Obura and Kigongo-Bukenya, (2008). It provides an organization with a clear view of how it intends to use its resources.

According to Ndifuna (2008) citizen involvement help to have a combined effort in monitoring and implementation of the budget and compliance with taxes. Matovu asserts that citizen involvement in drawing, implementation of the budget makes them own the projects which results into increase in voluntary support, provision of labour raw materials and willingness to pay charge fees and taxes. As for the church this a clear indicator of what church leadership must do and the question is how it is done.

Hornegren et al, (1997) the basic budget is a comprehensive look at the entire organization's overall projection of the revenues or financial support and its expected expenditures. Specialized or supplemental budgets can provide a specific focus on fragments of financial activity germane to individual programs or revenue centres. An example of a supplementary budget is the quantification of membership goals for a given year. This portion of a budget

guides the business office's cash flow projections as well as the development office's annual goals and objectives for fund-raising activities. The program department might be affected throughout the year as membership projections are matched up with the actual membership numbers.

Young et al (1994) emphasises that thoroughly planned and implemented budget enhances the likelihood that a not-for-profit will be financially successful. A comprehensive budget is a tool that translates abstract goals into controllable parts. It stipulates performance goals for the upcoming year.

The planning and preparation process leading to a budget forces the organization to set priorities and to narrow its choices. A budget can facilitate coordination and cooperation between the various programs and financial departments. Periodic budget comparison to actual financial performance can reveal problems and should allow the board and staff to respond quickly to changing financial conditions. The budget provides a measurement of financial performance in relation to the not-for-profit's expectations; it guides financial decision-making over the course of a fiscal year. There is a natural tendency to emphasize cost control because of uncertainty, and the presence of such controls can stifle creative responses to a change in demand for an organization's services.

Batty (1982), explained budgetary control as a system which uses budgets as a means of planning and controlling all aspects of producing and or selling commodities or services. This is true as we tend to prepare revenue and expenditure variance analysis to be able to deduce areas of divergences for which the management needs to watch to avoid embarrassment as any adverse variance will translate into inability to meet the corporate objective which will eventually lead to disagreement with stakeholders.

Lockyer (1983) was of the opinion that when a budget has been drawn up, it can be used as an instrument of control by continually comparing actual with budget performance. Since all activities are ultimately capable of being expressed in financial terms, the breath of possible control is very great. Hence budget control is part of the overall system of responsibility accounting within an organisation, as costs and revenues are analysed in accordance with areas of personal responsibilities of the budget holders through permitting financial monitoring.

Budgetary management relates expenditures to the personnel responsible for the various expenditures at the various cost centres so that each manager is held responsible for the cost by which he has control.

De Renzio et al (2007), in heavily indebted countries, reform of budget classification have shown major improvements. Improving the information base for budget reporting and budget management purposes has been a core part of the South African Public Financial Management Reform Programme (PFMRP). Success is attributed to a number of factors including: i) phased implementation approach; ii) comprehensive communication and training strategy and iii) close monitoring of implementation and compliance. However, the main reason given for the successful implementation of the new budget classification system is that it is part of an overall strategy to make public finances more accountable, transparent and better targeted (CABRI 2005).

There seems to be no evidence that improvements in budget classification, to meet international standards, have also led to improvements in budget reporting for either management or public use. Indeed, results from the International Budget Project (IBP) open budget questionnaire show that the weakest scores in terms of public accessibility to budget

information relate to the fact that most governments fail to provide user-friendly information to the public and the legislature (Gomez *et al* 2004).

A government budget (approved spending) should reflect what it says it will do (government policies). A medium-term perspective is crucial for improving links between policy, planning and budgeting (Holmes and Evans 2003, World Bank 1998). According to Holmes and Evans (2003), “the appeal of MTEFs lies in their potential to link the often competing short-term imperatives of macroeconomic stabilization with the medium and longer-term demands on the budget to contribute to improved policy making and planning, and to the efficiency and effectiveness of service delivery”. Budgeting will help keep track of the organization’s daily expenses. Within the programs, you can get detailed information as to where the funds are actually directed for the good performance of the church.

Therefore, it can be said that budgeting is a parameter which measures the actual achievement of church leaders and church performance, while budgetary management ensures that actual results are positively or negatively in accordance with the overall financial and policy objectives of the establishment.

2.2.3 Accountability and church investments in Masindi-Kitara Diocese

Accountability is among the tools that leaders use to satisfy the aspects of their roles, tracking progress and evaluating results. This is the most important for an objective measure and church performance.

Accountability focuses on improving performance through financial reporting and control of the organization and enables to have a greater effect on strategic formulation and execution across the church. Accountability has a positive effect in financial management as it

stipulates clearly the cash flow that is Incomings and outgoings of cash, representing the operation activities of an organization.

Conceptual framework exposure draft by Ministry of Finance and Economic Planning (2008), the objective of general purpose financial reporting is to provide financial information about the reporting entity that is useful to present and potential equity investors, lenders and other creditors in making decisions in their capacity as capital providers. Capital providers are the primary users of financial reporting. To accomplish the objective, financial reports should communicate information about an entity's economic resources, claims on those resources, and the transactions and other events and circumstances that change them. The degree to which that financial information is useful will depend on its qualitative characteristics.

The debate on the use of the accrual basis in the public sector has a long history. In the context of NPM reforms, with their emphasis on performance, a need was identified to introduce the accrual basis in order to “encompass accounting and reporting on the allocation and use of total economic resources (both cash and non cash) at the disposal of managers” (OECD 1993: 3). Although, Diamond (2002a) rejects any assumption that performance budgeting requires accrual accounting. OECD (2002a) argues that accrual accounting cannot be introduced successfully without accrual budgeting. “More recently, led primarily by the international agencies, such as the OECD, the IMF, and the World Bank, and by some international accounting bodies, such as IFAC, countries have been strongly encouraged to adopt the accounting system generally used by the private sector: accrual accounting” (Boothe 2007: 181). However, even after almost two decades, questions remain; whether the accounting needs of the public sector, which revolve around democratic accountability, are

well served by private sector-based accounting that revolve around financial performance and profitability (Boothe 2007).

Audit commission (2005) mentions that, financial planning is an essential part of good financial management. Lesil (1984) argues that internal audit constitutes an element of performance established by the organization while according to Hall (1999); internal auditing is the application of automated tools to provide assurance on financial and non- financial data within a company. Holt and Dezoort refer to the findings of Gordon and Smith (1992) that a control function, such as that performed by internal audit can lead to better firm performance. Provided that the relevant internal audit work has been carried out effectively, the likely mismanagement of finances is likely to be reduced.

Ministry of Finance report (2012), the Government of republic of Tanzania continues to facilitate improved public access to fiscal information through website, local newspapers, Government gazette, notice boards, radio and television. The information include planning and budget guidelines, financial legislations, annual budgets, budget execution reports, financial statements, audit reports and contract awards, and allocation of budget resources. In general, access to fiscal information has improved in recent years, notwithstanding a few key missing elements and quality controls which undermine integrity and accuracy of financial reporting. A “Citizen Guide to the Budget” is published by a non-governmental organization to enhance public awareness to fiscal information.

Carole and Nico (2009), identifies the critical dimensions of an open and orderly PFM system. They are: i) budget comprehensiveness and transparency; ii) policy based budgeting; iii) predictability and control in budget execution; iv) accounting and reporting and v) external scrutiny and audit. The introduction of sound systems and procedures in these areas should lead to dimension vi) budget credibility. Witt and Muller (2006) emphasise, it is

important to remember that “public finance comprises a complex set of closely interrelated subsystems (e.g. tax and customs, budgets, expenditure, inter-governmental finance, parliamentary oversight, internal and external financial control).

In terms of budgetary outcomes, the argument is also that a government needs a realistic sustainable budget (aggregate fiscal discipline) before it can achieve the other objectives of allocative efficiency (doing the right things not merely doing things right) and operational efficiency (Schick 1998a). In response to fiscal crisis, developing countries were encouraged to centralise controls e.g. Tanzania in the mid nineties.

