

THE IMPACT OF FINANCIAL PLANNING AND MANAGEMENT ON  
PERFORMANCE OF NON- GOVERNMENTAL ORGANISATIONS.

CASE STUDY: GLOBAL CHALLENGES UGANDA (G C U) .

OLINGA GEORGE AKORA

BBA/3597/22/DU

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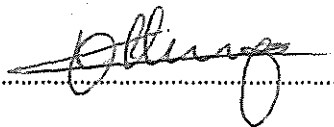
## DEDICATION

This work is dedicated to all Non-Governmental Organizations Financial Institutions in Uganda and my uncle George William Okello, my wife Clementine Olinga, Nephew Odikor Charles, my Friend Okurut Erasmus and his wife, my brothers and sisters, staff of Kampala International University and in a special way to you who is reading this piece of work.

# DECLARATION

I declare that the content of this dissertation is my original work. No other study of this has been presented to any academic or profession institution for examination purpose.

Student Names: OLINKA GEORGE MURIA

Signed: 

Date: 22/09/07

APPROVAL FOR SUBMISION

Approval for submission:.....✓/.....

Date:.....

Supervisor:.....✓/.....



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*Spammy / fat size / h's*

## ACRONYMS

IGA	Income generating Activities
PHC	Primary health care
G.C.U	Global Challenge Uganda
NGO	Non-Governmental Organizations
CBO	Community based organization
FCD	Financial Control Department
FM	Financial Management
FPMO	Financial Planning and Management in an Organization
FDM	Financial Decision making
IT	Internal Control
OMT	Organizations Management Team
SO	Senior Offices

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## ABSTRACT

This study examined the impact of financial planning and management on the performance of Global Challenges Uganda (G.C.U) a non-governmental organization. Financial Planning and Management is vital for the efficient and effective management of the organization in order to achieve its goals of delivering quality financial management.

The data were collected from Administration Financial Team, Accounts staff, Heads of departments and Board members. The types of data collected includes primary and secondary. The technique for interpretation of the results is qualitative and the criteria for interpretation of the results are presented in form of frequency distribution.

On the basis of empirical data collected on the outcome of financial planning and management and analyzed qualitatively and quantitatively, the findings show that (G.C.U) mobilizes its finance as collected from members from fees, income generating activities (IGA), Internal and External Donations.

The budget committee budgets for these finances. Keeping accounting records, segregation of duties, verification of payments, and auditing, controls finance. The accountant prepares comprehensive financial report and does accountability. Preparation of comprehensive activity report is an indication of the achievements of the organization all these are positive impacts of the financial planning and management on non-governmental organizations found in Global challenges Uganda- Kampala.

The study therefore concluded GCU as having the above policies in place, it faces problems of inadequate funds due to low finances and delay in donations and Grants, over dependency on external donations, and poor income generating activities, while losing some employees seeking pastures elsewhere and recommends.

1. Diversifying sources of income by strengthening (IGA) through fund-raising and raising the subscription fees higher than present.
2. Encouraging developing staff recruited to serve longer time so as to improve efficiency.
3. Planning, budgeting and managing services in a cost effective and sustainable way, and training staff on financial management principles and implementation.

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## CHAPTER ONE

### GENERAL INTRODUCTION

#### 1.0 Introduction.

Planning for both financial resources helps to identify the sources of funds needed to finance planned activities.

Non-Government organization has a positive view of assisting in the area of bringing development and upholds the status and the standard of the communities they serve. It is encouraging to look for a wider perspective of soliciting for funds in different ways in all organizations. This will enable the government fund them from public funds through the districts. To qualify for funds, the organizations require to present a financial plan and control measures in line with the local government act of 1997, and local government financial accounting regulations 1998.

GCU being the leading negotiator in the partnership has emphasized to each unit under its supervision to have management teams whose basic responsibility is to plan, control, and measure performance and make profit oriented decisions. The importance of financing in every aspect and operations of the organization has raised the need of financial planning as part of the management tool concerning planning, controlling and implementation of the funds financial resources intended to contribute highly to maximization of values. It begins with creation of plan which identifies the timing, the amount of funding, monitoring the flow of funds and adjusting the organizations financial strategy. Good planning and skilful management of finances are therefore way forward to growth, a

clear path performance measures, and continuous survival of the organization. Therefore, this paper is meant to examine the impact of financial planning and management in non-government organization using Global Challenges Uganda (G.C.U).

## **2.0 Background of the Case study.**

Global Challenges Uganda as a non governmental organization with social and development aims belonging to the community members of Mbuya Kinawatakata in Nakawa division. The NGO started as a small a Community Based Organization (CBO) with dedicated members who realized that there was a need to join hands and initiate a forum for advocating for development in Mbuya Kinawatakata. This organization was started in 2000 and was officially registered as a community based organization in 2004.

With conviction and determination to fight poverty and foster development in the slum area of Kinawatakata which had lagged behind as far as development is concerned.

Global challenges Uganda GCU runs primarily with donor funding amounting to 70%, government subsidies 20% of the budget with a meager 5% collection from the subscription fee/ membership and income from other local sources amounting to 5%. The organization is run by 30 staff members consisting of Executive director, departmental heads, accounts officers and field officers. The organization is providing community based activities to the marginalized groups, women, children and the old who are vulnerable due to the historical background being a place that has low income earners.



### 3.0 Location and catchment's area of Global Challenge Uganda GCU

Global Challenges Uganda is located in Mbuya 1 parish Kinawataka, Nakawa division Kampala district and its 6 Km from the city center. Being in slum area, it is boarded by Mutungo, Bugolobi, Kireka, Banda, Kyambogo, Ntinda, Naguru and Nakawa quarters with over an estimated population of 240,000 people in Nakawa Division Kampala District.

### 4.0 Statement of the problem.

Proper acquisition and utilization of finance by management of any organization usually leads to achievements of its goal. Many factors are responsible for this and they bring about efficiency and effectiveness.

Global Challenges Uganda (GCU) is a community based which has tried fairly well to render services to the community based services to support the needy. Despite the foregoing reality many non government organizations face financial planning and managing challenges in this case, there is doubt arising whether Global Challenges Uganda receives promptly funds from the government grants, subscription/membership fee and income generating activities collections have moderately increased.

I have chosen this organization as a case study and represent other non-Profit organizations (NPO) which perform the same task like this one. The study is meant to distinguish the challenges against financial planning and management, and how best they can be over come.

## 5.0 Broad Objectives

To assess the impact of financial planning and management of non-government organization.

## 6.0 The specific objectives

- To find out how non-governmental organizations plan, budget and control their funds.
- To find out if financial planning and management contributed to improvement in performance, growth and development in Global Challenges Uganda.
- To determine revenue resources in the organization
- To investigate how the available financial resources are put into use in Global Challenges Uganda.
- To determine the problems faced in the implementation of financial planning and management in Global Challenges Uganda.
- To suggest possible solutions to the problems identified.

## 7.0 Research questions.

1. How do non-governmental organization plan, budget and control finances?
2. How has financial planning and management contributed to the improvement in performance, growth and development of Global Challenges Uganda (GUC)
3. What are the financial sources of the organization?
4. How are the available financial resources utilized in the organization?
5. What are the constraints faced in the implementation of financial planning and management procedures?
6. What can be possible solutions for the problems identified?

## **7.0 Hypothesis of the Study.**

Proper financial planning and management contribute towards efficiency in performance and effectiveness in quality service of the organization.

## **8.0 Significance of the study**

This study aims at creating awareness and making non-governmental organizations realize the importance of financial planning and management and its effect on performance.

It is my hope that the outcome of the research will contribute towards discovery of proper way of improving financial planning and management in Global challenges Uganda. The expectation from this study is its inspiration on other researchers to delve deeper into the study so that policy makers, financial planners and managers improve on their service deliveries.

The study will therefore highlight the major constraints faced by the non-governmental organizations especially late release of funds, too much dependency on external donors and inability to pay more attention to income generating activities which could make them fully independent in regards to getting funds.

Finally, I will produce a report as a partial fulfillment of the requirements for award of an undergraduate Degree in Business Administration and Management of Kampala International University (K.I.U) and this report will also be useful to the University itself as reference especially for those who shall find interest in financial management and planning in time to come.



## **9.0 The scope of the study.**

This research work is meant to prioritize the current needs of the non-governmental organizations, clarify their goals and set strategies scheduled for their financial successfulness. The case study emphasizes how the organization plans, acquires, uses, controls and finally reports usages of its finances. The tangible benefits of a financial plan tailor the needs arising from a great deal of attention put on the way Global Challenges Uganda plans, acquires, utilizes and accounts for its finances in order to attain its mission and goals.

## **10.0 Limitations of the study**

Some respondents showed fear in answering the questionnaires and did not return the expected outcome. Their lack of openness to share freely about the mobilization and management of the financial resources limited the necessary information I expected from them.

This research being about financial issues-normally are taken for granted as a very sensitive matter, was not taken with ease by some respondents. This also limited access to the most needed information.

## 11.0 Conclusion

Good, reliable and efficient financial planning and management is a desire for many business and organizations which lead to the achievement of their objectives and goals.

### Organization of the chapters.

This study is organized into five chapters. Chapter one presents the general overview of the research topic, its background, problem statement and the objectives of the study, research questions, hypothesis, significance and organization of the chapters. Chapter two solely reviews related literatures which systematically identify and analyze documents containing information related to the study on the effect of financial planning and management on the performance of non governmental organizations. It points out how the problem of the study is related to previous research findings. Chapter three presents the methodology / research tools for the study, while chapter four is the analysis of the field findings and discussions with suggested solutions to the research questions and objectives and chapter five gives the conclusion and recommendations on provision for further study on the same topics in other sectors other than not for profit sectors only.

## CHAPTER TWO

### THEORETICAL FRAMEWORK / LITERATURE REVIEW

#### 12.0 Financial planning and management in an organization

##### Introduction

This chapter brings together views from various authors about the topic of the study. The findings in the literature are analyzed according to the objectives of the study and are taken to study enhance the research findings, conclusion and recommendation.

