FINANCIAL MANAGEMENT SKILLS AMONG STAFF AND QUALITY OF FINANCIAL REPORTING IN SELECTED COMMERCIAL BANKS IN KIGALI, RWANDA

A Thesis

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May, 2012

DECLARATION A

"This thesis is my original work and has not been presented for a degree or any other academic award in any university or institution of learning".

Mauwa Jeannine

Name and Signature of Candidate

28th May 2012

Date

DECLARATION B

"I confirm that the work reported in this thesis was carried out by the candidate under my supervision".

Dr. Kibuuka Muhammad (Supervisor)

11th | 09 | 2017

Date

DEDICATION

To my beloved husband

To my darling children

To my family and my family-in-law

To all my friends and class fellows

I dedicate this work.

ACKNOWLEDGEMENT

My frequent travels in Kampala for Masters degree would have never been possible without the Amazing Grace of the Almighty God. Praised be His Name!

Special thanks to my husband, my children, my parents, my sisters and brothers. Their unconditional support allowed me to achieve this work; I thank them for their love, endurance, persistence, and prayers.

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LIST OF ACRONYMS

ACCA:	Charted Certified Accountant
BPR:	Banque Populaire du Rwanda
CFA:	Chartered Financial Analyst
CIC:	Cambridge International College
CMA:	Certified Market Analyst
IFRS:	International Financial Reporting Standard
RCB:	Rwanda Commercial Bank
SMS:	Small and Medium Enterprises
S/T:	Sub-total

ABSTRACT

The Purpose of the Study was to establish the relationship between financial management skills among staffs and quality of financial reporting in selected commercial banks in Kigali, Rwanda. The study also aims at testing the hypothesis. Five research objectives have been formulated to guide the study namely to determine the profile of respondents in terms of Age, Gender, Education level, Area of specialization, Job position, Work experience and Education level, to determine the level of financial management skills among staff of the selected commercial banks, to determine the level of quality reporting in selected commercial banks, to determine if there is any significant difference in the level of financial management skills among staff based on gender, age, are of specialization, professional qualification, work experience, to determine if there is relationship between the level of financial management skills and the level of quality of financial reporting in selected commercial banks.

The study was based primarily on descriptive and co-relational design as well as quantitative methodology. The population was 110 employees of selected commercial banks. A sample has been taken using Slovene's formula. The sample of 101 employees was drawn and purposive sampling has been used and questionnaires and observations have been used as research instruments.

The findings indicated that the sample was dominated by male staff (55.4%) over female staff (44.6%). Majority were aged between 30-40 years (62.4%), most of them had a Bachelor's degree (78.2%) whereas majority of them had worked for 5-7 years (52.2%).

The findings indicated a positive significant relationship between financial management skills and quality of financial reporting (overall sigs.<0.05).

Data analysis showed that there is a significant correlation between level of financial management skills and quality of financial reporting.

The main recommendation for this study is that all staff to be trained should be involved in professional training analysis for more objectivity and the existent identified weakness of staff such as lack of notes preparation skills should be treated with top priority. Modern human resource management based on staff rotation and promotion should be applied for more performance and motivation.

CHAPTER ONE

THE PROBLEM AND ITS SCOPE

Background of the Study

Understanding financial management skills requires firstly understanding what "Finance" means. Finance is a branch of economics concerned with resource allocation as well as resource management, acquisition and investment. Simply, finance deals with matters related to money and markets. The term "finance" refers simply to the management of money or "funds" management (Gove, et al. 1961) Modern finance, however, is a family of business activity that includes the origination, marketing, and management of cash and money surrogates through a variety of capital accounts, instruments, and markets created for transacting and trading assets, liabilities, and risks. Finance is conceptualized, structured, and regulated by a complex system of power relations within political economies across state and global markets.

Finance is both art (e.g. product development) and science (e.g. measurement), although these activities increasingly converge through the intense technical and institutional focus on measuring and hedging risk-return relationships that underlie shareholder value. Networks of financial businesses exist to create, negotiate, market, and trade in evermore-complex financial products and services for their own as well as their clients' accounts. Financial performance measures assess the efficiency and profitability of investments, the safety of debtors' claims against assets, and the likelihood that derivative instruments will protect investors against a variety of market risks. The financial system consists of public and private interests and the markets that serve them. It provides capital from individual and institutional investors who transfer money directly and through intermediaries (e.g. banks, insurance companies, brokerage and fund management firms) to other individuals, firms, and governments that acquire resources and transact business.

Financial management, however, can be defined as the management of the finances of a business / organization in order to achieve financial objectives. Taking a commercial business as the most common organizational structure, the key objectives of financial management would be to create wealth for the business, to generate cash, and to provide an adequate return on investment bearing in mind the risks that the business is taking and the resources invested. According to Prof. Bradley, "Financial management is the area of business management, devoted to a judicious use of capital and a careful selection of sources of capital, in order to enable a spending unit to move in the direction of reaching its goals." [Cited Gitman, 1986; Pg. 8]. Financial Management means planning, organizing, directing and controlling the financial activities such as procurement and utilization of funds of the enterprise. It means applying general management principles to financial resources of the enterprise.

Thus, for effective financial management, any institution needs skilled staff in order to conduct operations focusing on the institution objectives. By skill we mean the learned capacity to carry out pre-determined results often with the minimum outlay of time, energy, or both. Skill is also an ability and capacity acquired through deliberate, systematic and sustained effort to smoothly and adaptively carryout complex activities or job functions involving ideas (cognitive skills), things (technical sills), and people (interpersonal skills). Skills can often be divided into domain-general and domain-specific skills. For example, in the domain of work, some general skills would include time management, teamwork and leadership, self motivation and others, whereas domain-specific skills would be useful only for a certain job. Skill usually requires certain environmental stimuli and situations to assess the level of skill being shown and used.

Therefore among the functions of Financial Management there is Management of cash. Cash is required for many purposes like payment of wages and salaries, payment of electricity and water bills, payment to creditors, meeting current liabilities, maintenance of enough stock, purchase of raw materials, etc. Thus, at the end of a period-typically a quarter or a year-financial, statements and other financial reporting are prepared to report on financing and investing activities at the point in time and, to summarize operating activities for the preceding period. This is the role of financial reporting and the object of analysis. To make decisions with regards of cash management and to help throw some light on to the cash situation, a wide range of users for example, shareholders, creditors, employees and the publics at large really needs some form of reporting which shows exactly where the cash has come from during the year, and exactly what has been done with it.

For this purpose financial institutions such as Rwanda Commercial Bank, "Banque Populaire du Rwanda" and FINA bank need learnt and skilled staffs in financial management capable to prepare financial statements and other financial reporting to help managers to make proper and accurate decisions.

Statement of the Problem

Financial management skills among staff are so far ignored by many financial institutions as key factors influencing the quality of financial statements and hence decision making. In some institutions, in selected banks for example, it has been found that each year significant amounts are used to support trainings of staff in various fields such as Marketing, Customer care, English language, ICT (Information Communication Technology) but no amount is allocated to the training of staff in financial management while financial statements are not often properly reported. As a result ineffective decisions are made by senior managers based on wrong or incomplete data provided by non skilled staffs and this represents a serious challenge regarding the growth of these institutions. It has been identified that this problem is caused not only by the lack of skills of staff in financial management but also caused by poor financial policies. Furthermore lack of budget management, poor reporting skills, poor taxation skills, and poor management accounting skills are factors influencing the weakness of financial reporting in these particular institutions. However, this study is mostly interested in investigating how financial management skills can impact on the success or failure of a banking institution in the context of Rwanda commercial bank, "Banque Populaire du Rwanda" and FINA Bank.

Purpose of the Study

This study intended to establish the relationship between financial management skills among staffs and the reliability of financial statements in general and of the quality of financial reporting in particular. The study also aims at testing the hypothesis, identifying strengths and weaknesses/gaps of the quality of financial reporting in the selected banks. Finally this study is interested at validating theory regarding the topic under investigation.

Objectives of the Study

General

Correlate financial management skills and quality of financial reporting in selected commercial banks in Kigali, Rwanda.

Specific

1. To determine the profile of respondents in terms of
   1.1. Age;
   1.2. Gender;
   1.3. Education level;
   1.4. Area of specialization;
   1.5. Professional qualification;
   1.6. Working experience;
   1.7. Job/employment position.
2. To determine the level of financial management skills among staff of the selected commercial banks.
3. To determine the level of quality of financial reporting in selected commercial banks in Kigali, Rwanda.

4. To determine if there is a significant difference in the level of financial management skills among staff based on gender, age, area of specialization, professional qualification and work experience?
5. To determine if there is a significant relationship between the level of financial Management skills and the level of quality of financial reporting in selected commercial banks in Kigali, Rwanda.