Financial reports aim to improve budget compliance. They provide a means for internal or external actors to assess government performance. Financial reporting entails extracting and presenting data from the accounting system in ways that facilitate analysis. Governments produce a range of reports for internal and external consumption. Typical reports include daily flash reports on cash flows, monthly reports on budget execution, revenue reports, mid-year reports and annual financial statements or fiscal reports. There are internationally recognised minimum requirements for annual fiscal reporting. These reports form the basis for the audit general’s review of government performance.

If our corporate sector follows comprehensive financial management practices it would be directly affecting its profits and value maximization. If these practices are applied on the different levels, an organization can achieve a better resource utilization and profit. Research shows that these monetary practices have a strong influence on the organizations performance.

Financial management is one of several functional areas of management but it is central to the success of any small business (Meredith, 1986). Financial management is the

management of finances of a business in order to achieve the financial objectives of the business. McMahon et al. (1993) defines financial management based on mobilizing and using sources of funds: Financial management is concerned with raising the funds needed to finance the enterprise's assets and activities, the allocation of these scarce funds between competing uses, and with ensuring that the funds are used effectively and efficiently in achieving the organization's goal.

The church in the diocese raises funds through offertory that is the giving by church members which is used for paying salary to clergy/staff, and administrative activities putting in place through procedures and processes for effectiveness and efficiency.

Financial management as used in this study is composed of five (5) constructs and these include; working capital management which is also subdivided into cash management, receivables management and inventory management. Other constructs under financial management include; investment, financing, accounting information systems and financial reporting and analysis.

Ross et al (1999) indicated three kinds of decisions the financial manager of a firm must make in business; these include the financing decision, and decisions involving short-term finance and concerned with the net working capital, investment and financial reporting. Similarly, Ang (1992) also indicated three main financial decisions including the investment decisions, financing decisions and dividend decisions.

The strong points of financial management practices in the SME sector have long attracted the attention of researchers. Depending on different objectives, researchers emphasize different aspects of financial management practices. McMahon, Holmes, Hutchinson and Forsaith (1993) and McMahon (1993) summarize their review of financial management

practices in Australia, the UK and the USA. In their review the context of financial management practices includes the following areas: accounting information systems, financing decisions, investing decisions.

2.2.4 Investment and financial management in Masindi-Kitara Diocese.

Many churches have a long history, thanks to the generations of generous and faithful people who gathered and nurtured our communities of faith. From these ancestors in faith, we have inherited traditions, buildings, furnishings, and financial resources; it is our responsibility to provide for those who will come after us and our descendants in faith. Planning for the future involves capital projects, cash reserves, investments, and endowments.

United Church of Christ (2010) explains related aspect of planning for the future involves general unrestricted cash reserves. Since the church is a non profit organization, that does not mean that it does not ever have a profit rather, it means that the church does not pay out its profits to its shareholders at the end of the year. Instead, the church carries over its cumulative surpluses and deficits from year to year.

The cumulative surpluses and deficits from the annual budget are called the General Fund, or the Operating Fund, or in non-profit accounting terms, unrestricted Net Assets. In general, in order to maintain a healthy cash flow throughout the year, an organization will need to have an unrestricted net asset balance equal to at least 2-3 months of expenses. If it is less than that, the church would be wise to seek surplus budgets while the reserves are built up again.

For planning purposes, it is essential that a church have knowledge of where its funds have come from (original gifts, dates, and what restrictions, if any, the donors have stipulated), how they are invested, and how the amount to be spent is determined. Invested funds occasionally include stock gifts that have been received as payment of pledges, but not yet transferred to the operating cheque account.

Ritchie (2010) the popular image of a church is that of a selfless organization unconcerned with financial gain. It is reflected in the fact that churches receive tax-exempt status from federal and state governments. And without question, most churches do engage in substantial charity work. But that doesn't mean that churches are not, at least partially, money-making enterprises. Though official records are scarce, the world's major churches are all believed to collect annual revenues in excess of several billion dollars. Like any other institution, the church too works hard to earn the highest possible return on their investments.

Massachusetts conference, UCC (2010) a capital budget helps a congregation to plan for those expenditures that don't happen often, but usually cost a significant amount of money. In accounting language, "capital" refers to anything that lasts longer than the budget period. Churches, along with most non-profit organizations, usually budget for a period of one year. Thus, a capital item is some-thing that won't be used up during the year, such as a building, building improvements, musical instruments, office equipment, bookshelves, or even church library books. It is helpful to develop a multiyear budget for capital expenditures, revising it each year as a part of the budgeting process. Many churches set aside a certain amount each year for capital expenditures, establishing a Capital Reserve from which planned and emergency capital projects are funded.

2.2.6 Conclusion.

In the chapter all the materials that have been reviewed, the authors and researchers have tended to concentrate on the process of public financial management. Largely the focus has been on private sector organisations. The other pieces of work on public sector have only made generalizations without deliberate attempt to link financial management and investments in the church settings. Not much literature was found directly on the relationship of the study however, the gaps identified in previous pieces of related works are; in ability to

link financial management and church investment, in a small sample size of the target population putting the validity and reliability of the findings into questions. The research established the relationship between financial management and church investments in Masindi-Kitara Diocese, Uganda where the emphasis in the past has been on the spirituality of those in leadership positions other than emphasizing financial management systems. The next chapter is to relate the collected data with the literature review through data analysis as methodological process.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter discusses the methodology that was used in the study. The chapter outlines the research designs, study population, sample size, selection of data, data collection methods and instruments, validity and reliability of the research instruments, procedures in collecting data, data analysis and measures of variability. This is in agreement with Kothari (2003).

3.1 Research Design

The study adopted a cross-sectional survey design. This design was adopted because data were collected from a cross section of respondents at a given point in time. This is a framework for the collection and analysis of data where as a master plan specifying the methods and procedures for collecting and analysing data.

According to Bryman (2001), when a researcher has identified a research problem and has reviewed the relevant literature, the next step involves developing a research design for conducting the research.

3.2 Study Population

Gupta (2008) defines a population (or universe) as the totality of items or things under consideration. According to table 2 target population was estimated at about 96 people in the following categories; 2 top administrators (diocesan secretary and treasurer), 4 Archdeacons, 30 clergy, 30 Heads of laity and 30 church treasurers as indicated in the diocesan secretary's report to the synod October 2013.

3.3 Determination of the Study Size

Data collection was done using purposive sample technique. According to Gupta (2008), a sample is where only a part of the universe is studied and conclusions about the entire universe are drawn. A census is where a complete enumeration of each and every unit in the universe.

Due to limited resources available and time, but high degree of accuracy is desired, the purposive sample technique will be applied. This is also favoured by the nature and the scope of the problem at hand and the Diocese covers a wider area.

The study was based on both qualitative and quantitative data from primary and secondary sources in order to get into depth analysis of the relationship between financial management and church investments. Qualitative data analysis permits study to go beyond statistical results and provide detailed information about the problem being studied as noted by Amin (2005).

3.4 Sampling Techniques and Procedure

Ogula (2005), Sampling is a process or technique of choosing a sub-group from a population to participate in the study; it is the process of selecting a number of individuals for a study in such a way that the individuals selected represent the large group from which they were selected.

The sample was taken using purposive sampling procedure; the researcher chooses the sample based on who he/she thinks would be appropriate for the study. The main objective of purposive sampling is to arrive at a sample that can adequately answer the research objectives. The selection of a purposive sample is often accomplished by applying expert

knowledge of the target population to select in a non random manner a sample that represents a cross-section of the population (Henry, 1990).

Table. 2: Sample size, sampling techniques and data collection methods

Category of respondents.	Population size.	Sample size.	%	Sampling technique.
Top administrators.	2	2	100	purposive
Archdeacons.	4	4	100	purposive
Clergy.	30	23	85	Purposive.
Heads of laity	30	23	85	Purposive.
Treasurers	30	23	85	Purposive.
TOTAL	96	75	90	

From table 2,the sample comprised of 2 present top administrators, 4 archdeacons,23 clergy,23 head of laity and 23 treasurers leading to a total sample of 75 respondents.