##### 12.1 financial planning

Many authors have contributed their understanding on financial planning as Richard A Brealey and S.C Myers, (1996, p.795) put it in principle of corporate finance, 5<sup>th</sup> ed. , New York: McGraw-Hill,

A process of analyzing the financing and investment choices, opening of the firm and projecting the future consequences of present decisions, deciding which alternatives to undertake, to determine which decisions are embodied in the financial plan and which goals are set in a financial plan.

In any organization management is involved in various activities which cannot be implemented without financial resources. For instance, securing a new asset, employing more staff, reconstructing and rehabilitating devastated places and the like. Their decisions for such plans and implementations

require finances and resources related to them. Financial planning is concerned with assessing one's business financial status, determining its objectives and formulating the financial strategies of how to achieve them.

Usually, firm will establish goals for itself, helping it achieve these goals are one of the main responsibilities of the chief financier and his planning staff as stated by James C. Van Horne, (1998, p. 727). Financial Management and Policy, 11<sup>th</sup> Ed. Canada: prentice-Hall.

This is done by planning for the financial needed to accomplish given objective and ensuring that they will be available when operation is implemented.

Financial planning involves estimating income and expenses, estimating initial investments, determining the financial implication / requirements, determining the financial plan, making forecasts on the sources both internal and external to support the financial plan, establishing and maintaining a system of control for allocating and the use of adjusting the basic plan if conditions change from forecast as narrated by both Eugene F. Brigham and Louis C. Gapenski, (1985, p. 918), in Financial Management, Theory and Practice, 7<sup>th</sup> Ed., the Dryden press publishers.

For organization to successfully achieve its objectives planning is of paramount important and is a continuous process where plans are reviewed regularly and performance measured against specific devised targets. It leads to survival of any organization since it acts as key to management decision making and measuring performance. The timeliness of financial



information ensures non-governmental organization to react promptly to new developments and measure project outcome basis. Financial planning involves estimating income and expenses, estimating initial investments, determining the financial implications and requirements of the financial plan and making forecasts.

[Http: / / www. Finweb. Com / financial-planning](http://www.Finweb.Com/financial-planning) (view 31 Jan.2007)

## **12.2 Types of Financial Planning.**

According to Richard A Brealey and S.C Myers there are two types of financial planning. James C.Van Horn, (1998, pg.727) financial management and policy, 11<sup>th</sup> Ed. Canada: prentice-Hall,

### **(a) Short Term Financial Planning**

This is a one year plan in which the financial plan is made to suit the cash needs for a period of twelve months. Uses of funds available lie only within this period of one year. For instance, in the case of Global challenges Uganda it uses funds from the governments termed grants, donations from external donors, cash collected from well-wishers, subscription and some other collections. This involves cash budgets or forecasts depending on the activities for the organization scheduled for that period of one year.

### **(b) Long term financial planning.**

This type of planning ranges from a period of three to five or ten years and above. As this takes longer period, it involves development or capital budgeting.



### 12.3 Advantages of financial planning

Financial planning is a necessary and a priority in both non and established governmental organization for reasons such as listed below:

1. It helps formulate methods by which goals are to be achieved. Thus it acts as a motivating factor and benchmark for measuring performance.
2. It makes clear the link between investments or expenditure proposal of the different operating activities and choices of the available finances.
3. It helps the organization to clarify its position on the investment plan and how it will have the various activities in mind financed. Determination of either success or failures can easily be distinguished with a good plan.
4. With financial planning identification of strength, weaknesses, opportunities and threats becomes easy. Hence, evaluation of performance is facilitated.

### 12.4 Disadvantages of financial planning

Andrew Green observed that:

For some health professionals, planning is often viewed with suspicion, with its practitioners being at best an inconvenience and at worst an unnecessary evil...

An introduction to health planning in developing countries, 2<sup>nd</sup> ed., New York University Press, Inc. (2002, p.12)

## 12.5 Financial management

Collin's Dictionary of Business defines Financial Management as 'The process of obtaining funds to finance a firm and advising on the use of these funds which involves analyzing the flow of funds through the firm'. Collin's Dictionary of Business, Christopher pass..et al, Herper Collins's Publishers, London, 1995.

Financial management is intended to put to use the budget plan to streamline operations by utilizing budgetary indicators to foster changes and improved performance. That is, the budget measures current financial performance and guides operation, it discovers the significant transaction error and detects substantial changes in circumstances.

Many strategic tools to create value within organizations settings financial management. It encompasses the making of forecasts on expected revenues needed to run the organization and planning for proper utilization of the available resources, including the management of assets. Efficient management therefore of a prerequisite to attainment of organizational goals which can be revealed where there is proper management of financial resources.

Effective financial management is therefore a critical activity that helps an organization assess the cost of achieving its objectives, accountability obligations. It aims at ensuring that adequate funds are always available to finance the projected levels of activities.

However, organizational operations can be challenging as they are unpredictable. The major elements that influence the struggles towards eventual success is proper financial planning and management with adjustment should it be deemed right to do so.

#### **12.6 Budgeting.**

In view of foregoing paragraph, budgeting is the process of preparing and using budgets to achieve management objectives. It is defined as a quantitative plan of action expressed in monetary terms and is used to control resources. Chartered institute of management Accountants, London, defines budget as:

"a plan quantified in monetary terms, prepared and approved prior to a defined period of time, usually showing planned income to be generated and / or expenditure to be incurred during that period".

This implies that a budget is a plan of management's intentions of attaining specific objectives. It shows the projections or future estimates of output, costs and revenues. Actual performance is compared against a standard. It serves as a means of co-ordination and control, providing clarity, direction and purpose. To provide a greater focus on performance, the administration plans to integrate performance review with budget decisions. This integration is to produce performance-based budgets starting with the assigned period budget submission, financial and management information for effective management and internal control to maintain the integrity of the operations.

Studies by Broadbent and Cullen (1999 p.122), Horngren et al. (1998 p.11) and Wood and songster (1999, p.39) point out that a budget is a quantitative expression of plan of action and an aid to coordinating and implementing activities of the organization. This shows that a budget is 'a statement for a defined period of time, which may include planned revenues, expenses, assets, liabilities and cash flows'. Budgets, therefore are drawn up for control purposes. It attempts to control the direction which the firm or organization is taking.

Budgeting go hand in hand with all the functions of management which are planning, organizing, coordinating, control, motivating, communication and evaluating performance of managers. Putting all these as means leading to an end, managers consider objectives and how to achieve them. Budgets therefore are action plans which ensure that parts are working together, yardsticks against which the performance of the organization can be compared. With this at hand corrective measures can easily be taken should there be diversion from planned objectives.

#### **12.7 Financing decision- Making**

Financial decision making is the second important function to be performed by the financial manager. The manager, as I.M Pamdey (1994) rightly puts it "must decide when, where, and how the funds to meet the firms' investment needs are executed".

I.M pamdey (1979) quoting Ezra Solomon observed that the function of financial funds to new or ongoing uses.



The challenge of financial managers or organizations is to understand and prioritize its financial requirements and to apply some of the emerging budget approaches to improve approaches so as to achieve its goals / objectives.

### **12.8 Financial control**

Financial control according to Joe and Joel, (1997) constitutes policies, procedures and systems designed and put in place to collect, classify and report periodically information on daily activities. Financial control addresses questions such as:

- Are assets being used efficiently?
- Are the business' assets secure?
- Does management act in the best interest of the shareholders and accordance to the business rules?

### **12.9 Internal control**

The International Standards of Auditing (ISA), 1999 defines internal control as comprising of an internal environment and control procedures.

Simiyu (1997) defines internal control as:

"The whole system of control financial and otherwise, established by the management in order to carry on business of the entity in an orderly and efficient manner, ensures as far as possible the completeness of records". While (SAP6) defines the system of internal control as the plan of an organization and methods and procedures adopted by the management of the entity to assist in achieving management objectives of ensuring as far as practicable the orderly and efficient conduct of its

business, including adherence to management policies, the safeguarding of assets, prevention and detection of fraud and errors, the timely preparation of reliable financial information.

These authors show that internal control promotes efficiency and protects the organization's assets from loss, theft and wastage. To have a strong internal control system, accurate record should be maintained. The records give management reliable information to use in monitoring the performance of the organization.

Organizations should ensure that management policies and directives are adhered to, protection against losses of materials such as drugs, unwarranted extension of credit and outright thefts are discouraged. Internal book checking and auditing encourage arrival at appropriate level of control. With this in mind, misdirection of revenue and improper authorization is completely discouraged.

In order to accomplish set goals, Administration is to establish a management improvement team, (MIT) whose main task focuses on identifying, tracking, cataloging, and resolving audit issues and management items. With this, the Administration will significantly improve the (NGOS) financial management capacities.

Initially, (MIT) will be expected to identify high quality outcome measure, accurately monitor the performance of programs, and begin integration, this presentation with associated costs. Using this information, high performing programs will be reinforced and non-performing activities reformed or terminated.

Consequently, lack of consistent information and reporting framework for performance, budgeting and accounting obscures necessary transparency. Therefore, effective planning, better management,

Particularly through transparency in the allocation of resources must be encouraged, and proposed financial arrangements address stated objectives and actions through monitoring, evaluation and accountability. This implies that to improve management practices over time, the management plan should be reviewed on regular basis regarding the success of the chosen management objectives set.

The performance of an established management system is measured by indicators that facilitate the qualification and quantification of management success over time. Indicators are to be selected in a way that they cover the whole performance range including all the governing aspects of performance in relation to finance available.

#### **12.10 Revenue**

Is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an enterprise when those relating to contributions from equity participants.

Revenue is the price of goods sold and services rendered during a given accounting period. Earning revenue causes owner's equity to increase. When a business render services or sells merchandise to its customers, it usually receives cash or

acquires account receivable from the customers. Meig Bettler, (1999 p 95)

These inflows of cash are controlled by the organization by use of the budgets, receipt books, cash books, proper recording and providing safe custody by banking. Accounts receivables should be followed up and all outstanding debts paid within the stipulated period of time.