Research Questions

This study sought to answer the following research questions:

1. What are the demographic characteristics of the respondents as to:
   1.1. Age?
   1.2. Gender?
   1.3. Educational level?
   1.4. Area of specialization?
   1.5. Professional qualification?
   1.6. Working experience?
   1.7. Job/employment position?
2. What is the level of financial management skills among staff of the selected Commercial banks?
3. What is the level of quality of financial reporting in selected commercial banks in Kigali, Rwanda?
4. Is there any significant difference in the level of financial management skills among staff based on gender, age, area of specialization, professional qualification, work experience?
5. Is there any significant relationship between the level of financial Management skills and the level of quality of financial reporting in selected commercial banks in Kigali, Rwanda?

Hypothesis

1. There is no significant difference in the level of financial management skills among staff based on age, gender, education level, area of

specialization, professional qualification, working experience and job/employment position.

2. There is no significant relationship between the level of financial management skills and level of quality of financial reporting among selected commercial banks in Kigali, Rwanda.

Scope

Geographical Scope

The study was conducted in Rwanda commercial bank at headquarter branch in Kigali, "Banque Populaire du Rwanda" (BPR) at headquarter, and FINA Bank headquarter in Kigali, Rwanda.

Content Scope

The study determined the profile of respondents in terms of age, gender, education level, area of specialization, professional qualification, working experience, and job/employment position. It also determined the level of financial management skills in terms of book keeping skills, budget skills, statement of financial position skills, income statement skills, statement of changes in equity skills, statement of cash flows skills, notes to financial statement skills, other financial reporting, cash management skills and accounting software skills. It also looked at the level of quality of financial reporting in terms of understandability, relevance, materiality, reliability, substance over form, prudence, completeness, comparability, timeliness and balance between benefit and cost.

Finally the study also established differences in level of financial management skills among respondents and test the relationship between level of financial management skills in, book keeping skills, budget skills, statement of financial position skills, income statement skills, statement of changes in equity skills, statement of cash flows skills, notes to financial statement skills, other financial reporting, cash management skills and accounting software skills and level of quality of financial reporting in, understandability, relevance, materiality, reliability, substance over form, prudence, completeness, comparability, timeliness and balance between benefit and cost .

Theoretical Scope

The organizational environment theory with an open systems view was to be proved or disproved in this study.

Time scope

This study was done in eight months, from September 2011 to May 2012: The conceptual phase was done in September. From October to December the thesis proposal has been done and submitted in January. From February to April the data gathering were collated, the researcher has collected, encoded into the computer and statistically treated to facilitate the analysis. In May the thesis was submitted to the School of Postgraduate Studies and Research

Significance of the Study

The findings of this study is beneficial to the following people and institutions:

The **Rwanda commercial bank,** the **"Banque Populaire du Rwanda"** and **FINA bank** will appreciate the importance of skills among staffs and how it affects the quality of financial reporting.

The **bank operators** will understand the crucial role played by financial reporting and how they can improve its methods of preparation and reporting for better decision making.

The **human resource managers** in these banking institutions will implement an effective staff development strategy with focus on the relevant skills.

The **future researchers** will utilize the findings of this research to embark on a related study.

Operational Definitions of Key Terms

For the purpose of this research, the following terms are defined as they are used in the study:

Financial management refers to planning, organizing, directing and controlling the financial activities of the selected commercial banks in order to allow them to reach their objectives.

Financial management skills are the capacity of selected commercial bank staffs to prepare and report effectively financial statement. In this study, skills are measured in terms of area of specialization of staffs; training acquired, and work performance.

Bookkeeping skills are the capacity of staff of keeping full, accurate, and up-to-date all financial transactions of the selected banks. Transactions include sales, purchases, income, receipts and payments by the selected banks.

Budget skills refer to the capacity of the selected commercial banks staff of making an estimation of costs, revenues, and resources over a specified period, reflecting a reading of future financial conditions and goals of these selected banks.

Statement of financial positions presents an entity's assets, liabilities and equity as of a specific date – the end of the reporting period. It is a snapshot of a business' financial condition at as specific moment in time, usually at the close of an accounting period.

Income statement presents an entity's financial performance (i.e its income and expenses for the period).

Statement of changes in equity presents all changes in equity in the reporting period, detailing those arising from transaction with owners in their capacity as owners.

Statement of cash flows provides information about changes in cash and cash equivalent of an entity for a reporting period; showing separately changes from operating activities, investing activities and financing activities.

Notes to financial statements are additional notes and information added to the end of financial statements to supplement the reader with more information. Notes to financial statements help the computation of specific items in the financial statement as well as provide a more comprehensive assessment of a company's financial condition. Notes to financial statements can include information on debt, going concern, accounts, contingent liabilities, or contextual information explaining the financial numbers (e.g. to indicate a lawsuit). The information contained within the notes not only supplements financial statement information, but they clarify line-items that are part of the financial statements.

Other financial reporting comprises information provided outside financial statements that assists in the interpretation of a complete set of financial statements or improves users' ability to make efficient economic decisions.

Cash management skills are the capacity of the selected commercial banks staff to process receipts and payments in an organized and efficient manner.

Accounting software skills are the staff performance in application software that records and processes accounting transactions within functional modules such as account payable, accounts receivable, payroll, and trial balance. Such software functions as an accounting information system.

Financial reporting

The term "Financial reporting" encompasses general purpose financial statement plus other financial reporting.

Understandability

The information provided in financial statement should be presented in a way that makes it comprehensible by users who have a reasonable knowledge of business and economic activities and accounting and willingness ti study the information with reasonable diligence. However, the need for understandability does not allow relevant information to be omitted on the grounds that it may be too difficult for some users to understand.

Relevance

The information provided in financial statements must be relevant to the decision-making needs of users. Information has the quality of relevance when it is capable of influencing the economic decisions of users by helping them evaluate past, present or future events or confirming, or correcting, their past evaluations.

Materiality

Information is materiality-and therefore has relevance-if its omission or misstatement could influence the economic decisions of users made on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. However it is inappropriate to make, or leave uncorrected, immaterial departures from the IFRS for SMEs to achieve a particular presentation of an entity's financial position, financial performance or cash flows.

Reliability

The information provided in financial statements must be reliable. Information is reliable when it is free from material error and bias and represents faithfully that which it either purports to represent or could reasonably be expected to represent. Financial statements are not free from bias (**ie not neutral**) if, by the selection or presentation of information, they are intended to influence the making of a decision or judgment in order to achieve a predetermined result or outcome.

Substance over form

The transactions and other events and conditions should be accounted for and presented in accordance with their substance and not merely their legal form. This enhances the reliability of financial statements.

Prudence

The uncertainties that inevitably surround many events and circumstances are acknowledged by the disclosure of their nature and extent and by the exercise of prudence in preparation of the financial statements. Prudence is the inclusion of a degree of caution in the exercise of the judgments needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated. However, the exercise of prudence does not allow the deliberate understatement of assets or income, or the deliberate overstatement of liabilities or expenses. In short, prudence does not permit bias.

Completeness

To be reliable, the information in financial statements must be complete within the bounds of materiality and cost. An omission can cause information to be false or misleading and thus unreliable and deficient in terms of its relevance.

Comparability

Users must be able to compare the financial statements of an entity through time to identify trends in its financial position and performance. Users must also be able to compare the financial statement of different entities to evaluate their relative financial position, performance and cash flows. Hence, the measurement and display of the financial effects of like transactions and other events and conditions must be carried out in a consistent way throughout an entity and over time for that entity, and in a consistent way across entities. In addition, users must be informed of the accounting policies employed in the preparation of the financial statements, and of any changes in those policies and the effects of such changes.

Timeliness

To be relevant, financial information must be able to influence the economic decisions of users. Timeliness involves providing the information within the decision time frame. If there is undue delay in the reporting of information it may lose its relevance. Management may need to balance the relative merits of timely reporting and providing of reliable information. In achieving a balance between relevance and reliability, the overriding consideration is how best to satisfy the needs of users in making economic decisions.

Balance between benefit and cost

The benefits derived from information should exceed the cost of providing it. The evaluation of benefits and costs is substantially a judgmental process. Furthermore, the costs are not necessarily borne by those users who enjoy the benefits, and often the benefits of information are enjoyed by a broad range of external users.

Financial reporting information helps capital providers make better decisions which results in more efficient functioning of capital markets and lower cost of capital for the economy as whole. Individual entities also enjoy benefits, including improved access to capital markets, favorable effect on public relations, and perhaps lower cost of capital. The benefits may also include better management decisions because financial information used internally is often based at least partly on information prepared for general purpose financial reporting purposes.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

Concepts, Opinions, Ideas from Authors/ Experts

Financial management

According to Stieglitz (2001), **Financial management** entails planning for the future of a person or a business enterprise to ensure a positive cash flow. It includes the administration and maintenance of financial assets. Besides, financial management covers the process of identifying and managing risks.