3.5 Data collection methods

Sekaran (2003) emphasizes that there are both primary and secondary source of data. In this study primary and secondary data is both qualitative and quantitative collected using the following methods.

3.5.1 Documentary review

The researcher reviewed documents in order to obtain recorded information that is related to the issue under investigation. This method was used because it enables the researcher access data at his convenient time, obtain data that are thoughtful in that the informants have given attention in obtaining them and enables the researcher obtain data in the language of the respondent (Oso and Onen, 2008). The documentary review puts a researcher at high level chances to verify some of the viable information and that filled wrongly in the questionnaire.

3.5.2 Questionnaires

Written set of questions for gathering information from individuals intended to obtain data about the financial management situation were compiled (Oso and Onen 2008). These were put together and introduced to the informants through a three paragraph requested and introduction, covering letter. The questions were kept short and the questionnaire well structured. Communication of the purpose of the questionnaire, how we plan to use the data and how the results helped participants, the questionnaire considered the key informants purposively that is clergy, heads of laity and treasurers in drawing, implementation and follow financial management systems in relation to church investments at parish level. The researcher physically delivered these to the targeted group of clergy and church leaders identified in the sample size.

3.5.3 Interviewing

Oral interviews were administered in order to get direct information from key informers; this was face-to-face contact with the Diocesan secretary, treasurer and archdeacons who provided the information related to the survey by responding to the various questions as shown in the guide on financial management and church investment in the diocese.

3.6 Data collection instruments

Amin (2005) asserts that data collection instrument are tools used to gather data. In order to collect data about financial management and church investments in Masindi-Kitara Diocese, the following instruments were used:

3.6.1 Self Administered Questionnaire

The researcher carefully designed written questions prepared by the researcher about the research problem under investigation based on the objectives of the study and was given to the respondents including clergy (priests) and church leaders (heads of laity and treasurers).

Closed ended items were applied in the questionnaire as these eases up the task for the respondents.

3.6.2 Interview guide

Here it involved oral administration of a questionnaire that involved face to face encounter and required maximum cooperation from the respondent in order for the researcher to obtain accurate and reliable data.

Oral interviews were used in order to get information from key informers that are diocesan secretary as the administrator and accounting officer, treasurer as the financial planner and internal controller and 4 archdeacons the supervisors of the clergy in the Diocese. This gave in-depth data that may not be captured by questionnaire to allow triangulation.

3.7 Quality control of Research instruments

3.7.1 Validity

This ensures that the data obtained through the use of the instrument serves its purpose(s).

To ensure validity of data, a set of questions were designed to collect same information with questions Para-phrased differently. These questions were pilot tested on 23 selected out of 30 parishes in Masindi-Kitara Diocese.

Mark (1995), recommends that before a survey is used to collect meaningful data, it has to be tested to ensure its accuracy and avoid the random error (unpredictable error) and measurement error (how well or poorly a particular instrument performs in a given population). Below is the computation of the coefficient of validity index;

CVI= No. of items rated valid

Total no. of items

$$\text{CVI} = \frac{21}{30} \times 100 = 70\% \text{ or } 0.70$$

30

Since 0.70 was above the recommended 0.7 (Amin 2005), the instrument was regarded valid and therefore adopted.

Thus also the validity of the instrument were determined by the experts' opinion and how was designed according to the objectives and research questions of the study. The experts here are my research supervisors. Their opinion was final.

3.7.2 Reliability

Merriam (2010), states that reliability is the extent to which the measuring instrument produces consistent scores when the same groups of individuals are repeatedly measured under the same conditions.

Therefore the researcher used test retest reliability. The data collection instruments were pre-tested in the 23 selected churches on the clergy and church leaders in the diocese. The exercise was repeated after two weeks to find out whether the results are similar. Mugenda and Mugenda (1999), advises that the number of respondents used in pre-testing should be smaller at least 10% of the sample size.

Reliability was measured numerically using Pearson's correlation coefficient, were any value from 0.5 to 1 was considered reliable and consistent. The reliability results are presented below;

Pearson's correlation	No. of items
.709	71

Pearson's correlation coefficient which was used to measure reliability of the instruments indicated a correlation 0.709 hence the instrument was reliable.

3.8 Procedure of Data Collection

The researcher got a letter of introduction from the Uganda Management Institute (UMI) which was presented to the Bishop of Masindi-Kitara Diocese for permission to carry out research study in the Diocese. The key informants were interviewed for at least 15-30 minutes. During that time the researcher wrote down the main points. The clergy and other church leaders were met separately. This was meant to give room for other respondents to express themselves free and without biases. The questionnaires were delivered personally by the researcher to the targeted respondents and collected within a period of two weeks.

During the same period appointments were sought from the Diocesan secretary, treasurer and archdeacons of the diocese and interview conducted. A second interview was taken with the top administrators that is diocesan secretary and treasurer to comment on a few issues raised and/or identified during the data analysis that were discovered during the research in the selected parishes of the diocese.

3.9 Data Analysis

Amin (2005) emphasizes that before analyzing collected data, it should be edited in order to be error free. This involved sorting, coding, and categorizing the data. Both qualitative and quantitative data analysis techniques were employed.

3.9.1 Qualitative Data

Qualitative data was analysed using words or phrases to describe the patterns in the data collected relating to financial management and church investments in Masindi-Kitara Diocese and to come up with an in-depth explanation and interpretation.

3.9.2 Quantitative Data

In quantitative analysis, descriptive statistics was used where tallies, frequencies and percentages calculated relating to financial management and church investments, using statistical package for social sciences (SPSS). Regression analysis was used to find out the extent to which the independent variables explains the dependent variables, that is to say, the linear regression analysis was used to find out how dependent variables depend on independent variables and Pearson's correlation coefficient was also used to test the strength of the relationships between the variables. Conclusions were made to determine the relationship between financial management and church investment in Masindi-Kitara Diocese.

3.10 Measurements of Variables (Quantitative Studies)

A 5-point Likert scale was used to assess the relationships of financial management and church investments of parishes in the Diocese. The scale ranged from strongly agrees to strongly disagree to help the researcher measure the extent to which the research objectives are achieved. Ordinal scale and interval scale were used to capture personal data of respondents. Church investment was measured using the diocesan secretary and treasurer's reports to the diocesan finance committee, council or synod plus different comment from the local church members about financial management.

3.11 Conclusion.

This chapter consists of the methodology that was used while collecting data in the field. In this case the researcher applied the research design that is both qualitative and quantitative. This was achieved by a study population selected and narrowed down to a sample size since the entire population was not to be studied. The sample selection technique of purposive was employed in this study. The data collection techniques of questionnaire, interview guide, and

documentary review were used to collect data and were tested to assess their reliability and validity. The statistical package for social scientists (SPSS) was used to analyse data and establish the relationship between financial management and church investments in the Diocese. Having done the above, the researcher went to the field for data collection, presentation after in-depth analysis and expression of personal opinion.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

Introduction

The study investigated the relationship between financial management and church investments in Masindi-Kitara Diocese. The study specifically looked at the role of funding, planning/budgeting, accountability and church investments in Masindi-Kitara Diocese. The study presents descriptive results from questionnaire in form of mean to show the central tendency of responses in the Likert scale questions. Interviews are presented per each objective in quotations and narrative statements. In testing the relationship among variables correlations and regressions were used to show the nature of relationship between variables and the magnitude of effect the independent variables has on dependent variable. The response rate is also presented showing the actual number of respondents that participated in the study compared to the anticipated number as per the sample size of the study.

4.2 Response rate

Table.3 : Summary of study response rates

Category	Targeted respondents	No. actually involved	Percentage of response rate
Questionnaire			
Clergy	23	21	91.3%
Heads of laity	23	22	95.7%
Treasurers	23	22	95.7%
Sub Total	69	65	
Interviews			
Top administrators.	2	2	100%
Archdeacons.	4	4	100%
Subtotal	6	6	
Total	75	71	95%

Source: Primary data

The table above shows the response rate of respondents that participated in the study. In the study a total number of 75 respondents were expected to participate in the study, but 71 respondents actually participated with a response rate of 95%. This response rate is above the 60-70% response rate as recommended by the Guttmacher Institute (2006), which stresses that for a study to be considered with satisfactory results for academic and non academic purposes has to go beyond the latter percentage.