#### **12.11 Expenses**

Expenses are the costs of doing business, that is, costs of various activities necessary to carry out any business activities.

Expenses are costs of the goods and services used up in the process of earning revenue. For instance, costs of employees' salaries and wages, advertising, transports, rent utilities, depreciation, drugs, automobiles and office equipment. All these are costs necessary to attract and secure customers and thereby earn revenue. Meigs, Bettler (1999 p 96)

Every organization profit or otherwise incurs expenses, which, if not properly controlled and monitored may lead to the collapse of the business. Management should therefore use the necessary tools to check by use of payment vouchers, proper authorization of payments, having bank accounts with the responsible signatories and using the auditors to check the organizations' books of accounts. These, in the course of the research were found to be taking place in Global Challenges Uganda.



## 12.12 Financial Statements

Accounting information is usually presented in financial statements.. The information contained in them are of great assistance in planning, in controlling the business and in decision making.

According to international accounting standards 1, paragraph 5, financial statement is a structural financial representation of the financial position of the transaction undertaken by an enterprise.

(International accounting standards boards, 2002).

The most common of the financial statements produced are the balance sheets, income statements, cash flow statements and a statement showing changes in equity or changes in equity other than those arising from capital transactions with owners and distributions to owners.

## 12.13 Balance Sheet

A balance sheet is a financial report showing the assets, liabilities and owner's equity of an enterprise on a specific date. It is a statement that shows the financial statement position of an enterprise. Basically a balance sheet is designed to disclose the financial interest of the owner (s) in the business and its liabilities to outside parties-and how those amounts are represented by its various assets. To be able to do this, the balance sheet must include the net profit (or loss) as disclosed by the profit and loss account, that may be shown as a separate item, as is usual with a limited company, or as an addition to ( or as a deduction from in the case of a loss) the owners/partners' capital.

Joseph Ben Omonuk from his book Fundamental Accounting for Business, (1999, p 23-24) gives us explanations as follows;

#### **12.14 Fixed Assets**

Fixed assets are long-term assets that can be used or benefit the organizations for many financial years. Their useful lives extend beyond one financial year. Examples of fixed assets include land, buildings, motor vehicles and other automobiles, furniture and fittings and so on.

#### **12.15 Current Assets**

These are short-term assets which have a useful life of only one financial year. At the end of the accounting/financial year current assets are expected to be exhausted or used up.

#### **12.16 Current Liabilities**

Being obligations that are to be discharged or rapid, current liabilities are expected to mature within the year of incurring. They have no grace periods because they require settlement within the financial year. Example include; trade creditors/accounts payable, bank overdrafts, accrued expenses, income received in advance, one year short bank loans and other creditors falling due within one financial year.

#### **12.17 Long-term Liabilities**

These are obligations that require settlement anytime after one financial year. They can be repaid after two, five, ten, twenty or even more years. They bear interest which depends on the

period and the amount involved or other terms. Examples include bonds, debentures long term bank loans and so on.

#### **12.18 Owners Equity**

These are owners' funds or resources invested by the owners in the organizations. They are claims of the owners of the business.

#### **12.19 Income Statement**

Income statement is the statement which represents the changes in financial position of the firm due to operations. It indicates the profitability of the business over the preceding years. Basically income statement contains sales, costs of goods sold, gross profits on sales, operating expenses, net operating income or profit, other income, other expenses and net income or profit.

However, in the case of non profit organizations, clubs, the financial statements they prepare are instead called receipts and payment accounts or income and expenditure accounts. This is because their objectives are not for profit. Wood and Songster (1999, p. 352).

#### **12.20 A Statement of Cash Flow**

It summarizes cash receipts and cash payments of the business over a specified period of time. Every organization should have proper maintenance of financial statements in order to assist the uses in evaluating the financial position in making profit or losses, and to enable it to know its future prospects.

## 12.21 Conclusion of the chapter

As seen in the entire chapter, the existence of any organization public or private is fully dependent on revenue. Financial planning and management is necessary on performance targets, which, when done, determines either the success or failure of an organization and the specific reasons why it were so.

The literatures discussed point a number of issues that relate to the impact of financial planning and management on performance of NGO. Success of management of financial resources as indicated by the authors show that proper management of finance or mismanagement of finance are root causes of either good or poor performance of both private/public organization. Thus, the findings gave empirical factors regarding financial planning and management and the role it plays on performance.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 13.1 Introduction

This chapter represents the research methods and instruments used. It deals with the preparation of the research design sampling size, selection and the procedures taken to select the respondents to serve the purpose of the study.

#### 13.1 Research Design

The study adopts a case study designed on assessment of the financial planning and management and its impact on performance of Global Challenges Uganda. The research is both descriptive and qualitative in nature. The information was gathered from Global challenges Uganda management, Head of Departments, accounts staff and administrators.

#### 13.2 Type of Empirical Data

##### (a) Primary Data Collection

This study carried out an assessment of the impact of financial planning and management based on performance of not-for-profit organizations. As was seen convenient by the organizations authority, the respondents were chosen according to the responsibility held in the different departments within the organizations.



## **(b) Secondary Data Collection**

Originally documented information about the organization was availed to me. They include the organizations annual reports, financial reports, and other necessary records deemed appropriate for the research. I obtained the secondary data from available documents in the libraries whereof books, commentaries, internet, newspapers and magazines extensively served the purpose of the study. It embodies both descriptive and qualitative natures of presentation.

### **13.3 The Study Area**

The study was carried out in the central part of Uganda global challenges Uganda (G.C.U), where there is great need for rehabilitation of HIV/Aids patients the needy orphans to curb the highest incidence of poverty due to low level of income generation over the past years. Nakawa Division has a population of 240,000 people.

This area used to be the neglected areas during the early 1980s simply because the soldiers from the near barrack of Mbuya used to terrorize people who settled in this area and most of the people were discouraged from settling in the area due to such threats.

Among the problems facing the people living in Nakawa Division malnutrition, malaria, diarrhea and HIV/AIDS are the most common. Map of Nakawa Division showing the location of Nakawa Division.

### 13.4 Sampling of the Population Studies

The study covered various groups of staff for the purpose of gathering the needed information and sampling process involved selecting categories of definite types of information. For instance, the administrators, accountants, senior officers, cashiers, junior staff, service providers and some beneficiaries planning and management and its effects on the performance of not-for-profit sectors in global challenges Uganda.

### 13.5 Sample size and selection

The sample for the targeted population was selected using a selection of the in-charge of all major departments of the organization as directed by the management. This was so because at least each department was to be represented.

Figure 1 table 1 shows the sample size of the respondents

Status	Questionnaire	Frequencies	Percentages
Board Members	5	5	100
Senior Adm.	5	5	100
Accountants	4	4	100
Other staff	11	3	75
Beneficiaries	5	5	100
Total	30	22	88.6

Source: Field study September 2007

25 questionnaires were distributed out while 22 were returned. Findings were based on the 22 responses received, but for management issues, 25 responses were considered.

## **Sampling method**

A purposive and convenient sampling method was used for collecting the information since the chosen population was made according to the experience each had in the position held in the area of appointments (senior administrators, junior staff) and ability of the respondents with relevance to the topic in question.

## **13.6 Data Collection Tools**

The research was carried out using the following tools.

### **1. Questionnaires**

Questionnaires were distributed to respondents able to read and write. They included: The Administrator, senior officers Accountants, Junior officers and heads of Departments like Accounts, education programme and community field officers and mobilisers.

### **2. Interviews**

Interviews were conducted with staff in non-managerial position. They included accounts Assistants working in the Accounts Community Mobilization and the beneficiaries. The interviews were quick to carry out and most of the respondents were opened enough to share with me the reality of the operation of the organization at present. They were very good tools for catching information from them.



### **3. Participation Observation**

Observation of the activities taking place in the organization especially in the Administrative Department where the accountants with enough knowledge about accounting were carrying out their duties was done. Here cash receipts and payments, making requisition, and receiving approvals are carried out. Documents such as requisition notes, receipts, payment vouchers, delivery notes, invoices and note books are collected. Data concerning assignment of duties and release of vehicles are also available. This method enabled me to get more information on what is on the ground.

#### **13.7 Data Processing and Analysis**

The study employed largely qualitative approach in analyzing the data. Through qualitative analysis the data result was presented in a descriptive form representing views of the participants in rich and holistic details about their performances which are basically dependent on the effect of Financial Planning and Management.

The trend of budget summary over the financial year 2004/2005 for organization income and expenditure are presented in table form, bar graphs and charts respectively. The different graphs, charts and tables are precise enough for the research identification and making relationships between for implementations and developments.

## 1. Ethical Consideration

I had an official letter from the University for the Research in the chosen area; (see Appendix VII) I also sought permission to interact with the respondents from Global Challenges Uganda. Before carrying out the research the participants were assured of confidentiality of the information to be obtained from them as for academic purpose only.

## CHAPTER FOUR

### Analysis of the Empirical Data

#### Introduction.

This chapter analyzes, interprets and presents the research findings according to the objectives and research questions. The data collected is presented largely qualitatively discussing on the following objectives listed below.

- To investigate whether financial and management is done in the organization.
- To investigate whether financial planning and management contribute to improvement in performance, growth and development of Global Challenges Uganda.
- To determine revenue sources in the organization.
- To investigate how the available financial resources are put into use in Global Challenges Uganda.
- To find the problems faced in the implementation of financial planning and management in organization.

#### 14.0 Budgeting

Global Challenges makes an operating budget annually in June for starting the government fiscal year in July.

##### 1. The budgeting Committee

The budgeting committee provides advice and technical assistance in preparation of annual budgets. Deciding how to efficiently distribute limited financial resources is an important challenge in all organizations. In most large and complex organizations

this task would be nearly impossible without budget analysts. These workers play the primary role in the development analysis, and execution of the budgets, which are used to allocate resources and estimate future financial requirements.

## **2. Findings**

The budgeting committee is made up of Management Team of the Organization (MTO), Administrator, senior Accountant (SA) and the Head of Technical Department. The overall body to approve the budget is the Board of Directors.