Financial Management Skills

According to Wild (2000:6), **financial management skills** include book keeping skills, budget skills, financial statement skills, cash management skills, and accounting software skills.

Book Keeping

According to Wild (2000: 6) **book keeping** or recordkeeping is the recording of financial transactions and events, either manually or electronically. While recordkeeping is essential to data reliability, accounting is this and much more. The primary objective of accounting is to provide useful information for decision making. Accounting activities include identifying, measuring, recording, reporting, and analyzing business transactions and events.

Budget

Solomon (2004: 13) defines a **budget**, in general terms, as a projection of future-oriented plan expressed in financial terms. He therefore distinguishes two types of budget: a budgeted balance sheet and a budgeted income statement. The former refers to an estimation of what the organization assets and liabilities will be at a future point of time while the later refers to the projected income statement or operating budget. The use of an operating budget is not, however, restricted to the first year of a business. It is also useful for planning future years, quarters, months, or weeks.

Statement of financial positions

According to Wild (2000:68) the **statement of financial positions** (also called balance sheet) reports the financial position of a company at a point in time, usually at the end of a month, quarter, or a year. The balance sheet describes financial positions by listing the types and amounts of assets, liabilities, and equity. The balance sheet heading lists the company, the statement, and the date on which assets, liabilities, and equity are identified and measures. The amounts in the balance sheet are leasured as of the close of business on the date.

Salomon (2004: 55) states that because balance sheet is a financial statement that reports the financial position of an entity at a point in time, it sometimes is called a statement of financial position pr a statement of financial condition. According to him a balance sheet may be prepared after a single transaction, or after any number of transactions.

Income statement

According to Wild (2000:11) an Income statement is an income statement reporting on operating activities. It lists amounts for sales and revenues less all costs and expenses over a period of time.

Statement of Changes in Equity

According to IFRS (2009) for SMES the purpose of a **statement of changes in equity** is to present an entity's profit or loss for a reporting period, items of income and expense recognized in other comprehensive income for the period, the effects of changes in accounting policies and corrections of errors recognized in the period, and the amounts of investments by, and dividends and other distributions to, equity investors during the period.

Statement of cash flows

According to Wild et al. (2004: 383) **cash** is the residual balance from cash inflows *less* cash outflows for all prior periods of a company. Net cash flows, or simply **cash flows,** refer to the current period's cash inflows less cash outflows. Cash flows are different from accrual measures of performance. Cash flow measures recognize inflows when cash is received but not necessarily earned, and they recognize outflows when cash is paid but not necessarily earned, and they recognize outflows when cash is paid but the expenses not necessarily incurred.

According to **Higgins** (2004: 16) identifying a company's principal sources and uses of cash is a useful skill in its own right. It is also an excellent starting point of considering the cash flow statement, the third major components of financial statements along with the income statement and the balance sheet. In essence, a cash flow statement just expands and rearranges the sources and uses statement, placing each source or use into one of three broad categories of activities: operating activities, investing activities, and financing activities.

Notes to financial statement

IFRS (2009) for SMES describes **notes** as an important component of financial statements which contain information in addition to that presented in the statement of financial position, statement of comprehensive income, income statement (if presented), combined statement of income and retained earnings (if presented), statement of changes in equity, and statement of cash flows. Notes provide narrative descriptions or disaggregation of items presented in those statements and information about items that do not qualify for recognition in those statements.

The notes shall:

(a) present information about the basis of preparation of the financial statements and the specific accounting policies used;

(b) disclose the information required that is not presented elsewhere in the financial statements; and

(c) provide information that is not presented elsewhere in the financial statements but is relevant to an understanding of any of them.

Other financial reporting

According to IFRS for SMEs (2009:12) other financial reporting comprises information provided outside financial statements that assists in the interpretation of a complete set of financial statements or improves users' ability to make efficient economic decisions.

Cash management

According to Wild et al. (2004: 383) **cash management** is the measure of a business' ability to pay its bill on time. This, in turn, depends on the timing and amounts of cash flowing into and out of the business each week and month.

Accounting Software

Solomon (2004: 414) defines an accounting software package as a business applications software package that allows an accountant to computerize the bookkeeping and financial reporting tasks required in most business. Accounting software is usually classified as either "high-end" or "low-end" depending on the characteristics of the user of that software.

Financial reporting

According to Weetman (1999) **financial reporting** is an essential component in the process of communication between a business and its stakeholders. The importance of communication increases as organizations become larger and more complex.

Reporting financial information to external stakeholders not involved in the day-to-day management of the business requires a carefully balanced process of extracting the key features while preserving the essential core information. The participants in the communication process cover a range of expertise and educational background, so far as accounting is concerned.

Weetman emphasizes that the range begins with the preparers of financial statements, who may have special training in accounting techniques, but ends with those who may be professional investors, private investors, investment advisers, bankers, employee representatives, customers, suppliers and journalists.

According to IFRS for SMEs (2009:12) apply to the general purpose of financial statements and other financial reporting of all profit-oriented entities.

General purpose financial statements are directed towards the common information needs of a wide range of users, for example, shareholders, creditors, employees and the publics at large. The objective of financial statements is to provide information about the financial position, performance and cash flows of an entity that is useful to those users in making economic decisions. General purpose financial statements are directed to general financial information needs of a wide range of users who are not in a position to demand reports tailored to meet their particular information needs. General purpose financial statements include those that are presented separately or within another public document such as an annual report or a prospectus.

Other financial reporting comprises information provided outside financial statements that assists in the interpretation of a complete set of financial statements or improves users' ability to make efficient economic decisions.

Understandability

According to Weetman (1999) understandability depends on how information is aggregated, classified and reported. It also depends on the capabilities of users. Users are assumed to have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence. Information on complex matters should not be omitted from financial statement merely on the grounds that some users may find it difficult to difficultTo understand (p. 79).

Materiality

According to Weetman the ASB suggests that materiality is a test to be applied at the threshold of considering an item. If any information is not material, it does not need to be considered further. Information is said to be material if it could influence users' decisions taken on the basis of the financial statements. If that information is misstated, or if certain information is omitted, the materiality of the misstatement or omission depends on the size and nature of the item in question judged in the particular circumstances of the case. It should be noted here that the application of materiality tests is much dependent on circumstances and will from one accountability practitioner to another

Reliability

Weetman (1999) states that Information has the quality of reliability when it is free from material error and bias and can be depended upon by users to represent faithfully what are either purports to represent or could reasonably be expected to represent (p. 77). According to the author relevance and reliability are twin targets which may cause some tension in deciding the most appropriate way to report accounting information. There is a trade-off between relevance and reliability when it comes to ensuring that information is delivered in a timely manner so that it is still relevant, and when it comes to deciding whether the costs of producing further information exceed the benefits

Substance over

Substance over form or faithful representation involves the words as well as the numbers in the financial statements and also requires that the substance of transactions or events is recorded. For example, if a company has sold its buildings to a bank to raise cash and the pays rent for the same buildings for the purpose of continued occupation, carrying all the risks and problems of being owner, there could be a view that the commercial substance of that sequence of transactions is comparable to ownership, although the legal form is that there has been a sale. Information in the financial statements would show the commercial substance of the situation (Weetman, 1999: 77)

Prudence

According to Weetman prudence is the inclusion of a degree of caution in the exercise of the judgments needed in making the estimates required under conditions of uncertainty, such that income or assets are not overstated and expenses or liabilities are not understated (1999:78).

Decisions about recognition of income or assets and of expenses or liabilities require evidence of existence and reliability of measurement. Stronger evidence and greater reliability of measurement are required for income and assets than for expenses and liabilities.

Completeness

Completeness is the fact of being complete. It almost goes without saying that information cannot be reliable if it is not complete. The information in financial statements must be complete, within the bounds of materiality and cost. An omission can cause information to be false or misleading and thus to lack reliability and relevance *(ASB paras. 3.16 to 3.17).*

Comparability

According to Weetman comparability requires the measurement and display of the financial effect of like transactions and other events to be carried out in a consistent way within each accounting period and from one period to the next, and also in a consistent way by different entities.

There must be disclosure of the accounting policies employed in the preparation of financial statement employed in the preparation of financial statements and any changes in those policies and the effects of such changes. To provide users with a basis for comparison it is important that the financial statements show corresponding information for one or more preceding periods (1999: 78).