4.3 Demographic Characteristics of Respondents

The demographic characteristics of respondents was established in regard to their gender which was established because it would help in establishing the majority sex of respondents that participated in the study and the level of education helped to establish whether respondents would give views that are relevant and useful to the study, period spent serving would help share their experiences and results are presented below.

Table 4: Gender of Respondents

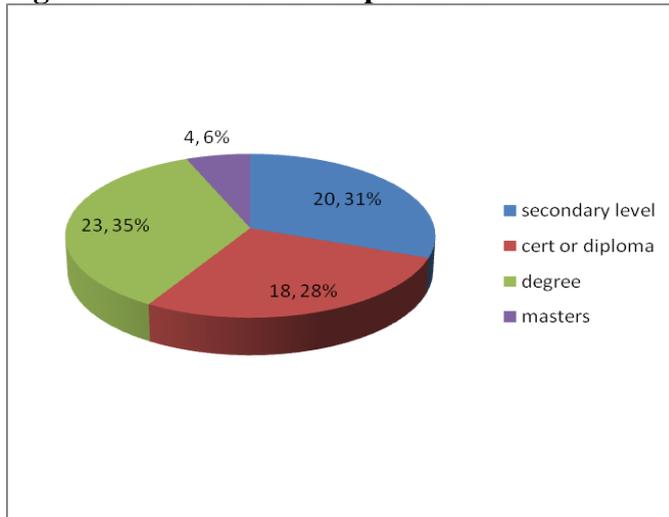
gender of respondent			
		Frequency	%
Valid	Male	51	83.1
	Female	20	16.9
	Total	71	100.0

In the gender of respondents it was revealed that 83.1% of respondents that participated in the study were male where as 16.9% were female. This implies that there are more men managing finances of the church than women.

4.3.1 Education Level

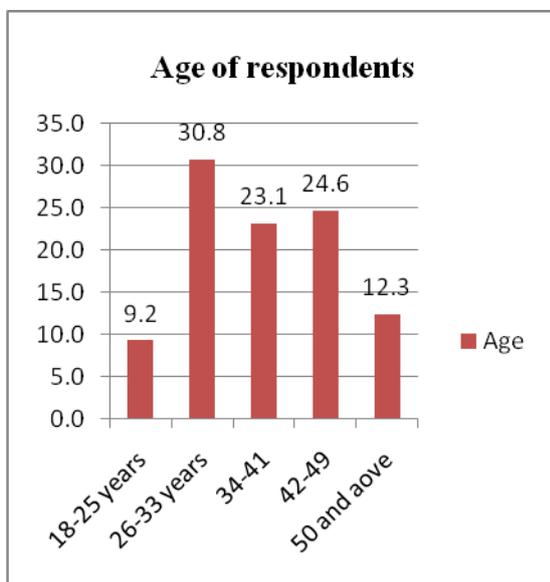
The level of education of respondents that participated in the study was also found out and the results are presented in table below.

Figure 2: Education of respondents



Regarding the education level of respondents that participated in the study, 31% had secondary level of education, 28% had certificate or diploma level of education, 35% had degree level of education and 6% had masters' degree level of education. This implies that majority that manages the church finances have more than secondary level of education.

Figure 3: Age of Respondents



4.3.2 Age of Respondents

In the figure above, it was revealed that 9.2% of respondents were aged between 18-25 years, 30.8% were aged between 26-34 years, 23.1% were aged between 34-41 years, 24.6 were

aged between 42-49 years and only 12.3% were aged above 50 years of age. Majority of respondents are aged above 26 years of age, hence the church is served by only mature people to ensure proper financial management for the church.

4.4 The role of budgeting on church investments in Masindi-Kitara Diocese

The study examined the role of budgeting on church investments in Masindi-Kitara Diocese. Respondents were involved in answering questionnaires and interviews. The variable budgeting was looked at in regard to allocations in the church and results are presented below.

4.4.1 Interview results

In interviews, it was revealed that those involved in the budgeting process see the system as a very hard to follow as one of the respondents explained that,

“.....the current budgeting system is not simple to be followed as most of us have not been able to adopt and learn how it works as we were not trained on it.....”

It should be noted that the diocese emphasizes that all churches should carry out their budgeting activities with a particular system. This system however has not been trained to all staff members that are handling the planning process of churches. Those involved in budgeting activity complain that the system is hard to follow. This makes the whole budgeting process a bit difficult and this would affect investment levels of the church in the long run.

It was also revealed that the budgeting procedures always have different weaknesses that limit the realization of the actual budget as one of the respondents explained that

“....budgeting is always influenced by top management who limit the input of other stakeholders in the budgeting process....”

This implies that management largely influences the budgeting process as they always want to dominate with their decisions and this leaves other people out of the budgeting process. Those left out could have better views on how best the church institution can be developed. Hence leaving out such individuals could affect the investment levels of the church in the long run.

There is lack of training members in budgeting; most members do not know the key aspects of budgeting as one of the respondent explained that

“....we are not trained on how to do the budgeting in our churches....”

Therefore most church leaders are not trained to make effective and transparent budgets in their respective churches. Lack of training or knowledge on key issues of budgeting renders the process to yield fewer results since the dynamics of budgeting may not well articulate in planning process.

4.4.2 Descriptive results

Mean were computed in each question from a questionnaire to show the mean responses that ranged between 1-5 where; 1-2.4= disagree, 2.5-3.4=neutral, 3.5-5=agree. Using thematic content analysis, results from interviews were analyzed according to the objectives of study. From interviews, expressions and narrative statements relevant to the objectives of the study were captured and presented in their respective themes. Interview results are presented first and then results from questionnaire (descriptive) and then correlations and regressions.

Table 3: Role of budgeting on church investments in Masindi-Kitara Diocese

	Mean	Std. Deviation	N
In your church all departmental leaders participate in budget drawing.	3.9	.431	65
The budget is communicated for every church leader to know.	2.2	.560	65
Your church executive budget and has spending plans to review the church financial performance.	2.4	.478	65
In your church all activities of the church raise resources from the church budget.	2.3	.741	65
In your church planning is according to set procedures.	4.1	.812	65
Resource allocation is apportioned in correspondence with all the needs.	2.16	.492	65
Valid N (listwise)			

In the study it was agreed that in all churches all departmental leaders participate in budget drawing (mean=3.9). This implies that most of the churches in the diocese involve many of the church members though not all of them. Involvement of department leaders means that their views are integrated in the budget plan an aspect that is significant in improving church investments. However by mean of 3.9 means that others did not agree to the statement, therefore not all are involved in the budgeting process, this pauses a danger of limiting church investments since the left out individual could have more good ideas in the budgeting process that can see the church grow in terms of investments.

In the study, it was disagreed that the budget is communicated for every church leader to know (mean=2.2). Respondents disagreed that after the budget is made, it is communicated to all church members. The budget is communicated to a few people in the church and not all stakeholders of the church especially church members, however this may limit growth of church investments in the long run.

In the study, it was disagreed that all churches have an executive budget committee which has spending plans and reviews the church financial performance (mean=2.4). It should be noted that executive committee helps reviewing all the church plans, how much is needed and how it should be solicited in order to achieve the set plans for improved investments of the church.

It was also disagreed and revealed that in all churches, not all activities raise resources from the church budget (mean=2.3). This implies that all activities in most churches are not done from the proposed budgets; there are other sources of funds that the church gets.

It was however, agreed that some churches plan according to set procedures (mean=4.1). Churches must follow the set procedures by the dioceses especially in situations where they have to achieve a certain goal. This allows most of the plans to be followed as stipulated by the diocese and this allows improvement in church investment.

It was disagreed that resource allocation is apportioned in correspondence with all the needs (mean=2.16). It was disagreed that much of the church allocations are done according to the priority needs of the church and as per the plan. This implies that all allocations in the church are not done according to the key needs of the church.