## **3. Analysis**

Having a well organized budget commitments on the Board of Directors show the importance of financial planning to an organization. A general consultation of the heads of departments, administrators Senior Officers (counselors for HIV/AIDS patients) show the improvements in performance as a result of planning and budgeting. In order for any organization to benefit from financial planning, there is need for any organization to benefit from financial planning, there is need for the process itself to be orderly. In view of the findings, it can be established that Global Challenges Uganda has a well-designed procedures for budgeting and well planned budget system. I found that the Organization management plans carefully and formalizes its plans, both short and long term plans through budgeting process. Thus, the board of Directors (BOD) and Organization Management Team (OMT) identify the following benefits:

- Budget acts as a motivational tool: it was indicated that budgeting presents an opportunity to apply positive and

negative motivational stimulus to performance of the organization. It plays an indirect role of creating and adding value to performance and raises cost consciousness.

- Budgeting is a control Device: it was indicated that the budgeting provides an important part of the control mechanism needed to monitor the process of the hospital towards achieving its overall objectives. In addition, it acts directly and indirectly as an aid in controlling the operations of the organization.
- The budget also helps in coordinating and planning for various activities in the organization.

#### 4. Evaluation

The budget team reviews the past years budget in order to guide them to make forecast for the next budget. In this case, the budget committee reviews the budgets basing on a number of principles such as:

- Whether the budget is in line with the organization's mission statement and future path it wants to take.
- Reality of the budget. Here the committee examines the forecast made what budgeting technique was used to find out and whether they are justifiable.
- The resources. Here the committee is concerned with whether the resources are available to meet the budget requirements, and if not, whether they can be obtained at a reasonable price.

The organization reviews the preview and measures it with actual results to determine whether there had been achievements or not. This reduces elements of uncertainty and enables management to be updated in its budgetary control. Hence, the financial plan's



accuracy and successful attained is determined, while any adjustment can be given consideration so as to assess validity of the budget.

Evaluation is a very important part of the financial planning process as it helps to assess the accuracy and the validity of the budgets to ensure that the organization does not incur unnecessary costs which might be set back in its pursuit for success. With reference to the might be set back in its pursuit for success. With reference to the findings, it is observed that there is extensive evaluation of the budget before it is approved. This is very essential because many times managers are tempted to build in some element of spare resources in their budgets.

#### **14.1 Importance of budgeting**

Budgeting though seen as costly has benefits to the management of an organization. These benefits do follow different functions of management which includes:

1. Planning: Budgeting helps to organize the organization in terms of resources and operations. This guides an organization to have its organizational structure clearly defined to have an effective budget preparation, control and evaluation. For each department or cost center will be clearly identified according to its functions.
2. Coordinating: This helps the organization operate as one business with the same overall goal and mission of the firm.
3. Controlling: In an organization management ensures that performance does not divert from the laid down standards. In this case budget or indirectly controls various

operation. A good budgeting must therefore establish some help for controlling.

4. Motivation: The budget plays an indirect role of creating and adding values to an organization performance, when the control function has effectively been applied and the results obtained.
5. Effective communication is the process through which information is transmitted from one person to another. Its basic purpose is to bring mutual understanding. It thus requires effective communication of the organization's objectives, budget goals and the means of implementing budget through the organization. This gives a unified effort to accomplish the required role.

The findings are organized contributed to the question listed below:

1. How has financial planning and management contributed to the improvement in performance, growth and development of Global Challenges Uganda.
2. What are the financial sources of the organization?
3. How are available Financial Resources utilized?
4. What are the constraints faced in the implementation of financial planning and management procedures?
5. What can be possible solutions for the problems identified?

## Financial Planning Tools used in the Organization

Figure 2

Table II Shows Financial planning tools in use

RESPONSE	FREQUENCY	PERCENTAGE
BUDGETS	25	100
FINANCIAL RATIOS	-	0
FUND FLOWS	-	0
CASH FLOWS	25	100
FORECATS	25	100
COMMON SIZE	-	0
INDEX ANALYSIS	-	0

**Source:** Primary Data- Sept 2007

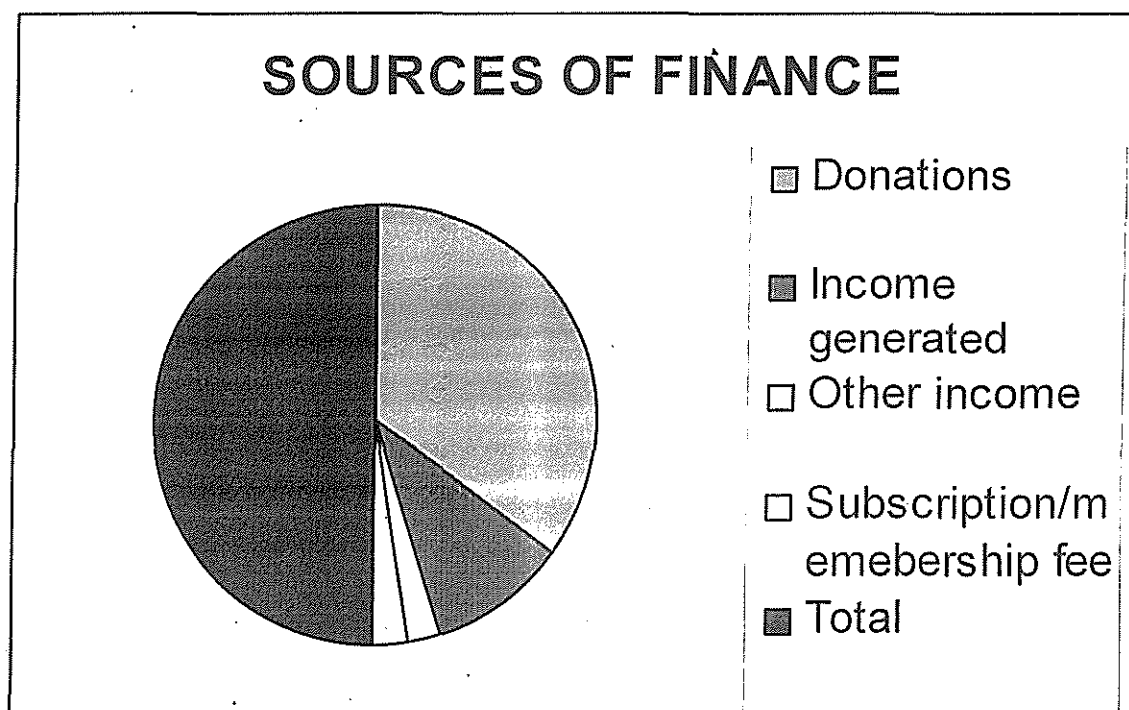
The above findings indicate that the tools mainly used for financial planning in Global Challenges Uganda are Budgets, forecasts and cash flows.

### Sources of Funds.

The organization has its sources of funds as listed below:

- Subscription fees - which account for about 5% of total recurrent revenue.
- Other local income generating activities accounting to about 5%
- The government primary Health Care grants accounts 20% and
- External Donations amounting to over 70%

Figure 3. Pie Chart showing sources of Funds FY 2004-2005



Income	Amounts	Percentage	Rank
Donations	105,000,000	70%	1
Income generated	30,000,000	20%	2
Subscription/membership fee	7,500,000	5%	3
Other income	7,500,000	5%	4
Total	150,000,000	100%	

## 2. Analysis

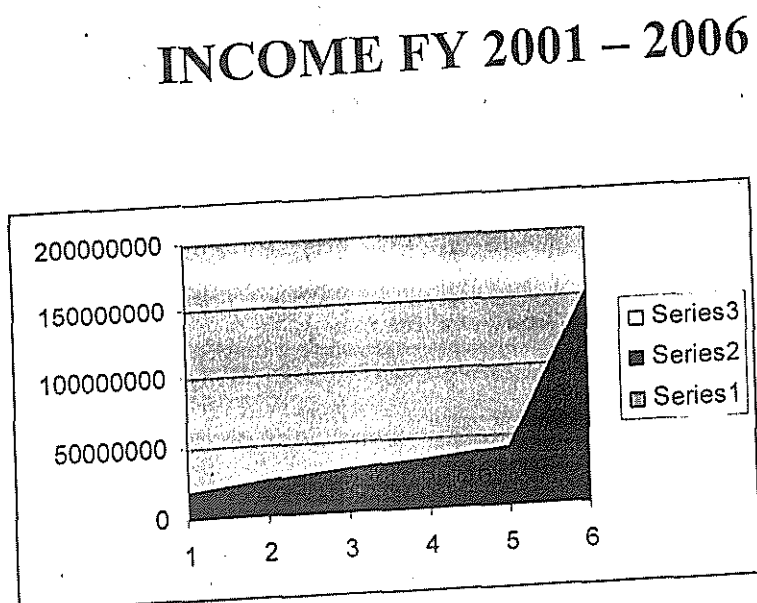
Comparing in percentage, user fees charged to patients are lowest (5%) followed by income generating activities (5%). While government grants is roughly moderate (20%) and the highest contribution is donation from external donors (70%)

The above funds are broken down to meet the various expenditure, some of which are employment costs, purchases of drugs ARV, Sanitation Education, payments of salaries and wages, maintenance costs,

transport and travel costs, administrative cost, electricity, security and stationery, foodstuff, sponsorship, capital development and others.

Donors on the other hand are slowly withdrawing their attention away from the low developing countries. Some have died, while others become old. This is a problem which Global Challenges Uganda must find a way of solving it. The above pie chart clearly shows the greatest proportion of fund comes from donors and government. This must be an eye opener and move non-governmental organizations to be self dependent. Too much reliance on donors and government is a risk that must be fought to obtain a better future.

Figure 4 Trend of sources of fund in 5 years.