Timeliness

According to Williams at al. (2003) timeliness is a source of competitive advantage that enables a company to plan for and control ongoing business processes and accounting information. The competitive environment faced by many enterprises demands immediate access to information. Enterprises are responding to this demand by creating computerized databases that link to external forecasts of industry associations, to their suppliers and buyers, and to their constituents.

Balance between benefit and cost

According to IFRS for SMEs, The benefits derived from information should exceed
the cost of providing it. The evaluation of benefits and costs is substantially a judgmental process. Furthermore, the costs are not necessarily borne by those users who enjoy the benefits, and often the benefits of information are enjoyed by a broad range of external users.

Financial reporting information helps capital providers make better decisions which results in more efficient functioning of capital markets and lower cost of capital for the economy as whole. Individual entities also enjoy benefits, including improved access to capital markets, favourable effect on public relations, and perhaps lower cost of capital. The benefits may also include better management decisions because financial information used internally is often based at least partly on information prepared for general purpose financial reporting purposes (page 12).

Theoretical Perspectives

Thus, this study is based on the organizational environment theory with an open systems view. The environment theory therefore, is a set of forces and conditions that operate beyond an organization's boundaries but affect a manager's ability to acquire and utilize resources. However the open systems view is a system that takes in resources from external environment and converts or transforms them into goods and services that are sent back to that environment, where they are bought by customers. The money the organization obtains from the sales of goods and services (output) allows the organization to acquire more resources and so that the cycle can begin again. The system is said to be open because it allows the organization to acquire resources and interact with the external environment in order to survive.

On the other hand, organizations that operate in a closed system, that ignore the external environment, and fail to acquire inputs are likely to experience entropy. Entropy is a tendency of a closed system to lose its ability to control itself and thus to dissolve and disintegrate.

Hence, the existence and continuation of any organization – whatever its size and range of activities – depends on its successful utilization or managing of a variety of different **resources** which are available to it (CIC 2004). In this context we can look upon a "resource" as being something which helps something which helps an organization to achieve its objectives or goals – and to survive.

An important resource for any organization is categorized as being '**financial**'. This comprises money which has been invested in it and/or loaned to it, and often earned by it from its activities, and which is available to it to 'finance' or to pay for its operations, whether those are industrial, commercial or service-providing; and whether it is a privately owned business run with the objective of earning profits, or whether it is a local or central government or quasi-government organization.

The executives of an organization must "manage" its financial resources to the best effect. They must avoiding wasting or losing money, whilst endeavoring to increase the finances available to the organization, and – in the cases of business – to gain profits for their owners or shareholders and security and "returns" for investors.

Other resources of importance to organizations are more "tangible" and which, depending on its size and activities, might include land, building, plant, machinery and equipment, motor vehicles, shop and/or office furniture, stocks or raw materials, stocks of products for sale, stocks of other items. Such material possessions are often called 'assets'.

The executives of an organization must "manage" and use its assets in the most effective and efficient and cost-effective manner to achieve its objectives, which might be the manufacture or production of products, the sale of products, or the provision of services (or two or all). Machinery and equipment must be maintained and repaired and, when necessary, replaced, so that it will continue to perform effectively the functions for which it was acquired.

But no matter how great its financial resources and the range or value of its assets, an organization can achieve its objectives only through the medium of human effort. Its '**human resource**' is therefore as important to an organization – if not more important than – its other resources. An organization's human resource comprises the combined contributions in the forms of efforts, skills or capabilities of the people it employs – its 'personnel" - which enable it to perform and to continue its operations and, indeed, to exist.

It is only logical that the executives of an organization should also strive to manage its human resource in the most effective manner, so that employees work well and willing in the best interests of the organization – and in their own best interests, too, and to remain in the employ of the organization. But human beings – men and women - are not "inanimate" objects; they have individual characters, they have feelings and emotions, they have needs, likes and dislikes, preferences and biases. They cannot be managed according to inflexible rules or principles, such as those which apply to accounting for finance for example, and they cannot be switched on and of like machines or pieces of equipment.

It is important to note that resources in the organizational environment include raw material and **skilled people** that an organization requires to produce goods and services. An organization needs also the support groups, including customers that buy goods and services and provide the organization with financial resources. Perhaps the greatest service an HR manager can provide for the employing organization lies in education and occupational training. As we have already emphasized, the greatest asset of any successful enterprise is its workforce, whose integrated skills and experience under wise leadership contribute most to the progressive growth of the enterprise.

We must never forget that we live in a rapidly changing world in which technological changes can make methods and machine obsolete in a very short space of time. In some cases machinery and equipment can become outdated shortly after it has been installed, and it planners and management are naturally cautious, and slow in making decisions, an enterprise might find itself ordering and installing types of equipment just before improved versions appear on the market. Caution coupled with knowledge is an admirable trait, but caution by itself without the benefit of adequate knowledge is like walking in the dark in a strange place without a guide.

The Human Resource manager who has the foresight drive and personality to influence the management and workers of an enterprise to seek to improve their knowledge and to be fully aware of the importance of the benefits of such knowledge of all concerned, can make an enormous contribution to the continued prosperity of the enterprise.

In banking systems skilled people are also a key factor of any success. Despite that knowledge in financial management is one of the most required conditions during the recruitment of staffs performing the banking operations, continuous training is therefore of ultimate importance to allow them to smoothly performing their duties.

Thus performing banking operations does not simply requires general knowledge in financial management but deep understanding for example of what financial statements are, their purpose, their methods of preparation, the financial reporting standards and principles, and financial terminology to allow managers to make proper decisions. So to know what is significant or inconsistent and to ask the right questions it is necessary to know something about accounting, about accounts and how they are prepared, what they tell you and what they don't (Holmes and Sugden 1999). Stated simply, these specific duties require skills and specialization.

So the organizational environment with an open systems view is very relevant because financial management skills among staff can be considered as sub-system required in banking competitive environment whereas it is impacting on quality of cash flow statement.

For that selected commercial banks should develop and implementing an effective staff development strategy focusing on continuous training program of staffs to improve their performance and allow this bank to maintain and improve its position in the financial market in the country. However continuous training in preparing financial reporting should be considered as a priority.

Related Studies

This part with regard to related studies discusses past empirical investigations similar to or related to the present studies. According to Eric Kinger (2004) a psychological empirical investigation is most often an experiment, a co relational study, or carefully controlled and processed observations of behavior. In the case of this research the emphasis will be put on the impact of financial management skills among staff in terms of bookkeeping skills, budget skills, financial statement skills, cash management skills and accounting software skills on the quality of financial reporting in terms of balance sheet, income statement, statement of changes in equity, statement of cash flows and notes.

Indeed, with reference to what Weetman (2004) said financial reporting is an essential component in the process of communication between a business and its stakeholders. However quality of the financial reporting is again more essential as long as it contributes to the success of business. Thus, in the selected commercial banks which are taken as case of this study, quality of financial reporting will be assessed in terms of its capacity of influencing the achievement of the objectives of these commercial banks and therefore its contribution to proper decision making in these respective banks.

Thus balance sheet, income statement, statement of changes in equity, statement of cash flows and notes must be properly prepared so that it can be used by managers to maintain or develop strategies with regard of the objectives of the selected banks. Therefore this achievement is only possible when financial management skills are taken as paramount criteria of performance of staff in general and of financial reporting preparers in particular.

The past studies had shown that financial management skills of staff are the basis of quality financial reporting in banking institutions. Alternatively lack of financial management skills is often the source of errors in financial reporting in the same banking institutions. Hence the selected commercial banks top managers should implement a strategic program of staff development focused on financial management skills particularly with regard to bookkeeping, budget, financial management, cash management, and accounting software.

CHAPTER THREE

METHODOLOGY

Research Design

This study used the descriptive approach with co-relational design. Descriptive studies are *non-experimental* researches that describe the characteristics of a particular individual, or of a group. It deals with the relationship between variables, testing of hypothesis and development of generalizations and use of theories that have universal validity. It also involves events that have already taken place and may be related to present conditions (Kothari, 2004).

Research Population

The target population included 38 managers and 72 banking operation officers of RCB, BPR, and FINA Bank. This made a total number of 110 staffs.