4.4.3 Testing hypothesis one: There is a positive significant relationship between budgeting and church investments in Masindi-Kitara Diocese

In testing hypothesis one correlation and regressions were used to show the nature and magnitude of effect the independent variable has on the dependent variable and below are the results.

Results from a correlation analysis between budgeting and investment are presented in the table below.

Correlation between budgeting and investment

Correlations			
		Budgeting	Investment
Budgeting	Pearson Correlation	1	.709**
	Sig. (2-tailed)		.000
	N	65	65
Investment	Pearson Correlation	.709**	1
	Sig. (2-tailed)	.000	
	N	65	65
**. Correlation is significant at the 0.01 level (2-tailed).			

From the above results, there is a positive significant relationship between budgeting and church investments in Masindi-Kitara Diocese. The correlation coefficient of .709 (**) with a significance value of .000 explain the nature of the relationship in this situation. Since the p.value is 0.000 higher than 0.01 the relationship is significant. This implies that the way in which resources of the church are allocated significantly determines the nature of investments the church is likely to have.

4.4.3. Regression analysis

A single regression analysis was run between budgeting and church investment and results are presented in the table below.

Table .6: A single regression analysis budgeting and church investments in Masindi-Kitara Diocese

Coefficients						
		R=.709		R ² = .502		
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.719	.114		6.325	.000
	budgeting	.263	.033	.709	7.976	.000
a. Dependent Variable: investment						

The results of the regression analysis in the table above indicate the coefficient of determination $R^2=0.502$ which shows that 50.2% variation in church investments is explained by changes in budgeting and planning aspects. The implication to this is that any changes in budgeting and planning would lead to 50.2% change in church investments. Also in this study, budgeting is significantly related with improved investments of the church given ($\beta =0.709$, $p<0.01$). This supports hypothesis one which stated that “there is a positive significant relationship between budgeting and church investments”. Therefore this implies that improvement in budgeting in the church activities would lead to improved or increased over all church investments. Therefore church leaders must ensure that the budgeting process in their respective churches is improved in order to have improved investments.

4.5 Examine the role of funding and church investments in Masindi-Kitara Diocese.

The study examined the role of funding on church investments in Masindi-Kitara Diocese. Respondents were involved in answering questionnaires and interviews. The variable funding was looked at in regard to collections and donations.

4.5.1 Interview results

In the study, it was revealed that the church receives fewer revenues from all its sources, in fact one of the respondents lamented that,

“.... the collections we make in this church are not enough to effectively cover our budget, we usually remain with a lot of deficit....”

This implies that total collections of some churches are very few to cover all the activities to boost the investments of the church. The level of investments in the church is largely determined by the amount of resources in place. Hence the more collections the church makes the more investments the church is likely to have in the long run.

It was also revealed that some churches do not do practice saving of the collections made in the church in fact one of the respondents explained that,

“.....there are no savings done for the church, all the corrections are put to various activities as they may be pendingand this allows no saving for the church...”

This implies that some churches do not practice any savings for themselves. Therefore collections are immediately allocated to activities that have been pending on the list of expenditure. This implies that new activities are only implemented when collections increase and this reduces the level of investments for the church since there are no savings to boost investments.

4.5.2 Descriptive Results

Mean were computed in each question from a questionnaire to show the mean responses that ranged between 1-5 where; 1-2.4= disagreed, 2.5-3.4=neutral, 3.5-5=agree. Using thematic content analysis, results from interviews were analyzed according to the objectives of study. From interviews, expressions and narrative statements relevant to the objectives of the study were captured and presented in their respective themes. Interview results are presented first and then results from questionnaire (descriptive) and then correlations and regressions.

The role of funding on church investments in Masindi-Kitara Diocese

	Mean	Std. Deviation	N
In your church collections are realized in good amounts.	4.16	.448	65
In your church only stipulated policies and procedures are followed.	2.16	.676	65
Church funds are counted by a team not one person.	2.07	.843	65
In your church before payments are made, there are checks that proper authority has been obtained for the expenditure.	4.71	.948	65
The church receives all the funds it budgets for and uses it per budget allocations.	4.49	.822	65
In your church the treasurer consistently updates church members on income and expenditure.	3.92	.910	65
There is a check that prices charged are the least for the best service/goods affordable before payment.	4.16	.636	65
The church established financial control in relation to the stewardship responsibility of leaders.	3.83	.483	65
Funds from donors and well wishers are directed to correct usage.	2.21	1.368	65
Valid N (list wise)			65

It was agreed that in raising church funds, church collections are realized in good amounts (mean=4.16). It was revealed that some churches realize a good amount of contributions that are supposed to be used in increasing and improving on church investments. Good amounts of collections imply that more investments are done in the long run.

In the study, it was disagreed that church funds are counted by a team not one person (mean=2.07). However, this does not apply in all churches some churches use a team and others use an individual to count collections (money) and ensuring that the amount is

recorded and presented to the church leaders. Transparency at this level imply that more resources are realized and hence more investments.

It was however agreed that in church before payments are made, there are checks that proper authority has been obtained for the expenditure (mean=4.17). This implies that churches have measures in place that ensures that before expenditure is done a few measures are in place to ascertain that money indeed has gone to activities as planned and this improves the level of church investments.

It was however, agreed that the church receives all the funds it budgets for and uses it per budget allocations (mean=4.49). It was revealed that sometimes the church receives funds as anticipate especially in collections and other sources, this allows the church to improve on its investments.

It was agreed also that in most churches the treasurer consistently updates church members on income and expenditure (Mean=3.92). This implies churches give their church members figures of how much was collected and how much was spent. Failure to do this lead to malpractices like embezzlement of funds, which may in the long run lead to less or poor investments for the church.

In the study, it was agreed that church established financial control in relation to the stewardship responsibility of leaders (mean=3.83). This implies that most churches have in place financial controls that streamline good leadership traits of leaders and how such leadership characters can be used in fund collections for the church funds to be managed efficiently and effectively.

4.6: Testing hypothesis Two: There is a positive significant relationship between funding and church investments in Masindi-Kitara Diocese

Results from a correlation analysis between funding and church investments are presented in the table below.

Correlation between funding and church investments in Masindi-Kitara Diocese

Correlations			
		Investment	Funding
investment	Pearson Correlation	1	.669**
	Sig. (2-tailed)		.000
	N	65	65
funding	Pearson Correlation	.669**	1
	Sig. (2-tailed)	.000	
	N	65	65
**. Correlation is significant at the 0.01 level (2-tailed).			

In the study, it was revealed that there is a positive significant relationship between funding and church investments in Masindi-Kitara Diocese. The correlation coefficient of .669 (**) with a significance value of .000 explain the nature of the relationship between the two variables. Since the p.value is 0.000 higher than 0.01 the relationship is significant. This implies that the amount received from every source of funds for the church that is church collections and donations significantly determines the total amounts collected and how much is likely to be spent for more investments of the church.

4.6.1 Regression analysis

A single regression analysis was run between funding and investment and results are presented in the table below.

Table 7: A single regression analysis funding and church investments

		R= .669		R²= .448		
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.766	.120		6.408	.000
	funding	.228	.032	.669	7.147	.000
a. Dependent Variable: investment						

From the table above, regression results were obtained with a coefficient of determination $R=0.669$ where by $R^2=0.448$ which shows that 44.8 % variation in church investments is explained by changes in funding. This implies that any changes in funding of the church would lead to 44.8% change change in church investments. Study results reveal that funding is significantly related to improved church investments in Masindi-Kitara Diocese ($\beta =0.730$, $p<0.01$). This supports hypothesis two which stated that there is “a positive significant relationship between funding and church investments”. Therefore improvement in funding to the church is positively related to improved investments of the church.

4.7 Establish the role of accountability and church investments in Masindi-Kitara Diocese

In the study, results from questionnaires were computed to obtain means that shows the average responses in each question of the Likert scale and results are presented below.

4.7.1 Interview results

In the study, it was revealed that in accountability process there are no regular checks and balances to church financial management as one of the respondents explained that,

“.... There are no regular checks and balances especially for officers on top of the church management....those on top are not critically handled as they are considered on top of others....”