Sources: Global Challenges Uganda (GCU) FY2005/2006 P 12

Income	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Subscription/ Membership	3,000,000	4,500,000	5,000,0000	6,000,000	7,500,000
Income Generated	20,000,000	35,000,000	45,500,000	50,000,000	60,000,000
Donations	60,000,000	80,000,000	100,000,000	110,000,000	120,000,000
Other Income	8,000,000	9,500,000	9,900,000	10,000,000	120,000,000
Total	91,000,000	129,005,000	160,400,000	176,000,000	209,500,000

Sources: Global Challenges Uganda (GCU) FY2005/2006 P 12

Comparing the trend of sources of income for the last five years, it is clearly seen that external donations and government subsidies are the only good for the short term, but in the longer run it may turn unpromising when donors withdraw their attention away from the <sup>organisation</sup> ~~hospital~~. Getting local community supporters may not help solve that problem as quickly as expected. In this case, a drop in material resources and fund eventually will lead to a downfall of the Organisation.

On the other hand, donations to schools were contributed in the FY03-04 and FY04-05. Adjustment of the planning in such a case becomes difficult. Primary health Grant (PHG) Fluctuates but the graph rises upwards though gradually, which is good indication. School fees and (Income Generating Activities) (IGA) are practically hopeless cases remaining constantly low and must be seriously rectified. This could through low and must be seriously rectified. This makes it difficult for the organisation to plan accordingly, therefore, need for advocating increment in the subscription fees and introducing enough income generating activities are called for.

Donations and grants for now is good as financial standing and management of the organization is duly on it. However, a sudden withdrawal by the donors will cause distractions and loss of confidence in the organization. This will give limited freedom and flexibility in the use of the funds thus distorting the organization management plan.

According to the respondents, the organization is continuously getting funds from donors due to the good financial record and proper accountability, which are submitted regularly to them.

Having studied the sources of fund the organization mainly depends on, I am moved to advice it to start standing on its own. It can locally generate income of facilities like IGA, increase its subscription /membership fair value, lounge fund-raising from time to time and sensitize the community about the importance of making the above changes for the good, growth and sustenance of the organization.

#### **14.2 Expenditure**

The organization annual expenditure in FY 2005/2006 was **209,500,000**. Of this total amount costs is highest, followed by education sanitations, HIV/AIDS and capital development. The pie chart below helps to show this view best.

1. Employment costs. The increment continued yearly because many of the established staff in the ~~hospital~~ <sup>organisation</sup> were leaving the ~~hospital~~ <sup>Organisation</sup> to seek greener in other non-governmental organizations or government sectors with higher scales of salaries.

2. Education services costs. This is a combination of sponsorship and construction and foodstuff for patients (Nutrition

3. Capital Development Cost. Construction of the schools sponsored is in progress in the Hillstone Nursery and primary school Mbuya, a new office block for GCU.

Besides the above mentioned costs, there are also other expenditures as seen in the chart for instance, transport/plants, primary health care, school sponsorship property cost and the rest.

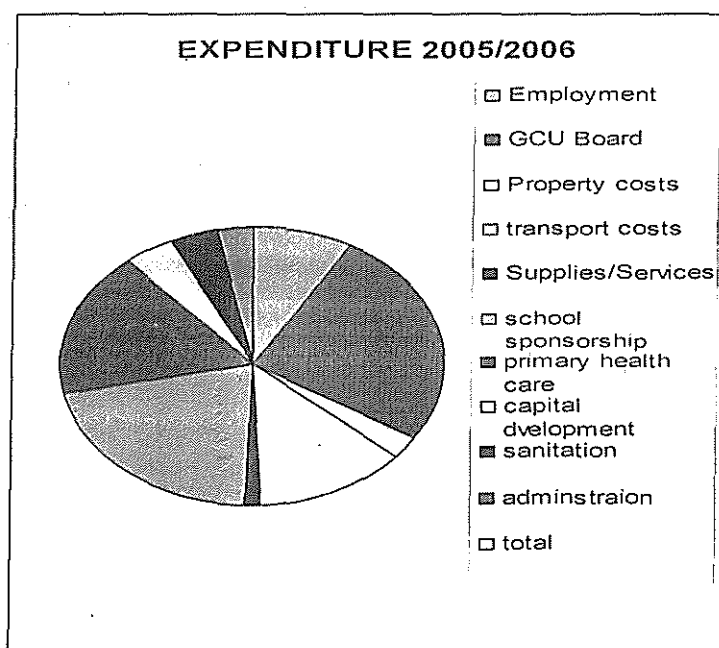


Figure 5. Pie chart showing expenditures of FY2005-2006)

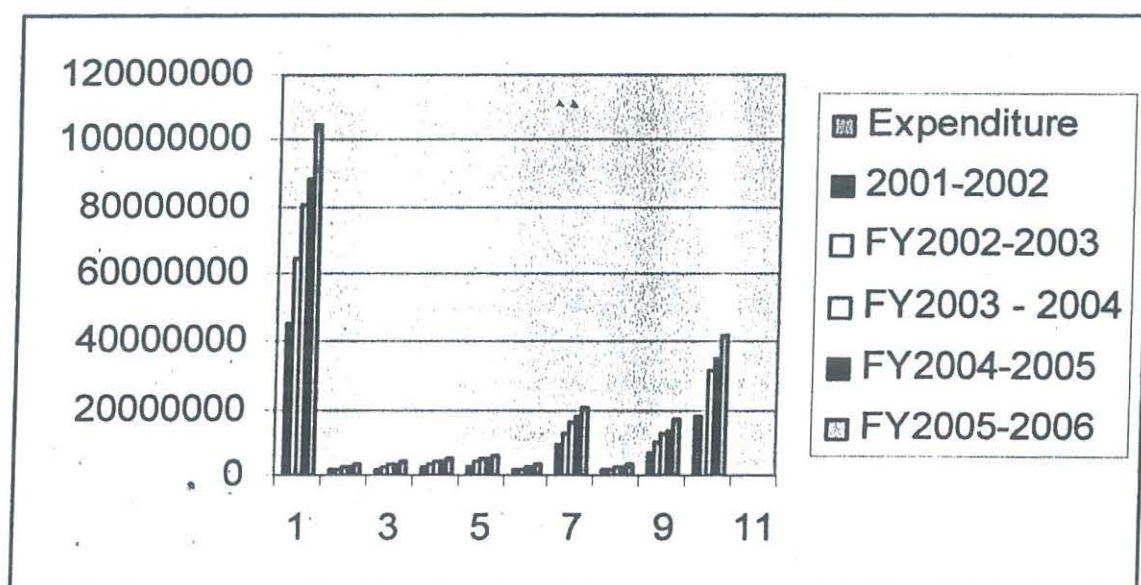
Source : Field Data June 2006, Expenditure, report FY2005-2006

The main expenditure included:

Figure 6 Line graph showing expenditure from 2001-2002/2005-2006.



## EXPENDITURES LAST 5



Line graph showing expenditure for the last 5 years FY2001-2006

Expenditures	2001-2002	FY2002-2003	FY2003-2004	FY2004-2005	FY2005-2006
Employment	45,500,00	64,502,500	80,200,000	88,000,000	104,475,000
G.C.U	1,365,000	1,935,075	2,406,000	2,640,000	3,142,500
Administraction	1,820,000	2,580,100	3,208,000	3,520,000	4,190,000
Property cost	2,275,000	3,225,125	4,010,000	4,400,000	5,237,500
Transport plant	2,730,000	3,870,150	4,812,000	5,280,000	6,285,000
Supplier/servi ces	1,365,000	1,935,075	2,406,000	2,640,000	3,142,500
School sponsorship	9,100,000	12,900,500	16,040,000	17,600,000	20,950,000
Primary health care	1,365,000	1,935,075	2,406,000	2,640,000	3,142,500
Capital . development	7,280,000	10,320,400	12,832,000	14,080,000	16,760,000
Sanitation community	18,200,000	25,801,000	32,080,000	35,200,000	41,900,000

Question on the utilisation of the available resources.

Findings on use of funds

- Purchasing of ARV and HIV/AIDS supplies
- Repair, maintenance, fuel for generators, water, security

- Administration cost like travel and transport, stationery, printing, telephone etc.
- Purchasing of foodstuff and other necessities.
- Capital development
- Cash for day to day operations of the hospital
- Payment of salaries and wages.

Use of the available resources plays a great role in improvement in performance, growth and development. What most organisations do today focus on utilization of traditional knowledge which is another form of local resources. (Human Development Report 1994)

In view of the above introductory sentence, Global Challenges Uganda as expressed by its Administrator used the funds donated by external donor, government grants for primary Health Care, the local resources such as land and people, skills and knowledge, which are fundamental to organizations growth, improvements, development and sustenance. In fact training HIV/AIDS counsellors which is done in Global Challenges Uganda basically focused on consolidating knowledge and skills of the staff who render service to the organization and the community.

On the other hand, the respondents stated that the Community in Mbuya had seen improvement in their families due to the support they get from the organization. Unemployment was another problem created and many working classes had to be supported by this organization. It had to budget for employment matters, sponsorships, capital development, property, Primary Health Care, and the vulnerable under its care.



In another finding, the organization had been handling the issue of sanitation in the community. Matters concerning consideration to cater for the needs of these poor.

Again, utilization of the funds in the organization had a wide area to cover for its fulfilment; therefore, management of finance plays a great role in financial planning and management which is a pathway to development and growth.

**Question on Investigating whether financial planning and management contributed to improvement in performance, growth and development of Global Challenges Uganda**

### **Findings**

Global Challenges Uganda carried out financial planning at the beginning of each budget cycle (June). The managers and department heads submit proposed operational and financial plans to budget analysts for review. These plans outline prospective programs, including proposed increases and new initiatives, estimated costs and expenses, and capital expenditures needed for financing programs. The budget analysts examine the budget estimates or proposal for completeness, accuracy and conformance with established procedures, regulations and organizational objectives. They also examine past and current budgets and research economic and financial development that affect the organization's spending. This process enables analysts to evaluate proposals. Planning and managing funds is a sure means through which the organization from its founding bases its confidence of moving ahead.

The organization carries out income generating activities in form of welding carpentry and tailoring for the marginalised who can contribute their time and resource. Success is widely derived from proper financial planning and management.

Global Challenges Uganda has continued successfully its service in preparation of new projects which fit the community desires.