Sample Size

In view of the nature of the target population where both managers and banking operators were concerned, a sample was taken from each category. Table 1 below shows the distribution of respondents of the study from two categories: Managers, and Operation officers. The Slovene's formula below was used to determine the minimum sample size

$$n = \frac{N}{1+N\,E^2}$$

Where: n= sample size

N= population size

E= margin of error desired

Table 1

Respondents of the Study

CATEGORY	POPULATION				SAMPLE SIZE			
	RCB	BPR	FINA BANK	S/T	RCB	BPR	FINA BANK	S/T
Managers	14	12	12	38	13	11	11	35
Operation officers	26	23	23	72	24	21	21	66
Total	**110**				**101**			

Sampling Procedures

The non-probability sampling was utilized to select the respondents. However the above sampling would be of purposive sampling based on various criteria amongst the following:

1. Qualification
2. Area of specialization
3. Duration in service
4. Training acquired
5. Frequency of training, etc.

Research Instruments

The research tools that were utilized in this study include the following: (1) *face sheet* to gather data on the respondents' demographic characteristics (Qualifications, area of specialization, duration in service, training acquired, Frequency of training (2) *researcher devised questionnaires* to determine the methods of preparing and reporting financial statements. These consisted of options referring to deferent steps and *financial.* (3) Items concerning the impact of financial management skills on the quality of financial reporting and (4) items regarding challenges faced by staffs when preparing financial reporting.

Validity and Reliability of the Instrument

The researcher used two questionnaires, one for the independent variable and another for the dependent variable. In order to obtain reliable and valid results in this study several precautions were made. All aspects of the research problem were covered in research questions and were relevant to the purpose of this study and finally, the questionnaire was approved by the supervisor. Moreover, the questionnaire was pre-tested to two individuals before being taken to the field to be filled out by respondents and yielded the same results, therefore the instruments were reliable.

Data Gathering Procedures

Before the administration of the questionnaires

1. An introduction letter was obtained from the School of Post Graduate Studies and Research for the researcher to solicit approval to conduct the study from the selected commercial banks.
2. After approval, the researcher secured the list of the targeted respondents from the selected commercial banks to arrive at the minimum sample size.
3. The respondents were explained about the study and were requested to sign the Informed Consent Form (Appendix 3).
4. More than enough questionnaires were reproduced for distribution.
5. Research assistants were selected and assisted in the data collection; they were briefed and oriented in order to be consistent in administering the questionnaires.

During the administration of the questionnaires

1. The respondents were requested to answer completely and not to leave any part of the questionnaires unanswered.
2. The researcher and assistants emphasized retrieval of the questionnaires within five days from the date of distribution.

3. On retrieval, all returned questionnaires were checked to ensure that all were answered.

After the administration of the questionnaires

The data gathered were collated, encoded into the computer and statistically treated to facilitate the analysis.

Data Analysis

The frequency and percentage distribution were used to determine the demographic characteristics of the respondents.

An item analysis illustrated the level of skills in financial management. It was used to evaluate the impact of these skills on the quality of financial reporting based on the indicators in terms of strengths and weaknesses. From these strengths and weaknesses, the recommendations were formulated.

Ethical Considerations

To ensure confidentiality of the information provided by the respondents and to ascertain the practice of ethics in this study, the following activities were implemented by the researcher:

1. The respondents were coded instead of reflecting the names.
2. Solicit permission through a written request to the concerned officials of the Rwanda commercial bank in order to access the data from respondents in Rwanda Commercial Bank, "Banque Populaire du Rwanda", and FINA Bank.
3. Request the respondents to sign in the *Informed Consent Form* (Appendix
4. Acknowledge the authors quoted in this study and the author of the standardized instrument through citations and referencing.
5. Present the findings in a generalized manner.

Limitations of the Study

In view of the following threats to validity, the researcher claimed an allowable 5% margin of error at 0, 05 level of significance. Measures were also indicated in order to minimize if not to eradicate the threats to the validity of the findings of this study. Those measures were as following:

1. *Extraneous variables* which would be beyond the researcher's control such as respondents' honesty, personal biases and uncontrolled setting of the study.
2. *Instrumentation:* The research instruments on resource availability and utilization are not standardized. Therefore a validity and reliability test was done to produce a credible measurement of the research variables.
3. *Testing:* The use of research assistants could bring about inconsistency in the administration of the questionnaires in terms of time of administration, understanding of the items in the questionnaires and explanations given to the respondents. To minimize this threat, the research assistants were oriented and briefed on the procedures that had to be done in data collection.
4. *Attrition/Mortality*: Not all questionnaires maybe returned neither completely answered nor even retrieved back due to circumstances on the part of the respondents such as travels, sickness, hospitalization and refusal/withdrawal to participate. In anticipation to this, the researcher reserved more respondents by exceeding the minimum sample size. The respondents were reminded not to leave any item in the questionnaires unanswered and were be closely followed up as to the date of retrieval.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA

Profile of Respondents

The first objective of the study was to determine the profile of managers and banking operation officers of RCB, BPR, and FINA Bank. Frequencies and percentage distributions were used to summarize the profile of respondents in terms of age, gender, educational level, area of specialization, professional qualification, work experience, employment position.

The data from table 2 show the distribution of respondents according to age, gender, education level, area of specialization, professional qualification, work experience and employment position.

The results indicate that the majority (62, 4 %) of the respondents are aged between 30 and 40 years, and 21,8% of the respondents are aged between 20 and 30 years while only 15,8% of the respondents are aged between 20 and 30 years. These results show that the majority of the staff of the selected banks is relatively young. This represents strength of the selected banks with regard of work force.

The results show that the majority (55, 4%) of the respondents are male while only 45% of the respondents are female. The results show that there is no significant imbalance based on gender among the managers and banking operators as long as both men and women perform effectively their duties.

Table 2
Profile of the Respondents

Characteristics	Frequency	Percentage
Gender		
Male	56	55.4%
Female	45	44.6%
Total	**101**	100%
Age category		
Below 20 Years	0	0%
20-30	22	21.8%
30-40	63	62.4%
40 and above	16	15.8%
Total	**101**	**100%**
Education Level		
Certificate	0	0%
Diploma	0	0%
Bachelors	79	78.2%
Masters	22	21.8%
PhD	0	0%
Total	**101**	**100%**
Area of specialization		
Accounting	46	45.5%
Finance	29	28.7%
Management	23	22.8 %
Mathematics	3	3 %
Total	**101**	**100%**
Professional qualification		
ACCA	12	11.9%
CFA	5	5.0 %
CMA	3	3.0 %
Other	81	80.2 %
Total	**101**	**100%**
Working experience		
6 months - 1 year	5	5%
2 years - 4 years	31	30.7%
5 years - 7 years	53	52.5%
8 years and above	12	11.9%
Total	**101**	**100%**

Source: Primary data

In this table 2, the majority (78, 2%) of the respondents are bachelors' degree holders while 21, 8% of the respondents are postgraduate holders. The results show that managers and banking officers in the selected banks are qualified, hence resourceful. However the level of qualification has to be improved in order to reinforce the staff knowledge and skills. This is because in the future the lack of advanced degree holders shall challenge the performance of these financial institutions with regard of human resource especially as they are operating in a competitive financial market.

The data from table 2 indicate the distribution of respondents according to their area of specialization. The results show that majority (45, 5 %) of respondents are specialized in Accounting; 28, 7% in Finance; 22, 8% in Management while 3 % are specialized in Mathematics. The above mentioned results show that the area of specialization of the bank officers matches with the nature of operations they are performing and especially those related to Accounting. This is supported by the view of Weetman where he stated that the participants in communication process cover a range of expertise and educational background, so far as accounting is concerned. In our case the participation of accountants in financial reporting which is a part of financial communication is an asset to the selected banks.

It is deduced from the table 2 that 11, 9% of the respondents are ACCA qualification, 5% are CFA qualification while 3% of the respondents have CMA qualification. The data also indicate that the majority (80, 2%) of the respondents have other professional qualifications which were not detailed. The results show that in addition to academic qualification the respondents have professional qualifications which represent an advantage to these selected banks.

The data from table 2 show the distribution of respondents according to their professional experience. The results indicate that 52, 5% which represent the majority of the respondents have a professional experience of 5 to 7 years. The results also indicate that 30, 7 % of the respondents have a professional experience of 2 to 4 years and 11,9 % of respondents have a work experience of 8 years and above while 5% of the respondents have a professional experience of 6 months to 1 year. This work experience of respondents contributes to the reliability of the information collected as they shall be considered as mastering the selected commercial banks.

The data from table 2 indicate that 3% of the respondents are Accountant managers, 3% are Tax managers, 3% are corporate managers, 3% are Training and Development Managers, 3% are Payroll Manager, and 3% are Internal Audit managers while 16, 8 % are managers who whose job position were not detailed. Furthermore 65, 3% which represent the majority of the respondents are operation officers. These results contribute the reliability of information gathered as collected from different managers and operators responsible of various services related to the matter under study.

Level of financial management skills of the Respondents

The second objective was to determine the level of financial management skills and training in financial management in terms: book keeping skills, budget skills, statement of financial position skills, income statement skills, statement of changes in equity skills, statement of cash flows skills, notes to financial statement skills, other financial reporting, cash management skills and accounting software skills.