This implies that the checks and balances in place do not critically analyze the acts of top management officers in regard to accountability as they are not subjected to more critical rules and regulations as per the guidelines and procedures of accountability by the diocese.

This leaves a lot of loopholes in place that may affect the level of investment for the church.

It was further revealed that accountability face a lot of other challenges that is there are no periodic audits in the church, as it revealed that offertories are announced once in awhile and less explanations on the expenditure. Also the set auditing and accounting standards are not followed very well in the accounting process. It was further found out that some church leaders tend to divert funds to other things and this leads to halting of some activities in the process and that there are no qualified staff on committees that can help to do better accountability for churches. The occurrence of these aspects, affects the level of investments for the church.

4.7.2 Descriptive Results

Mean were computed in each question from a questionnaire to show the mean responses that ranged between 1-5 where; 1-2.4= disagreed, 2.5-3.4=neutral, 3.5-5=agree. Using thematic content analysis, results from interviews were analyzed according to the objectives of study. From interviews, expressions and narrative statements relevant to the objectives of the study were captured and presented in their respective themes. Interview results are presented first and then results from questionnaire (descriptive) and then correlations and regressions.

Descriptive results on accountability

	Mean	Std. Deviation	N
There is an audit at the end of financial year.	4.45	.893	65
Actions are taken on the internal audit findings.	3.01	.931	65
There are proper documentations on financial transactions.	2.17	.707	65
In your church proper books of accounts are maintained.	2.53	.931	65
Weekly reports and monthly reports are given by the treasury team in addition to the quarterly meeting financial reports.	3.89	.772	65
Periodic reports on the status of actual performance to budget is prepared and reviewed by church executive.	2.01	.750	65
The financial performance is communicated for every Christian to know through financial statements.	1.33	.580	65
Actual performance is compared with the budget for trend analysis.	1.50	.604	65
All collections and expenditures are announced every Sunday.	1.50	.755	65
Valid N (list wise)			65

In ensuring accountability of the funds collected by churches it was agreed that there is an audit at the end of each financial year (mean=4.45). This implies that the church in the diocese carry out audit at the end of each financial period. This however may lead to the display of transparency of funds and in the long run may lead to improved level of investments for the church.

In the study, it was disagreed that there are proper documentations on financial transactions (mean=2.17) in church activities. This implies that church leaders do not have proper documentation for all the transactions they do and this may hinder them from investing wisely for improved and increased church investments.

It was also disagreed that all churches in the diocese have proper books of accounts and maintain them (mean=2.53). This implies that most churches do not ensure that accountabilities are well done as they streamline the incomes and expenditures as of and when they are done are well streamlined in these books of accounts. Proper books of accounts help the church to know which activities of the church were done and which ones were not done and this helps to streamline and improve on the investments of the church.

It was disagreed that periodic reports on the status of actual performance to budget is prepared and reviewed by church executive (mean=2.01) and the financial performance is communicated for every Christian to know through financial statements (mean=1.33). When the church executive reviews key financial statements, then they are supposed to communicate to the congregation who builds trust in their leaders to contribute the more in case they are asked to do so.

4.8 Testing hypothesis Three: accountability and church investments in Masindi Kitara Diocese

Results from a correlation analysis between accountability and investment are presented in the tables below.

Correlation between accountability and church investments

Correlations			
		investment	accountability
investment	Pearson Correlation	1	.746**
	Sig. (2-tailed)		.000
	N	65	65
accountability	Pearson Correlation	.746**	1
	Sig. (2-tailed)	.000	
	N	65	65

Correlations			
		investment	accountability
investment	Pearson Correlation	1	.746**
	Sig. (2-tailed)		.000
	N	65	65
accountability	Pearson Correlation	.746**	1
	Sig. (2-tailed)	.000	
	N	65	65

As indicated in the table above there is a positive significant relationship between accountability and church investment. The obtained correlation coefficient of .746 with a significance value of .000, explains the positive nature of relationship that exists between accountability and church investment. Since the p-value is 0.000 is smaller than 0.01 the relationship is significant. This implies that in situations where finances of the church are efficiently and effectively reported to all stakeholders then investments of the church are likely to improve.

4.8.1 Regression Analysis

A single regression analysis was run between accountability and church investments results are presented in the table below.

Table 8: A single regression analysis accountability and church investments

		R= 746		R ² =557		
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.785	.096		8.178	.000
	accountability	.230	.026	.746	8.891	.000

		R= .746		R²=.557		
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.785	.096		8.178	.000
	accountability	.230	.026	.746	8.891	.000
a. Dependent Variable: investment						

In the findings, the regression table above was obtained with a coefficient of determination $R^2=0.557$ imply that 55.7% variation in church investments is explained by changes in accountability aspects. This implies that any changes in accountability of church funds would lead to 55.7% chance change in the in church investments. In the study results confirm that accountability is significantly related to improved investment in church investments in Masindi-Kitara ($\beta =0.746$, $p<0.01$). This supports hypothesis three; which stated that there is a positive significant relationship between accountability and church investments in Masindi-Kitara. This implies that in the event that accountability of church funds are well done then investments of the church are likely to improve and more funds are likely to be given to the church as the result of trust from the sources of finances.

CHAPTER FIVE

SUMMARY, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The study investigated the relationship between financial management and church investments in Masindi-Kitara Diocese. The study specifically looked at budgeting and planning, funding and accountability and how they influence church investments in Masindi-Kitara Diocese. This chapter presents the summary, discussion, conclusions, and recommendations of the study and these are presented according to the findings in chapter four.

5.2 Summary of Findings

The study, investigated the relationship between financial management and church investments in Masindi-Kitara Diocese. The study adopted cross sectional survey design with both qualitative and quantitative approaches. The study looked how budgeting and planning, funds availability and accountability aspects influence church investments in Masindi-Kitara Diocese.

In objective one; it was determined that there was a positive significant relationship between budgeting and planning and church investment in Masindi-Kitara Diocese ($r=0.709$, $p=0.000$) with a regression R^2 of .502. This implies that improvement in budgeting in the church activities would lead to improved or increased over all church investments. Therefore church leaders must ensure that the budgeting process in their respective churches is improved in order to have improved investments

In objective two; it was found out that there was a positive significant relationship between funding and church investment in Masindi-Kitara Diocese ($r=.669$, $p=0.000$) and with a regression R^2 of .448. This implies that any changes in funding of the church would lead to 44.8% chance change in church investments. Improvement in funding of the church is positively related to improved investments of the church

In objective three; it was established that the study findings, revealed a positive significant relationship between accountability and church investment in Masindi-Kitara Diocese ($r=0.746$, $p=0.000$) and regression R^2 of .557. This implies that in the event that accountability of church funds are well done then investments of the church are likely to improve more funds are likely to be given to the church as the result of trust from the sources of finances.

5.3 Discussion of findings

The findings are discussed according to the objectives of the study and details are presented below.

5.3.1 To determine if there is a relationship between budgeting and church investments in Masindi-Kitara Diocese

There is a positive significant relationship between budgeting and church investments in Masindi-Kitara Diocese. Therefore the way in which resources of the church are allocated significantly determines the nature investments the church is likely to have. This finding is in line with Young et al (1994) emphasises that thoroughly planned and implemented budget enhances the likelihood that a not-for-profit will be financially successful. A comprehensive budget is a tool that translates abstract goals into controllable parts. It stipulates performance goals for the upcoming year. The planning and preparation process leading to a budget forces the organization to set priorities and to narrow its choices.

The regression analysis predicts 50.2% change in church investments if budgeting and planning is done well. Therefore improvement in budgeting in the church activities would lead to improved or increased over all church investments. Therefore church leaders must ensure that the budgeting process in their respective churches is improved in order to have improved investments. This finding is in line with Young et al (1994) who assert that the budget provides a measurement of financial performance in relation to the not-for-profit's expectations; it guides financial decision-making over the course of a fiscal year. There is a natural tendency to emphasize cost control because of uncertainty, and the presence of such controls can stifle creative responses to a change in demand for an organization's services.