The organisation has continued its service of serving the community of Mbuya 1 parish and remained to date the only organisation outstanding to fight poverty and underdevelopment in the area. These foregoing points are the outcome of financial planning and management contributed by Global Challenges Uganda.

In 2004-2005 the Organisation had got international friends who supported the activities and objectives of the organization. The organisation undergoes the challenge of attracting more donors to network with in the organisation for the good of uplifting the standard of the community 'abnormal' financial planning for persuading the donor community to help in realising the organizations dreams.

Because of diverse and economic request and challenges from the community members. The organization has developed so many proposals and plans to lobby the donor community to come to their rescue. The organization has a request from displaced people from the east and north who have been displaced from their home land and are now temporarily residing in the division of Nakawa.

## **Contribution derived from financial planning and management**

Respondents agreed that Global challenges Uganda uses financial planning as a management tool which helps the organisation in guidelines for constructive changes. New ways to improve and find the most efficient distribution of funds and other sources are sought. In order to do desired operations in the organisation, I noticed that analysis of the goals and objectives, mission statements, strategies and how these can be incorporated into financial needs of the organization are given wide consideration.

The Board of Directors and management team and financial committee plan carefully and formalise the organisations plans through budgeting process. Positive outcome encourages appraisal system and manages monetary resources which eventually strengthen the financial and logistical capacities for coordination and administrative purposes.

## **Analysis**

Financial management involves the major functions which can be categorized into planning, organizations, planning is a management function which involves establishment of objectives, formulation; evaluation and selection of policies, strategies, tactics and actions required to achieve goals. This position of the organization and is clearly seen in the financial planning stage-budgeting process.

Considering managing monetary resources, the organization is practicing the function of controlling which involves comparing current performance with the plans so as to monitor progress. It sets a control framework which helps expenditure to be kept within agreed limit.

Directing the staff within the organisation, management is performing the duty of organizing which involves designing and maintaining systems and roles in the organization.

By encouraging appraisal system, management performs motivating functions, hence encouraging employees to work effectively and efficiently while performing their assigned duties.

Coordinating involves interlinking many parts of the budgets. For example, the production budget can be interlinked with capital budgets because if necessary equipment is required then the production budget alone cannot be achieved; hence helps co-ordinate all the different organizations activities.

## **Findings**

All the respondents strongly supported financial planning as being carried within the organization and agreed on its importance for the growth and sustenance which has been realized in the life history of the organization, leading to its existing to date. Financial planning starts as various centres such as cost centres and revenue centres.

The planning committee participates in different activities such as identification of projects, getting input required, budgeting, and implementations. Different programs make different reports which are then complied to form a



comprehensive budget from which a final decision is made for the specified period of time.

Non- governmental organisations consider financial planning as the core of any activity which determines effective and efficient management of performance targets.

However, financial crisis and difficulties in remuneration of staff, overwhelming demand from the vulnerable, and increased pressure put on the organization call for long term planning. As I observed this, Global Challenges Uganda is striving hard towards success even though unpredictable circumstances keep cropping its way calling for drastic changes to be made-for instance, paying staff that agreed upon scale in order to persuade them to continue serving the poor community members who may suffer loss without them. For future desires such as strengthening the financial and logistical capacity for consideration and administrative purposes, ensuring appropriate placement of staff according to their professional needs it is worth planning and making adjustment accordingly.

In this study I realized that the way non governmental organizations handle the issue of financial planning and management with the view of making contributions to possible improvements on internal operations and general service delivery is of paramount importance.

It aims at contributing to possible improvements on internal operations and general service delivery is of paramount importance. It aims at contributing to the development of general guidelines which highlights transparency, accountability and results based performance management. Proper financial planning and management improve performance hence, achievement of objectives and goals.



The Administrator plainly expressed that "until recently the organisation had no financial planning and management tools in terms of a manual on management of finance and material resources, but even if so, the organisation was applying the principles of financial planning and management with other tools available to help its managers monitor, control and implement activities using the available minimal resources such as guidelines provided by the external auditors of the organisation, the local government financial Act and Regulations' he went on saying that the performance of the organization has continued to improve as a result of improved planning of the financial resources availed to it.

This means that the organisation has with time continued to work favourably because of proper planning and management of its finance. Because of good planning and management, organizations effectively control the use of financial resources in view of its mission. It is offering curative, preventive, rehabilitation and promotive services.

The organisation strictly adheres to its mission of helping the unprivileged.

Proper planning and budgeting is a prerequisite to improved performance. The organization thus carries annual work-plan and budget for the activities to be done throughout the year. (See Appendix III comprehensive budget work for FY2005-2006.

Global Challenges Uganda.

By planning the organization positions on its investment plan and how it can have the activities financed is clarified. Planning determines whether the organization will succeed or

not, and it ensures the policies of financing and investment to be spelled out in accordance with the guiding principles.

Financial planning identifies the strengths, weakness, opportunities and threats which are better means of evaluation of performance of the organization- hence it acts as a feasibility test through which the financial implementations of the organization carefully examined.

Financial planning and management remains a handy tool in management like a torch light showing where the organisation is going and how it can be there in a good shape. By terms helps the hospital avoid financial risks that may befall it.

#### **14.3 How the available financial sources are utilized.**

Money is spent according to plan, procedures for requesting, usage and accountings are followed in the use of resources earmarked for the specific activities and in this way giving government the confidence to continue putting its money in the organization and expects it to produce positive results, accounting in terms of showing the output and outcome of the interventions for which the money was put. (Refer to expenditures expressed in the Annual Financial Reports on page 37)

The organization management usually expects to get funding from various sources in different amounts and once this is drawn in the budget work plan, the organization is aware of the limitations it has as per financial resources and as such tries to spend within the ceiling availability thus making the active choice to address the basic tension head-on. Management of finance is a collective responsibility involving head of departments to inculcate financial management skills which leads to improvement of the standard of service and eventual development.

I realized that many non governmental organizations give low priority to risk management. This is a call to undertake periodic risk profile assessment which safeguards against being highly vulnerable should major problems beyond control arise.

Key staff or other personnel are moving from one (NGO) to the next seeking 'green pastures'. Their movements lead to collision in work, poor working relationships and inadequate service at excessive costs.

This is also an experience which Global Challenges Uganda is undergoing.

It is negative point acting against staff retention. Sometimes the administration is forced to do what it would not do in a normal course of work for instance, overpaying outstanding personnel like Administrator who can easily move away to where there is 'milk and honey' if not paid a little more than expected.

This is just for the sake of the poor Community members who must be served as Christ did.

With funds available, the organization has to look into the future and charts a way forward by putting in place strategies to meet future demands. Services are provided accordingly by using resources such as building, cars, equipment, staff, drugs and stationary.

The Administrator testified:

We know that with this amount of money available we are only able to spend on items A up to a specified limit. This makes us self conscious and prudent in the use of available resources. As matter of fact actual cost of services is directly linked to the use of the resources. The cost is not "the expenditure on purchase" but is made when using the resources.

Lack of awareness of costs easily leads to over expenditure.

Financial planning and management helps to make possible the provision of planned services, and also taking responsibility for the continuity of services in the future.

A financial plan provides a higher level of satisfaction with the management of one's financial affairs leading to better performance and the improvement of the environment of workers to ensure retention and motivation.

Fixed assets decrease in value over time and finally need to be replaced. Global Challenges Uganda was set up with the help of donors. Gradually the buildings, equipment, furniture and vehicles are depreciating needing replacement. The organisation can not bank on donors forever to replace these fixed assets, the time will eventually come to gradually increase the level of self sustainability by introducing savings in the budget! These are issues that the board of Directors and management need to consider to make sure that the same services can continue to be provided in the near future.

Financial planning and management therefore becomes an essential tool in overcoming negative eventualities. With all the funds coming from the different donors including government, long term strategic planning is inevitable.

The role of financial planning and management on the performance of organisation.

Financial planning and management assists in the implementation of the programmes in the organisation. Performance in the organisation becomes possible because funds are available and this is related directly or linked to specific activities and how it's spent rationally.

Well discussed activities helps prepare a proper work-plan and budget in which all resources required to run the activities and the subsequent costs attached to them are mapped. This is the basis from which the organization plans its activities and plots the difference sources of funding; Income Generated Activities and other donations from eternal donors and partners.



Planning helps to control the use of the resources through the budget and it encourages transparency which is a way to build confidence with donors, government and other stake holders. It provides procedures, policies and means of controlling the use of available resources.

Because of Financial Planning and Management implementation, many (NGOs) who take it seriously are gaining more knowledge and skills in planning and management. Proper communication between them and the people they serve is enhanced. By this also corruption, nepotism, political and religious differences are highly reduced.

Financial planning and management therefore enhances the organization with the capacity to properly account all financial resources received from individual donor agencies and governments.

#### **14.4 Possible constraints faced by the organization in implementing financial and management procedures**

The mission of not-for-profit organization which Global Challenges Uganda is encouraged in is derived from the mission of Christ which is a mandate based on imitating him in promoting life to the full and helping the sick.

The respondents stressed that sustainability still remains a major fact at stake, since expenditure keep moving in the upward direction although other costs have also continued to rise.

#### 14.5 Possible solutions to the problems identified.

1. Implementation of financial and Material Resources Manuel developed by the organization as a guiding tool in the planning, management of finance and material resources.
2. Developing and implementation of strategic plans both short and long term plans.
3. Training of management and staff on financial management principles and implementation.
4. Cutting costs by using the available resources sparingly and prioritizing needs appropriately. In this case, the organization can control costs, reduce programmes and activities, arranging alternative sources of income. It can also be prepared to demonstrate characteristics flexibility to guarantee its financial survival and increases access to services and equity among the population who should have access to the services of the organization.
5. developing retention measures so that more qualified staff recruited serves for a longer time thereby improving efficiency
6. Increased advocacy on the part of the organisation to lobby for funds.
7. Participation and coordination of health planning with District and other partners in the district.
8. Plan, budget and manage the services in a cost effective and sustainable manner.