Using a closed questionnaire managers and banking operation officers of RCB, BPR, and FINA Bank were asked to rate themselves on the level of financial management skills. All questions were rated using a five rate, where 1=Very low skill, 2=Low skill, 3=Moderate skill, 4=High skill, 5= Very high skill. Responses were analyzed using means and for their interpretation, the following numerical values and descriptions were followed:

Level of management skills

Mean range	*Description/Response mode*	*Interpretation*
4.21-5.00	Very high skills	Very high skills
3.41-4.20	High skills	High skills
2.61-3.40	Moderate skills	Moderate skills
1.81-2.60	Low skills	Low skills
1.00-1.80	Very low skills	Very low skills

Table 3

Level of Financial Management Skills

Financial Management Skills	**Mean**	**Interpretation**	**Rank**
Skills			
Accounting software	4.67	Very high skills	1
Statement of Financial position	4.25	Very high skills	2
Book keeping skills	4.18	High skills	3
Statement of cash flows	4.13	High skills	4
Income statement	4.10	High skills	5
Statement of changes in Equity	4.09	High skills	6
Cash management	3.83	High skills	7
Budget skills	3.48	High skills	8
Other financial reporting	3.20	Moderate skills	9
Notes to financial statement	2.43	Moderate skills	10
Average Mean	**3.84**	High skills	
Training			
Book keeping skills	4.70	Very high skills	1
Statement of cash flows	4.13	High skills	2
Cash management	3.99	High skills	3
Other financial reporting	3.99	High skills	4
Statement of Financial position	3.97	High skills	5
Accounting software	3.88	High skills	6
Statement of changes in Equity	3.76	High skills	7
Income statement	3.58	High skills	8
Budget skills	3.46	High skills	9
Notes to financial statement	2.03	Low skills	10
Average Mean	**3.75**	**High skills**	
Overall Mean	**3.79**	**High skills**	

The table 3 shows the means of the ten (10) indicators used to measure the level of financial management skills among staff in the three selected commercial banks in Kigali and their overall mean which was used to measure the degree of financial management skills in the institution under study.

The average mean of all indicators used to measure the degree of skills is 3.84 which is interpreted as high skills. The following are average mean for each indicator: accounting software skills(mean:4.67), statement of financial position skills (mean=4.25), book keeping skills (mean:4.18), statement of cash flows skills (mean=4.13), income statement skills (mean:4.10), statement of changes in equity skills(mean:4.09), cash management skills(mean: 3.83), budget skills(mean=3.48), other financial reporting(mean: 3.20) and notes to financial statement skills(mean:2.43).

The average mean of all indicators used to measure the degree of training is 3.75 which is interpreted as high skills. The following are average mean for each indicator: book keeping skills (mean:4.70), statement of cash flows skills (mean: 4.13), cash management skills(mean: 3.99), other financial reporting(mean: 3.99), statement of financial position skills (mean:3.97), accounting software skills(mean:3.88), statement of changes in equity skills(mean:3.76), income statement skills (mean:3.58), budget skills(mean: 3.46), , and notes to financial statement skills(mean:2.03).

The overall mean of all indicators of skills and training is 3.79 which is interpreted as high skills.

Indeed, the results indicate that the degree of skills on notes to financial statement is moderate and lower in comparison with other training acquired by the staff of the commercial selected banks..

Quality of financial reporting

The third objective of this study was to determine the level of quality of financial reporting in, understandability, relevance, materiality, reliability, substance over form, prudence, completeness, comparability, timeliness and balance between benefit and cost.

Using a closed questionnaire managers and banking operation officers of RCB, BPR, and FINA Bank were asked to rate themselves on the level of Quality of financial reporting. All questions were rated using a four rate, where 1=Strongly disagree, 2=Disagree, 3=Agree, 4=Strongly agree..

Responses will be analyzed using means and for their interpretation, the following numerical values and descriptions were followed:

Level of management skills

Mean range	*Description/Response mode*	*Interpretation*
4.21-5.00	Very high skills	Very high skills
3.41-4.20	High skills	High skills
2.61-3.40	Moderate skills	Moderate skills
1.81-2.60	Low skills	Low skills
1.00-1.80	Very low skills	Very low skill

Table 4
Quality of financial reporting

Items on Quality of financial reporting	Mean	Interpretation	Rank
Profit/Economy	4.00	High quality	1
Relevance	4.00	High quality	2
Comparability	4.00	High quality	3
Prudence	4.00	High quality	4
Reliability	4.00	High quality	5
Materiality	4.00	High quality	6
Understandability	4.00	High quality	7
Timeliness	3.95	High quality	8
Completeness	3.93	High quality	9
Substance over form	3.72	High quality	10
Average Mean	**3.96**	High quality	

Table 4 indicates the mean showing the level of quality of financial reporting in the institutions under study. Ten indicators were used to measure the level of quality of financial reporting of the three selected commercial banks.

The following are the mean for every indicator of the quality of financial reporting; profit (mean=4.00), relevance (mean=4.00), comparability (mean= 4.00), prudence (mean=4.00), reliability (mean=4.00), materiality (mean=4.00), understandability (mean=), timeliness (mean=3.95), completeness (mean=3.93), and substance over form (mean=3.72).

The average mean of all indicators of quality of financial reporting is 3.96 which is interpreted as high quality. This means that the three institutions under study are acceptably reputable in financial reporting.

Differences in level of financial management skills

The fourth objective of this study was to determine if there is a significant difference in the level of financial management skills among staff based on gender, age, area of specialization, professional qualification and work experience. The t-test and One way ANOVA were used to test a null hypothesis that there is no significant difference in the level of financial management skills among staff based on gender, age, area of specialization, professional qualification and work experience. Table 5 shows difference in the level of financial management skills between male and female staff.

Table 5
Significant difference in the level of financial management skills among staff based on Gender

FMS	Gender	Mean	T	Sig.	Interpretation	Decision on H_o
Skills	Female	3.44	-9.989	.000	Significant difference	Rejected
	Male	4.14				
Training	Female	3.32	-11.257	.000	Significant difference	Rejected
	Male	4.08				
FMS	Female	3.38	-11.122	.000	Significant difference	Rejected
	Male	4.11				

The table 5 shows that the level of financial management skills differed significantly between male and female respondents in selected commercial bank (t=-11.122, sig.=0.000). Male staffs showed high level of financial management skills (mean=4.11) as compared to female staffs (mean=3.38).

Table 6 shows results of Fisher's One way ANOVA on the differences in level of financial management skills of staffs based on age and area of specialization and as indicated in the same Table, the level of financial management skills significantly differed according to area of specialization; where those specialised in mathematics (mean=4.87), showed higher levels of skills compared to those in management (mean=4.39), finance (mean=3.82), and accounting (mean=3.39) respectively. These results on differences according to age, revealed that staffs who are more aged have higher levels of financial management skills as compared to those who are less aged. For example, those who were 40 years and above (mean=4.66), had more skills compared to those of 30-40 years (mean=3.76) and 20-30 years (mean=3.20) respectively.

Table 6
Significant Difference in the Level of Financial Management Skills Among Staff Based on Age, Area of Specialization

FMS	Age groups	Mean	F	Sig.	Interpretation	Decision on H_o
Skills	20 - 30 Years	3.38	193.69	.000	Significant difference	Rejected
	30 - 40 Years	3.74				
	40 and above	4.77				
Training	20 - 30 Years	3.02	302.00	.000	Significant difference	Rejected
	30 - 40 Years	3.78				
	40 and above	4.54				
Overall FMS	20 - 30 Years	3.20	250.15	.000	Significant difference	Rejected
	30 - 40 Years	3.76				
	40 and above	4.66				
Specialisation						
Skills	Accounting	3.45	189.92	.000	Significant difference	Rejected
	Finance	3.80				
	Management	4.49				
	Mathematics	4.93				
Training	Accounting	3.33	94.29	.000	Significant difference	Rejected
	Finance	3.83				
	Management	4.30				
	Mathematics	4.80				
Overall FMS	Accounting	3.39	155.00	.000	Significant difference	Rejected
	Finance	3.82				
	Management	4.39				
	Mathematics	4.87				

Legend : FMS Financial Management Skills

Results in Table 6 imply that people with a background of mathematics acquire more financial skills as compared to those in other fields of study. It is also indicated that the higher the age of an employee, the more skills one attains and vice versa and this may be due to experience gained as one practices in his or her own field.