Having a particular system for budgeting in place is very significant however such system has not been trained to all staff members that are handling the planning process of churches. Those involved in budgeting activity complain that the system is hard to follow. This makes the whole budgeting process a bit difficult and this would affect investment levels of the church in the long run. This finding relates to Audit commission (2000) who explain that good budgeting means not running into deficit but equally it means not carrying large balances of unspent money from year to year without good reason. The most visible tool you have and a great way to highlight your financial skills while demonstrating your contribution to bottom line is to use the budget.

Budgeting procedures always have different weaknesses that limit is realization of the actual budget. Management largely influences the budgeting process as they always want to dominate with their decisions and this leaves other people out of the budgeting process. Those left out could have better views on how best the church institution can be developed. Hence leaving out such individuals could affect the investment levels of the church in the long run.

Church leaders are not trained to make effective and transparent budgets in their respective churches. Lack training or knowledge on key issues of budgeting renders the process to yield fewer results since the dynamics of budgeting may not well articulated in planning process.

Most of the churches in the diocese involve a few church members and not all departmental leaders functional in the church. This pose a danger of limiting church investments since they left out individual could have more good ideas in the budgeting process that can see the church grow in terms of investments.

After the budget is made, it is communicated to all church members through the responsible church leaders in the finance department accountable to the congregation. This allows very one to know church plans for the next period of time. It is through this that members of the church are requested to contribute to the cause in various ways.

All activities in most churches are done from the proposed budgets and no resources are used outside the proposed budget. Incomes of the church are used as collected from the church members and used as they come in without any alternative sources of incomes.

Some churches go against the set procedures as set by the dioceses especially in situations where they have to achieve a certain goal. However this may come along with weaknesses especially when a few things go wrong in striving to achieve the intended objectives.

Much of the church the allocations in the church budget are done according to the priority needs of the church and as per the plan. This allows to first address all the crucial aspects of the church before addressing those that are not.

5.3.2 To find out whether funding contributes to church investments in Masindi-Kitara Diocese

There is a positive significant relationship between funding and church investments in Masindi-Kitara Diocese. This implies that the amount received from every source of funds for the church that is church collections and donations significantly determines the total amounts collected and how much is likely to be spent for more investments of the church. This finding is in line with Becket, (1999) who assert that funding in terms of cash management will provide directions and meaning to institution's financial decisions. It allows an understanding of how financial decisions made can affect other areas of finances. By viewing each financial decision as part of a whole, the short and the long term effects on the institution's life goals can be considered. This will help in adapting more easily to situational changes and feel more secure financially, knowing that financial mastery has been achieved.

Regression results predicted that 44.8 % variation in church investments is explained by changes in funding. This implies that any changes in funding of the church would lead to 44.8% change in church investments. Therefore improvement in funding of the church is positively related to improved investments of the church. This finding relates to Horngren et al (1997) who assert that cash is a vital resource for a not-for-profit organization. To maintain financial viability, the organization must have enough cash to pay its bills. Accrual basis financial statements can report an excess of revenues over expenses but this does not necessarily mean that there is cash in the bank. Cyclical and seasonal fluctuations also have an impact on an organization's cash. Cash inflows and outflows for most not-for-profits typically fluctuate throughout the year.

Churches do not practice any savings for themselves. Therefore collections are immediately allocated to activities that have been pending on the list of expenditure. This implies that new

activities are only implemented when collections increase and this reduces the level of investments for the church investments since there are no savings to boost investment.

Some churches realize a good amount of contributions that are supposed to be used in increasing and improving on church investments. Good amounts of collections imply that more investments are done in the long run.

Church money after it is collected from church service a team of more than two people is assigned the role of counting that money and ensuring that the amount is recorded and presented to the church leaders. Transparency at this level imply that more resources are realized and hence more investments.

Most churches do not have measures in place that ensures that before expenditure is done a few measures are in place to ascertain that money indeed has gone to activities as planned and this improves the level of church investments.

Consistent updates to church members on income and expenditure is very important to build trust and confidence in community members. This implies that not all churches give their church members figures of how much was collected and how much was spent. Failure to do this lead to malpractices like embezzlement of funds, which may in the long run lead to less or poor investments for the church.

5.3.3 To establish the role of accountability on church investments in Masindi-Kitara Diocese

There is a positive significant relationship between accountability and church investment. This implies that in situations where finances of the church are efficiently and efficiently reported to all stakeholders then investments of the church are likely to improve. This finding is in line with Diamond (2002) who asserts that accountability is among the tools that leaders

use to satisfy the aspects of their roles, tracking progress and evaluating results. This is the most important for an objective measure and church performance. Accountability focuses on improving performance through financial reporting and control of the organization and enables to have a greater effect on strategic formulation and execution across the church. Accountability has a positive effect in financial management as it stipulates clearly the cash flow that is Incomings and outgoings of cash, representing the operation activities of an organization.

The regression predicts that 55.7% variation in church investments is explained by changes in accountability aspects. Therefore any changes in accountability of church funds would lead to 55.7% chance change in the in church investments. In the event that accountability of church funds are well done then investments of the church are likely to improve more funds are likely to be given to the church as the result of trust from the sources of finances. This in line with Meredith, (1986) who assert that accountability is one of several functional areas of financial management, but it is central to the success of any small and large organization.

Checks and balances in place do not critically analyze the acts of top management officers in regard to accountability as they are not subjected to more critical rules and regulations as per the guidelines and procedures of accountability by the diocese. This leaves a lot of loopholes in place that may affect the level of investment for the church.

It was further revealed that accountability face a lot of other challenges that as there are no periodic audits in the church, as it revealed that audits are announced once in awhile. Also the set auditing and accounting standards are not followed very well in the accounting process. It was further found out that some church leaders tend to divert funds to other things and this leads to halting of some activities in the process and that there are no qualified staff on

committees that can help to better accountability for churches. The occurrence of these aspects, affects the level of investments for the church.

Most churches in these dioceses do not carry out audit at the end of each financial period. This however may lead to misappropriations as most funds may be left unaccounted for in the long run hence affecting the level of investments for the church.

Most situations when internal audits are carried out recommendations are made and further action suggested in order improving on the investments of the church. However in this case respondents were not sure of whether any actions are taken after audits are done. This may affect church investment levels in the long run.

Most churches ensure that accountabilities are well done as they streamline the incomes and expenditures. Proper books of accounts help the church to know which activities of the church were done and which ones were not done and this helps to streamline and improve on the investments of the church.

5.4 Conclusions

From the findings of the study, the following conclusions for each objective were reached as presented below.

5.4.1 To determine if there is a relationship between budgeting and church investments in Masindi-Kitara Diocese

In the budgeting process not all stakeholders are involved. Therefore some stakeholders are left out with their views and this may affect the investment process in the long run. This creates bias to other stakeholders on the budget made.

The budget is not effectively communicated to all stakeholders in the church. The budget is communicated to a few members in the church and this reflects a sign of lack of transparency and this may in the long run affect church investments.

5.4.2 To find out whether funding contributes to church investments in Masindi-Kitara Diocese

Financial procedures and guidelines as set by the Diocese and individual churches are not followed in all churches. This may lead to poor investment decisions that are likely to affect investment levels of the church.

Most churches do not have measures to restrict expenditure to only such activities as planned. The absence of such checks and balances imply that expenditure in churches will be done in laxity mode and this may result into misappropriation of available funds there by reducing on the level of investments for churches in the Diocese.

5.4.3 To establish the role of accountability on church investments in Masindi-Kitara Diocese

Majority churches in the diocese do not carry out periodic audits and then present them to their congregations. In the long run may affect the level of investments for the church since trust is compromised.

Majority churches do not have checks and balances in place and for those who have do not critically analyze the acts of top management officers in regard to accountability as they are not subjected to more critical rules and regulations this may affect investment

5.5 Recommendations

From the findings of the study, the following recommendations were made.