If the organisation develops annual work plan outlining major events and duties for the year ahead, it will ensure that the organisation is well focused, proactive and works towards successful annual operation. Annual work plan also provides a

useful measurement tool when evaluating the organisation performance.

The objectives and mission of the organization has to be laid out clearly and communicated to all the employees. The activities within the organization should be outlined and assigned to individuals in the organization.

The human resource development plan has to be put in place such that suitable staff is employed and upgrading programs carried out.

In terms of material resource supply it has to be controlled by putting some kind of internal control in terms of fixing maximum, minimum, recorder level and identifying the items can be stocked.

#### **14.6 Implications of findings for theory, policy and practice.**

In the preceding chapter, the findings of the study on the impact of financial planning and management aimed at identifying these impacts as well as implication on making suggestions and recommendations arising from the findings and analysis.

1. **Proper financial control** which should be implemented by the use of proper accounting documents, authorization of payments, and auditing of the books of accounts.
2. **Financial planning and budgeting:** This is very important because it shows the sources of funds and controls expenditure. Budget reallocation is necessary in case of budget deficit in one budget item.
3. **Employment of skilled and experienced personnel:** The right people with the right qualification and the required number should be employed in the right place of work because this

helps in effectiveness and efficiency of work thus providing quality services.

4. The accountability system in place must be a recommended one:

The organization should use recommended accounting standards, the local Government Financial and Accounting Regulations, and a recommended software accounting package. This will provide standardization, harmonization, and accuracy in the accounting information.

According to the overall analysis of the study, my hypothesis stating contribution to proper financial planning and management contribute towards efficiency in performance and effectiveness on quality service is fairly confirmed. However, it can be of a combination that adds to the requirements for the success. Those may include important aspects of management, staff motivation, and qualified staff with sufficient competence, ability and responsibility, cooperation with the government policies, management of assets, time management, adequate organisations facilities

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 15.0 Introduction.

This chapter presents my opinion on the topic studied. It draws conclusion and recommendations from my findings.

#### Implication from Methodology and Data Availability

There was high interest and cooperation offered to me when gathering the information needed for the success of the study. This was a positive implication shown by Global Challenges Uganda.

The organizations carries preventive and curative activities while ensuring accessibility to the marginalized- the women, the children and the old. The data collected corresponds to the policy and mission statement on which the organisation stands and for which it was founded, that is providing conducive environment to the community members for future development and sustainability.

#### 15.1 Conclusion

The success of many organizations depend on many factors, the most of all being proper control management of finance and human resource .Global Challenges Ugandan in this case is found to have a good Financial management leading to its continuous performance and success. It pays special attention to financial planning, budgeting its financial resources enabling it to control and monitor its activities.



Financial planning and management in my view should be taken as part of organizational framework. Global Challenges Uganda has stood the test of time because of its constant struggle to plan, manage control, and implement its finances for its growth and development. The growth and development of the organization is a result of good management, strong, effective financial planning and management policies being implemented.

In conclusion, it can be affirmed that Global Challenges Uganda to a good extent is endeavouring in attaining its present standards of performance through financial planning and management. However, it should look forward to improving and implementing the recommended issues for its better performance, growth and sustainability.

#### 15.2 Recommendations

A reliable financial management system minimizes vulnerability to fraud, waste and abuse, and produces accurate and timely data for oversight and decision-making purposes. It is therefore necessary to maximise advantages provided to the beneficiaries and recommend more personnel with sufficient knowledge on financial planning and management in any organisation.

Many organisations from governmental to non-governmental levels are faced with challenges of managing revenues. Implementation of budgetary control in many organisations today meets deaf ears and is given less attention. **The Global Fund Issue** is a distinct example.

This is a challenge that calls for more questions to be formulated on this topic tracing the impact of financial planning and management on performance of non-governmental organisations. With the experience I went through, I suggest that more explorations be made on this same topic in various sectors other than (NGOS) only.

Performance of many non-governmental organisations has probably been affected because of the uncertainty of fund described as meagre income, government conditional grant and external donations.

Deeper insight into the issues of financial planning and management in non-governmental organisations are channels to improvement on areas that tend to limit efficiency and effectiveness in service deliveries. With this in mind, many people will be led to discover their position in financial planning and management associated with lack of proper practice and adjustment in day to day operations.

The study outcome should create awareness for not for profit organisations to realise the importance of being results-oriented and guide not by process but by performance.

Having examined the different aspects of financial planning and management in global challenges Uganda, it is appropriate for me to give some remarks and recommendations on the findings.

## **1. Use of Financial Planning Tools**

For proper management and performance there is need for quantitative planning by the use of financial planning tools such as financial ratios, common size statements, index analysis

and fund flows statements that have not been put in practice in the organisation.

## **2. Management to train and recruit the field officers and community mobilizers.**

Management should ensure that all those dealing with financial resources are properly trained and recruited. This will enable the staff to be well equipped with the necessary qualification, knowledge and skills, to carry out financial duties and responsibilities efficiently and effectively.

## **3. Internal Control System**

Internal control over cash and other financial assets and expenditures need to be set up and explained to the key persons as required. This will ensure that the tools are well set up and effectively controlled with regards to performance. Weaknesses can easily be identified and immediate action can be taken. Thus management should use control systems and evaluate performance.

## **4. Internal and External Auditing System.**

Internal and external auditors should be recruited and appointed by the Board of Directors each year to cross-check the performance in conformity to plans and budgets. This helps the organisation to have independent opinion as regards its state of affairs and can be used by the Board of Directors to measure the performance of the organisation. Meanwhile, Donors and other agencies wishing to give supports to the organisation have no doubt in the plans submitted to them.

## 5. Flexibility in Planning

During Financial Planning there should be some flexibility to allow shocks; for instance, sudden changes in the government grants- (a good amount of percentage can be cut off in the middle of the term in any one year), inflation and government policies to avoid adverse performance.

## 6. Planning and Control

The mechanism of financial planning and control have been justified by different scholars in terms of their contributions which they make to organisational decision making over all performance, thus they should also be used by Global challenges Uganda.

## 7. Other Sources of Funding

The organisation should look for ways of attracting funds since depending greatly on external donations and government plans is risky and may have negative impact or implications in the long-run. Listed below are some suggestions;

- Setting up income generating activities (IGA)
- Acquiring loans,
- Treasury bills or investing in bonds from financing institutions
- Fund raising and
- Raising up the subscription and membership a little more than presently

## **8. Motivating Tools**

Management should create a positive employment-centered culture. This will significantly raise the probability of new hire success, satisfaction, and longer term retention. These are better means of encouraging the staff to perform well and love their work, hence, employee turnover shall be reduced.

## **9. Financial Accounting**

A good framework for financial accounting and recording, record keeping was generally observed and should be maintained and even improved. This is the strongest weapon used in accessing and controlling movements of financial resources in the organisation in proper accountability. Management should therefore endeavour to ensure proper accounting standards based on financial planning budgeting/forecasting.

## **10. Early accountability and preparation of reports**

Accounting department should ensure that all the report team and Board are able to use what they officially lay chosen decisions. Note should be taken that preparation of the budgets should bottom up process, that is, the budget should originate at the lower levels of management and to be defined and coordinated at higher levels of management. Thus, it enables lower level managers to participate in the preparations of budgets and increase the probability that they will accept the budget and strive to achieve the budget targets.



#### 11. The presence of an internal auditor.

Having learned that the organisation still has no internal auditor appointed by the Board of Directors, I recommend having one because his expertise in the accumulation and interpretation of audit evidence will be of great help in determining the proper audit procedures, the number and types of items to test, and evaluating the results. This will also reduce too much expense for an external auditor on carrying auditing exercise in the organisation.

All in all, there are still challenges and questions to be formulated on this same topic and I hereby suggest and recommend other researchers to take place steps of carrying out this same topic in other sectors and non-governmental organisations as well. Their exploration and discovery will owe positively to general society in which we live.

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**Article 1.**

The daily monitor, 2005, The Global Fund Inquiry. 3 December . pp 22-23

**APPENDICES**

**Appendix I**

**Sample Questionnaire**

**QUESTIONNAIRES**

**Title: THE IMPACT OF FINANCIAL PLANNING AND MANAGEMNT OF ON  
THE PERFORMANCE OF NON-GOVERNEMNET ORGANISATION IN  
UGANDA – (NGO)**

Dear Sir / Madam

I am a student of Kampala International University. As a requirement for my study, I, m undertaking a study on the assessment of the impact of Financial Planning and Management on the Performance of the Non-Governmental Organisation in Uganda.

To help me in the study, I, m sending questionnaires and conducting interview to collect necessary study information. You have been chosen because of your rich experience and knowledge on the program and I believe your genuine will to respond to this request will highly appreciated and all information obtained in the course of this study will be confidentially treated.

Thanking you in advance for your contribution and cooperation.

Name.....

Sex.....Age.....

Occupation.....

Position.....

Questionnaire for Administrators, Accountants, Staff Board members and Beneficiaries.

1. Does Administrators use FPM as a tool of performance?

Yes..... No.....

Elaborate accordingly.....

2. Are you normally consulted during FMP?

3. Does Administrators have a FMP committee?

If yes, what is the composition of the committee?

4. Which of the following FP tools are commonly used in Administrators?

Budgets, Financial Ratio, Fund Flows, Cash Flows, Forecasts, Index Analysis

5. Are Organization employees trained in financial course?

6. Financial planning has an effect on management of performance.

Strongly agree

Agree

Don't agree

Disagree

7. Does Financial Planning act as pressure device?  
Give reasons for your answer
8. Financial planning act as a motivation tool  
Strongly agree  
Agree
9. Disagree  
Strongly agree

### Internal control

Are there some internal control systems that are used by the hospital for its operation?

Yes .....No.....

If yes, tick the type applicable

- (i) Definition and allocation of responsibility
  - (ii) Segregation of duty
  - (iii) Delegation and reporting
  - (iv) Over all supervision control
  - (v) Arithmetical and accounting accuracy e.g, checking totals, reconciliation, trial balances and accounting for records
  - (vi) Comparison of expenses with budgets
  - (vii) Access to assets by authorized personnel only
10. What are the procedures taken in relation to the following?
- Procurement>
- Cash Management
- Bank account management
- Staff allowances and expenses management
- Salary and pay sheet management

11. Who is responsible for keeping accounting records?

12. Are the hospital books of accounts audited?

(b) If yes, what type of auditors is called to audit the books?