The researcher also tested whether financial management skills differ significantly based on professional qualification and work experience. The same Fisher's One way ANOVA was used to test the null hypothesis that financial management skills of staffs do not differ significantly based on professional qualification and work experience. Results are indicated in table 7;

Table 7

Significant difference in the level of financial management skills among staff based on Professional qualification and Working experience

FMS	**Qualification**	Mean	F	Sig.	Interpretation	Decision on H_o
Skills	ACCA	3.36	7.840	.000	Significant difference	Rejected
	CFA	3.40				
	CMA	3.40				
	Others	3.94				
Training	ACCA	2.90	35.799	.000	Significant difference	Rejected
	CFA	3.08				
	CMA	3.13				
	Others	3.92				
Overall FMS	ACCA	3.13	17.874	.000	Significant difference	Rejected
	CFA	3.24				
	CMA	3.27				
	Others	3.93				
Experience						
Skills	1 Year or less	3.30	146.16	.000	Significant difference	Rejected
	2 - 4 Years	3.41				
	5 - 7 Years	3.88				
	8 and above	4.87				
Training	1 Year or less	2.90	146.22	.000	Significant difference	Rejected
	2 - 4 Years	3.25				
	5 - 7 Years	3.89				
	8 and above	4.62				
Overall FMS	1 Year or less	3.10	173.68	.000	Significant difference	Rejected
	2 - 4 Years	3.33				
	5 - 7 Years	3.88				
	8 and above	4.75				

Legend: FMS Financial Management Skills

As it is indicated in Table 7, the level of financial management skills significantly differed according to professional qualification. Overall results indicated that staff with CMA (mean=3.27) had more financial management skills as compared to other professionals such as CFA (mean=3.24) and ACCA (mean=3.13).

In respect to work experience, results showed that on the overall, staffs who are more experienced have higher levels of financial management skills, compared to those who are less skilled; for example, those who had worked for 8 years and above (mean=4.75), had more skilled compared to those who had worked for 5-7 years (mean=3.88), 2-4 years (mean=3.33) and 1 year or less (mean=3.10).

Relationship Between the Level Financial Management Skills and the Level of Quality of Financial Reporting

The fifth and last objective was to establish whether there is significant relationship between the level of financial management skills and the level of quality of financial reporting. The researcher tested null hypotheses that the level of financial management skills and quality of financial reporting in selected commercial bank in Kigali Rwanda are not significantly correlated. To test this hypothesis, the researcher correlated the mean scores for financial management skills and those for quality of financial reporting using the Pearson's Linear Correlation Coefficient (PLCC) and the results are indicated in Table 8.

Table 8
Significant Relationship Between Level of Financial Management Skills and Level of Quality of Financial Reporting
(Level of significance=0.01)

Variables Correlated	r-value	Sig.	Interpretation	Decision on Ho
FMS Vs QOFR	.508	.000	Significant correlation	Rejected
TFMS Vs QOFR	.727	.000	Significant correlation	Rejected
Overall FMS Vs QOFR	.632	.000	Significant correlation	Rejected

Legend:

FMS = Financial Management Skills

QOFR = Quality of Financial Reporting

The PLCC results in Table 8 Indicate a positive significant relationship between financial management skills and quality of financial reporting (overall sigs.<0.05). Based on this result, the null hypothesis was rejected and a conclusion was made that the increase in level of financial management skills (r=0.508), increases quality of financial reporting (r=0.727). On the overall, an increase in level of financial management skills, increases quality of financial reporting by a coefficient of 0.632.

CHAPTER FIVE

FINDINGS, CONCLUSIONS, RECOMMENDATIONS

FINDINGS

Respondents' profile

The study indicated that the sample was dominated by male staff (55.4%) over female staff (44.6%). Majority were aged between 30-40 years (62.4%), most of them had a Bachelor's degree (78.2%) whereas majority of them had worked for 5-7 years (52.2%).

Level of Financial Management Skills

The overall mean of all indicators of skills and training was 3.79 which was interpreted as high skills. The average mean of all indicators used to measure the degree of skills is 3.84 which is interpreted as high skills. The following are average mean for each indicator: accounting software skills(mean=4.67), statement of financial position skills (mean=4.25), book keeping skills (mean=4.18), statement of cash flows skills (mean=4.13), income statement skills (mean=4.10), statement of changes in equity skills(mean=4.09), cash management skills(mean=3.83), budget skills(mean: 3.48), other financial reporting(mean=3.20) and notes to financial statement skills(mean=2.43).

The average mean of all indicators used to measure the degree of training is 3.75 which is interpreted as high skills. The following are average mean for each indicator: book keeping skills (mean=4.70), statement of cash flows skills (mean=4.13), cash management skills(mean=3.99), other financial reporting(mean=3.99), statement of financial position skills (mean=3.97), accounting software skills(mean=3.88), statement of changes in equity skills(mean=3.76), income statement skills (mean=3.58), budget skills(mean= 3.46), , and notes to financial statement skills(mean=2.03).

Level of Quality of Financial Reporting

The researcher concluded that the average mean of all indicators of quality of financial reporting was 3.96 which was interpreted as High quality.

The following are the mean for every indicator of the quality of financial reporting: profit (mean=4.00), relevance (mean=4.00), comparability (mean=4.00), prudence (mean=4.00), reliability (mean=4.00), materiality (mean=4.00), understandability (mean=4.00), timeliness (mean=3.95), completeness (mean=3.93), and substance over form (mean=3.72). The average mean of all indicators of quality of financial reporting is 3.96 which is interpreted as High quality. This means that the three institutions under study are acceptably reputable in financial reporting.

Significant Differences in Level of Financial Management Skills

The level of financial management skills differed significantly between male and female respondents (t=-11.122, sig.=0.000). Male staffs showed high level of financial management skills (mean=4.11) as compared to female staffs (mean=3.38). The level of financial management skills significantly differed according to area of specialization, with specialists in Mathematics (mean=4.87) showing a higher level of skills compared to specialists in, management (mean=4.39), finance (mean=3.82), and accounting (mean=3.39). It was also found that, staffs who are more aged have higher levels of financial management skills, with those of 40 years and above (mean=4.66) having more skills compared to those of 30-40 years (mean=3.76) and 20-30 years (mean=3.20). The level of financial management skills also significantly differed according to professional qualification, where employees with CMA (mean=3.27) possessing more skills compared to those with CFA (mean=3.24), and ACCA (mean=3.13). Finally, according to work experience, staffs who are more experienced had higher levels of financial management skills, with those of 8 years and above (mean=4.75) possessing more skills compared to those of 5-7 years (mean=3.88), 2-4 years (mean=3.33) and 1 year or less (mean=3.10).

Relationship Between the Level Financial Management Skills and the Level of Quality of Financial Reporting

The findings indicated a positive significant relationship between financial management skills and quality of financial reporting (overall sigs.<0.05).

CONCLUSIONS

This study sought to establish if there is a significant relationship between level of financial management skills and quality of financial reporting in selected commercial banks in Kigali, Rwanda. Data analysis showed that there is a significant correlation between level of financial management skills and quality of financial reporting.

Based on findings, the null hypothesis was rejected and alternative hypothesis of this study is accepted, there is a significant relationship between level of financial management skills and quality of financial reporting.

RECOMMENDATIONS

To Rwanda Commercial Bank, Banque Populaire du Rwanda, and FINA Bank

The researcher results a number of areas that require Improvement to build a sustainable quality of financials reporting.

A systematic assessment of managers and banking operators' performance should be made in order to identify the real need of staff in matters regarding training.

All staff to be trained should be involved in professional training analysis for more objectivity.

The existent identified weakness of staff such as lack of notes preparation skills should be treated with top priority.

Modern human resource management based on staff rotation and promotion should be applied for more performance and motivation.

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Bakkabulindi, (2004). Research methods, unpublished manuscript, F.E.K.

Kibuuka Muhammad, (2011), Research methods, unpublished manuscript, K.I.U

WEBSITES

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APPENDIX IA

TRANSMITTAL LETTER

OFFICE OF THE DEPUTY VICE CHANCELLOR (DVC)
COLLEGE OF HIGHER DEGREES AND RESEARCH (CHDR)

Dear Sir/Madam,

RE: REQUEST FOR MAUWA JEANNINE MBA/33309/102/DF TO CONDUCT RESEARCH IN YOUR ORGANIZATION

The above mentioned is a bonafide student of Kampala International University pursuing a Masters in Business Administration (MBA).

She is currently conducting a field research of which the title is **Financial management skills among staff and quality of financial reporting in selected commercial banks in Kigali, Rwanda.**

Your organization has been identified as a valuable source of information pertaining to his research project. The purpose of this letter then is to request you to avail him with the pertinent information he may need.

Any information shared with her in your organization shall be treated with utmost confidentiality.

Any assistance rendered to him will be highly appreciated.