5.5.1 To determine if there is a relationship between budgeting and church investments in Masindi-Kitara Diocese

The church through the diocese authority should adopt a uniform budgeting system across all the churches in the dioceses. Then should go ahead and train all personnel that are involved in the budget process and how the system is and can be used. This will help on easing the budgeting process to capture only key priority areas of the church investments and this may improve on church investments in the long run.

The church authority even at national level need to put in place rules and regulations that ensures that in the budgeting process, all stakeholders are fully involved in the process of budgeting. This will allow a collection of all views in the budgeting process that may result into improved investments. Those left out could have better views on how best the church institution can be developed and if captured may lead to improved investment levels.

5.5.2 To find out whether funding contributes to church investments in Masindi-Kitara Diocese

The church authorities at each church premise should device more means of how to generate more income for the church through different ways. The church can start agricultural products that can act as sources of income to supplement those from Sunday collections. This will allow generation of more income as it increases on investments of the church.

The church authorities at the diocese should institute an expenditure guide that streamlines a structure where only key aspects of priority areas of investment. This will help restrict expenditure to only such activities as planned. The presence of such checks and balances

imply that expenditure in churches will be restricted to priority areas and this will improve on investment.

5.5.3 To establish the role of accountability on church investments in Masindi-Kitara Diocese

The diocese should issue new guidelines to ensure that churches carry out periodic audits. This may reduce on misappropriations of funds as regular reporting is done to the key stakeholders of the church. In the long run may improve the level of investments for the church.

There is need to put in place checks and balances especially to limit the powers exercised by top management officers in regard to accountability as they are not subjected to more critical rules and regulations. This will contribute to following of all the guidelines and procedures of accountability by the diocese and this will improve investment of the church.

Summary

According to the study findings and recommendations the research contributes to the academic world as for people should know how institutions like church must respect policies and procedures to execute their duties in the same way other organizations do. Out of the study other researcher can use the same as reference work in comparisons to future research on the church. More areas to be researched on have been discovered for further attention.

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APPENDIX A
UGANDA MANAGEMENT INSTITUTE
P.O.BOX 20131, KAMPALA.

QUESTIONNAIRE FOR CLERGY AND CHURCH LEADERS

TOPIC: Financial Management and Church investments in Masindi-Kitara Diocese

Dear respondent,

Re: Study Questionnaire.

The questionnaire seeks to gather information about financial management and church investments in Masindi-Kitara Diocese as a partial fulfilment of the researcher's requirement for the award of master's degree in institution management and leadership. Please fill this questionnaire as honestly as possible. For confidentiality, do not indicate your name anywhere on this questionnaire and kindly ensure that you complete each section of the instrument. This information will be treated with strict confidence.

Thank you for your cooperation.

SECTION: A

Date.....

Please tick where appropriate.

Name of the church: (Write in the underlined place.)

.....

1. Sex:

a). Male [] b). Female []

2. Age bracket:

a). 18-25 [] b). 26-33 [] c). 34-41 [] d). 42-49 [] e). 50 and above []

3. How long have you been participating in management of church affairs?

a). 1-5yrs [] b). 6-11yrs [] c). 12-17yrs [] d). 18-23yrs [] e). 24-29yrs []

f). 30 and above []

4. Have you attended any formal Education?

a).Yes [] b). No []

5. Please indicate your level of education.

a).Primary [] b). Secondary [] c). Cert/Diploma [] d). Degree []

e). Masters []

6. Responsibility held in church_____

SECTION .B

The questions below enquire about the existence of financial management system of the church in Masindi-Kitara Diocese in Uganda. Please choose option(s) that suits your level of agreement for each of the following questions using the scale as indicated below:

Key: Indicate your option by ticking what you mostly agree with

- Strongly agree 5
- Agree 4
- Uncertain 3
- Disagree 2
- Strongly disagree 1

Your perception on financial management

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
1. Your church receives the money as budgeted for.					
2. Budgets are prepared for all significant activities in sufficient detail to provide a meaning full tool with which to monitor subsequent					

investments.					
3. The plans and budgets for the church activities realistic based on valid assumptions and developed by knowledgeable individuals.					
4. The level of fund collections has affected the financial management of the church.					
5. Policies and procedures in place have led to improved financial management.					
6. In your church financial reports compare actual expenditures with budgeted allocation.					

Your perception on funding and investment

Collections and donations.	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
1. In your church collections are realised in good amounts.					
2. In your church only stipulated policies and procedures are followed.					
3. Church funds are counted by a team not one person.					
4. In your church before payments are made, there are checks that proper authority has been obtained for the expenditure.					
5. The church receives all the funds it budgets for and uses it per budget allocations.					
6. In your church the treasurer consistently updates church members on income and expenditure.					
7. There is a check that prices charged are the least for the best service/goods affordable before payment.					

8. The church established financial control in relation to the stewardship responsibility of leaders.					
9. Funds from donors and well wishers are directed to correct usage.					

Your perception on planning/budgeting and investment

Allocations	Strongly agree	Agree	Uncertain	Disagree	Strongly agree
1. In your church all departmental leaders participate in budget drawing.					
2. The budget is communicated for every church leader to know.					
3. Your church executive budget and has spending plans to review the church financial performance.					
4. In your church all activities of the church raise resources from the church budget.					
5. In your church planning is according to set procedures.					
6. Resource allocation is apportioned in correspondence with all the needs.					

Your perception on accountability and investment

Financial reporting	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
1. There is an audit at the end of financial year.					
2. Actions are taken on the internal audit findings.					
3. There are proper documentations on financial transactions.					
4. In your church proper books of accounts are maintained.					
5. Weekly reports and monthly reports are					

given by the treasury team in addition to the quarterly meeting financial reports.					
6. Periodic reports on the status of actual performance to budget is prepared and reviewed by church executive.					
7. The financial performance is communicated for every Christian to know through financial statements.					
8. Actual performance is compared with the budget for trend analysis.					
9. All collections and expenditures are announced every Sunday.					

Your perception on church investments

Infrastructure setup	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
1. The church building is permanent.					
2. In your church the clergy house is in good conditions.					
3. In your church other social services like schools/clinics are built.					
4. The church has got income generating projects.					

5. In your church there are cash reserves for future use.					
6. Every year some funds are set aside for investments					
7. In your church there other current assets like motor vehicles, cycles and machines acquired.					

Thank you for your invaluable time and cooperation.

APPENDIX B

INTERVIEW GUIDE QUESTIONS FOR DIOCESAN SECRETARY, TREASURER AND ARCHDEACONS

TOPIC: Financial Management and Church investment in Masindi-Kitara Diocese

Dear respondent,

The researcher is a student of (UMI) pursuing a Masters Degree in Institution Management and Leadership, conducting a study to establish the relationship between financial management and church investment in Masindi-Kitara Diocese.

You are kindly requested to answer the following questions according to your own perception of financial management applicability in the church management system.

All information provided will be treated with confidentiality; therefore there is no need for you to disclose your name unless you wish to do so. Please reserve a few minutes of your invaluable time to answer the following questions.

Funding

What is your position in this organization?

How long have you worked/held responsibility with this church?

Is expenditure done according to set standards and procedures?

In your opinion briefly talk about the financial management system in the church.

Does management convey a message of integrity and not compromise?

Is it that all funds collected from any source banked intact?

Overall are you satisfied with the cash management?

How often do you receive money from external donors?

Are funds collected enough to sustain the budget?

Planning/Budgeting

Is the planning process followed as prescribed in standard setting?

Is there a planning committee to do planning activities?

What are the challenges you find with the current budgeting system?

Are all concerned involved in the budgetary process?

Are budget activities in place and adhered to by those in positions of responsibility?

Accountability

Does accountability take place on regular basis?

Are appropriate procedures in place for accountability on church resources at parish level?

Are deficiencies reports to the concerned authority for action?

Are objectives of the church periodically measured against actual results?

What possible solutions would you suggest for improving financial management systems for better investments in the church?

Investment

Does the church constructs new church buildings?

Are the clergy residing in good permanent houses?

Do all churches in diocese have permanent houses for staff?

Is the church involved in raising/maintaining social services e.g. schools and medical centres?

Does the church acquire additional assets on what it owns?

THANK YOU FOR YOUR COOPERATION.