Do you make an operating audit?

Yes.....No.....

Who are responsible of making an operation audit?

### Questionnaires for the Board members.

1. What is your role as a Board Member?
2. What are the major objectives and goals of the hospital? *Organisation?*
3. Do you formulate strategic plans for the hospital? *Organisation?*

4. Yes.....No.....
5. Briefly explain the plans you have in place at present and for the future
6. How do you monitor and evaluate the plans and the performance of the hospital?

#### **Questionnaire for Accountants**

1. What is your role in the organization as an accountant?
2. How many are you in this section?
3. How do you rate the role of Financial Planning in your hospital
4. Are budgets prepared?
5. What type of budgets do you prepare
6. What is usually done if there is a budget deficit?
7. What are the sources of fund in your organization?
8. What are the various uses of the fund?
9. How do you set up the various uses of the fund?
10. How do you set up costs which are rated to the patients/ customers

#### **BUDGET WORK PLAN FOR THE YEAR 2006-2007**

#### **GLOBAL CHALLENGES UGANDA**

#### **COMPREHESIVE BUDGET WORK PLAN FOR 2005-2006**

<b>INCOME</b>	<b>(SUMMARY)</b>	<b>2005-2006</b>
Budget from Government		20,000,000
Subscription membership		7 ,500,000
Income Generated		60,000,000
Donations		120,000,000
Other Income		100,000,000
<b>Total</b>		<b>209,500,000</b>



**EXPENDITURE FOR 2005-2006 ( SUMMARY)**

Expenditure	2005,2006
Employment	104,475,000
G.C.U directors	3,142,500
Administration	4,190,000
Property costs	5,237,500
Transport / plant	6,285,000
Supervision / services	3,142,500
School sponsorship	20,950,000
Primary health care	3,142,500
Capital development	16,760,000
Sanitation / community development	41,900,000
<b>Total</b>	<b>209,224,000</b>



# GLOBAL CHALLENGES UGANDA (G.C.U)

P.O.Box 33495  
Kampala, Uganda. East Africa  
Tel: 256-(0)41 223141  
256-(0)77 595081  
256-(0)77 398788  
Email: global\_gcu@yahoo.com

Plot 29 Chwa II Place - Mbuya

22<sup>nd</sup> Sept 2007

Date:.....

The Associate Dean  
School of Business and Management  
Kampala Internal University  
P. O. Box 20,000  
Kampala.

Dear Sir,

**RE: OLINGA GEORGE AKORA**

This is to confirm that the above named student of yours did his research in our organisation. He was very cooperative student who loved to be guided in all areas of his field study.

We assisted him in filling his questionnaire and interview questions. In addition he also did so many activities in the office, right from compute accounting, which is tally accounting, office organisation, filling and documentation maintenance.

We hope he will continue to display his activities where he will join.

Thanking you and him for choosing our organisation for his research work.

Yours faithfully,

**OKELLO GEORGE WILLIAM**  
**EXECUTIVE DIRECTOR.**

**OFFICE OF THE DEAN  
SCHOOL OF BUSINESS AND MANAGEMENT**

Date: 7<sup>th</sup> September, 2007

THE HUMAN RESOURCE,  
GLOBAL CHALLENGES UGANDA,  
MBUYA – KINAWATAKA.

Dear Sir/Madam,

**RE: OLINGA GEORGE AKORA REG.NO.BBA/3597/22/DU**

This is to confirm and inform you that the above referenced, is a bonafide student of Kampala International University pursuing a Bachelor of Business Administration programme in the School of Business and Management of the University.

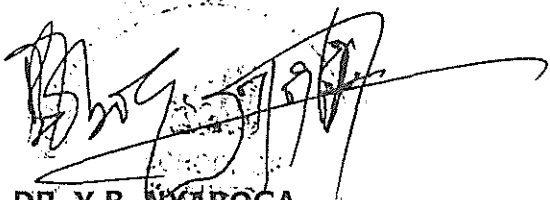
His title of the Research project is "HOW FINANCIAL MANAGEMENT OF NON-PROFIT ORGANISATION CAN INFLUENCE DEVELOPMENT IN UGANDA" A CASE STUDY OF GLOBAL CHALLENGES UGANDA

As part of his studies (research work) he has to collect relevant information through questionnaires, interviews and reading materials from your place.

In this regard, I request that you kindly assist him by supplying/furnish him with the required information and data he might need for his research project and also by filling up the questionnaire.

Any assistance rendered to him in this regard will be highly appreciated.

Yours Sincerely,



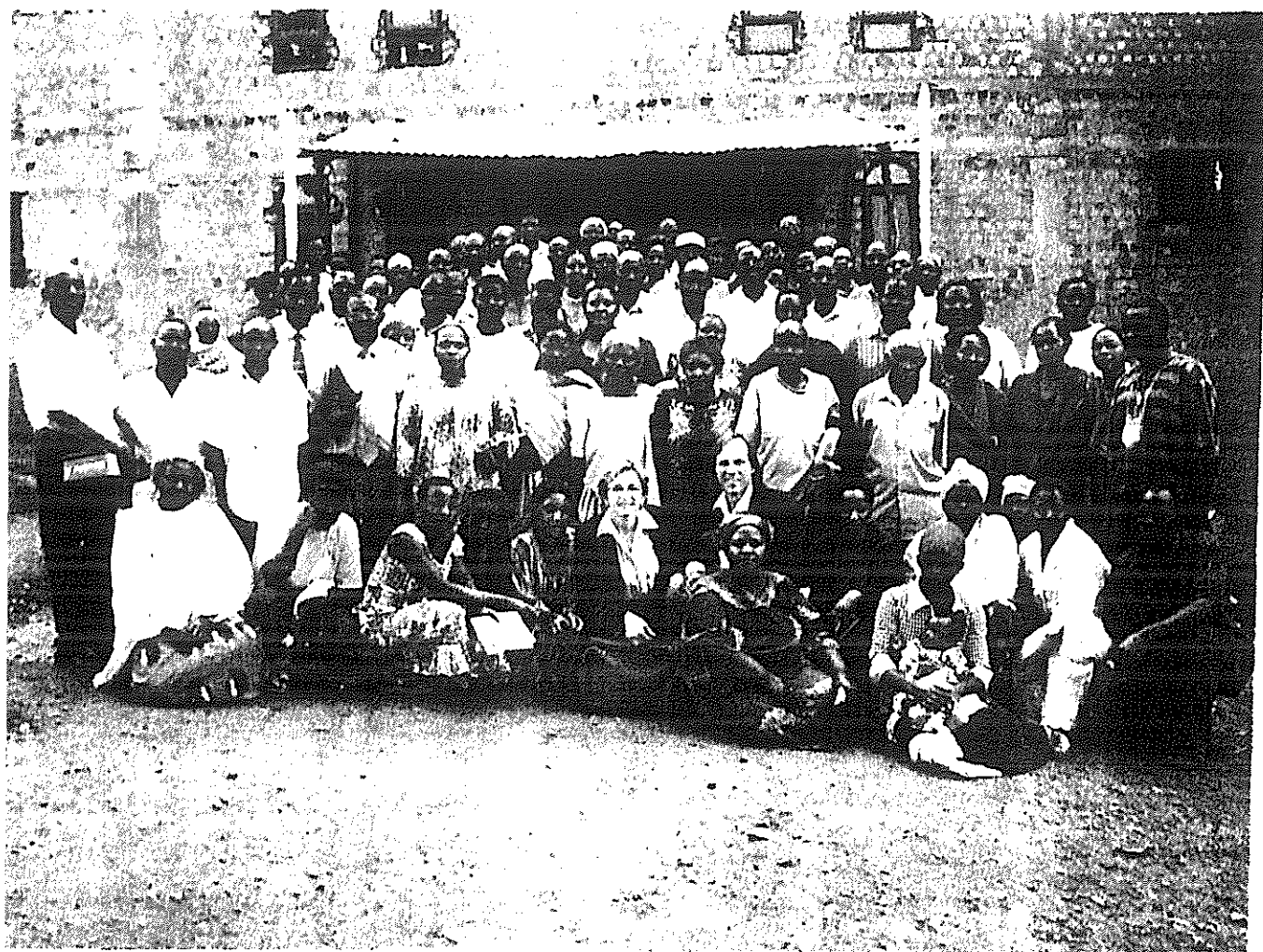
**DR. Y.B. NYABOGA**  
**ASSOCIATE DEAN – SCHOOL OF BUSINESS AND MANAGEMENT**  
**TEL.NO.0752 843 919**

### 3.0 PARISH AND VILLAGE CHARACTERISTICS

Mbuya 1 Parish has a population of approximately 20,000 people. It consists of seven villages or zones with a large slum area (Kinawataka). There is a juxtaposition of factors contributing to high HIV/AIDS infection rates relating to the location in the parish of the following facilities: Cargo truck terminus, an industrial area, and the Mbuya army barracks.

Social factors that make provision of adequate HIV/AIDS services difficult are: migration from the conflict areas in Northern Uganda, extreme poverty and the fact that many youth and children are not in school. A particularly significant factor in HIV/AIDS risk exposure is the presence of up to 1,500 commercial sex workers in the area.

The HIV prevalence rate for Kampala is 8.5%. Although the HIV prevalence rate for Mbuya Parish is presumed to be higher than the prevalence for Kampala City, the exact HIV prevalence rate for Mbuya 1 Parish is not yet known.



Mbuya 1 Parish endorsement group photo

# MAP OF KAMPALA CITY

## Legend

### Administrative Boundary

#### DIVISION

- CENTRAL
- KAWEMPE
- MAKINDYE
- NAKAWA
- RUBAGA

Major Roadnetwork

Mbuya I Parish

Scale 1:25,000

0 1.25 2.5 5 7.5 10 Kilometers

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