Yours truly,

____

Mr Malinga Ramadhan

Coordinator
Business and Management

KAMPALA
INTERNATIONAL
UNIVERSITY
EXPLORING THE HEIGHTS

Ggaba Road - Kansanga
P.O. Box 20000, Kampala, Uganda
Tel: +256- 41- 266813 / +256- 41-267634
Fax: +256- 41- 501974
E- mail: admin@kiu.ac.ug,
Website: www.kiu.ac.ug

OFFICE OF THE COORDINATOR, COMPUTOR STUDIES
COLLEGE OF HIGHER DEGREES AND RESEARCH

January 25, 2011

Dear Sir/Madam,

RE: REQUEST FOR MAUWA JEANNINE MBA/33309/102/DF TO CONDUCT RESEARCH IN YOUR ORGANIZATION

The above mentioned is a bonafide student of Kampala International University pursuing a Masters of Business Administration (Banking and Finance).

She is currently conducting a field research of which the title is **"Financial Management Skills among Staff and Quality of Financial Reporting in Selected Commercial Banks in Kigali, Rwanda."**

Your organization has been identified as a valuable source of information pertaining to her research project. The purpose of this letter is to request you to avail her with the pertinent information she may need.

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Any assistance rendered to her will be highly appreciated.

Yours truly,

Mr. Malinga Ramadhan
Coordinator
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OFFICE OF THE COORDINATOR, COMPUTOR STUDIES
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January 25, 2011

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Any information shared with her in your organization shall be treated with utmost confidentiality.

Any assistance rendered to her will be highly appreciated.

Yours truly,

KAMPALA INTERNATIONAL UNIVERSITY
CHDR
20000 KAMPALA

Mr. Malinga Ramadhan
Coordinator
Business and Management

bcr
OL Approved.
Head Office

THE PEOPLE'S BANK
Banki yacu. Hafi yacu.

September 7, 2012

Jeannine, Mauwa
Student at Kampala International University (KIU)
MBA Program
Kigali,
Rwanda

Tel:

RE: CONFIRMATION TO PROVISION OF RELEVANT DATA

Following your request for education research data, we are pleased to inform you that you have been accepted to collect the relevant data **where possible**, from Banque Populaire du Rwanda Ltd, Head Office with the effect from **September 7 to September 13, 2012.**

"FINANCIAL MANAGEMENT SKILLS AMONG STAFF AND QUALITY OF FINANCIAL REPORTING IN SELECTED COMMERCIAL BANKS IN KIGALI, RWANDA"

Please do not hesitate to contact us for further information on 252 57 35 79 (HUMAN RESOURCE)

CC:

BPR Head Office

Betty Sayinzoga
Head of Human Resource

Isabelle Mutezinka
Training & Development, Coordinator

Banque Populaire du Rwanda
32 Avenue des Forces Armées | P.O. Box 1348. Kigali Rwanda. | Phone +250 252 573579 | Fax +250 252 573579
Email: info@bpr.rw | www.bpr.rw

APPENDIX IB

TRANSMITTAL LETTER FOR THE RESPONDENTS

____

Dear Sir/ Madam,

Greetings!

I am a MBA candidate of Kampala International University. Part of the requirements for the award is a thesis. My study is entitled, **Financial management skills among staff and quality of financial reporting in selected commercial banks in Kigali, Rwanda**. Within this context, may I request you to participate in this study by answering the questionnaires? Kindly do not leave any option unanswered. Any data you will provide shall be for academic purposes only and no information of such kind shall be disclosed to others.

May I retrieve the questionnaire within five days (5)?

Thank you very much in advance.

Yours faithfully,

MAUWA Jeannine

APPENDIX II

CLEARANCE FROM ETHICS COMMITTEE

Date_______________

Candidate's Data

Name_______________________________________

Reg.# ______________________________________

Course ______________________________________

Title of Study ____

____

Ethical Review Checklist

The study reviewed considered the following:

___ Physical Safety of Human Subjects

___ Psychological Safety

___ Emotional Security

___ Privacy

___ Written Request for Author of Standardized Instrument

___ Coding of Questionnaires/Anonymity/Confidentiality

___ Permission to Conduct the Study

___ Informed Consent

___ Citations/Authors Recognized

Results of Ethical Review

___ Approved

___ Conditional (to provide the Ethics Committee with corrections)

___ Disapproved/ Resubmit Proposal

Ethics Committee (Name and Signature)

Chairperson ______________________________

Members ______________________________

APPENDIX III
INFORMED CONSENT

I am giving my consent to be part of the research study of Ms. Mauwa Jeannine that will focus on emotional intelligence and leadership styles.

I shall be assured of privacy, anonymity and confidentiality and that I will be given the option to refuse participation and right to withdraw my participation anytime.

I have been informed that the research is voluntary and that the results will be given to me if I ask for it.

Initials:______________________________

Date________________________________

APPENDIX IV

RESEARCH INSTRUMENT

FACE SHEET: DEMOGRAPHIC CHARACTERISTICS OF THE RESPONDENTS

Gender (Please Tick): __ (1) Male

__(2) Female

Age: ____________

Qualifications Under Education Discipline (Please Specify):

(1) Certificate________________________

(2) Diploma ________________________

(3) Bachelors ________________________

(4) Masters ________________________

(5) Ph.D. ________________________

Other qualifications other than education discipline ____________________

Number of Years of banking Experience (Please Tick):

____(1) Less than/Below one year

____(2) 1- 2yrs

____(3) 3-4yrs

____(4) 5-6yrs

____(5) 7 years and above

Job employment position ____________________

APPENDIX IV B

QUESTIONNAIRE TO DETERMINE FINANCIAL MANAGEMENT SKILLS

Direction 1 : please write you rating on the space before each option which to your best choice terms of knowledge in financial management. Kindly use the scoring system below.

1. Very low or no skilled at all (VL)
2. Low skill (LS)
3. Moderate skill (MS)
4. High skill (HS)
5. Very high skill (VHS)

KNOWLEDGE IN FINANCIAL MANAGEMENT SKILL

——1. Book keeping
——2. Budget skills
——3. Statement of financial position
——4. Income statement
—— 5. Statement of changes in equity
—— 6. Statement of cash flows
—— 7. Notes to financial statement
—— 8. Other financial reporting
—— 9. Cash management
—— 10. Accounting software

Direction 2: please use the rating guided below and indicate the extent of training you acquired. Kindly write your scoring on the space provided before each option.

1. Very inadequate (VI)
2. Inadequate (I)
3. Moderate (M)
4. Adequate (A)
5. Very adequate (VA)

Trainning in Financial management

——1. Book keeping
——2. Budget skills
——3. Statement of financial position
——4. Income statement
——5. Statement of changes in equity
——6. Statement of cash flows

_____ 7. Notes to financial statement
_____ 8. Other financial reporting
_____ 9. Cash management
_____ 10. Accounting software

APPENDIX IV C
QUESTIONNAIRE TO DETERMINE THE QUALITY OF FINANCIAL REPORTING

Direction 1 : please write you rating on the space before each option which to your best choice terms of knowledge in financial management. Kindly use the scoring system below:

1. Strongly Disagree (SD)
2. Disagree (D)
3. Agree (A)
4. Strongly Agree (SA)

____ 1. the financial reports are free from materials
____ 2. the annual reports are comprehensive (understandable)
____ 3. information in the financial report is comparable to information provided by other organizations in the same field
____ 4. Information in Financial Statements is relevant to the decision making needs of users
____ 5. Information in Financial Statements are reliable
____ 6. Financial transactions are presented in accordance with their substance
____ 7. The exercise of prudence is considered in the preparation of the financial statements
____ 8. Information in financial statement are complete
____ 9. Financial information are provided within the decision time frame
____ 10. The benefits derived from information exceed the cost of providing it.

RESEARCHER S CV

Mauwa Jeannine
Taba 45 Kimironko, Kigali/Rwanda
P.O.Box 1838
Mob.: +250 (0) 785374385

Mail to: mugirabenine@gmail.com
C/O FIORI LTD
KIGALI / RWANDA

Personal details

Birth date: 02/02/1977
Birth place: CYANGUGU / Republic of RWANDA
Marital status: Married, 3 children.

Education:

- MBA (Finance and Banking), Kampala International University / KIU / Kampala /UGANDA, 2012.
- CPA in progress
- University degree in Economics at Kigali Independent University/ULK, 2001-2004.
- Advanced Diploma at " Université Evangelique en Afrique"/ UEA of BUKAVU/ Democratic Republic of Congo, 1997-2000. Studies of Entrepreneurial Economics.

Summary of practical competencies

- ✓ Budget preparation
- ✓ Cash flow monitoring
- ✓ **Administration**: human resources, tax management, import processes, public relations, Business development and new projects.
- ✓ Budget control
- ✓ Financial statements
- ✓ Treasury management
- ✓ Bank drafts/statements follow up & control.

- ✓ Financial management
- ✓ Financial reporting
- ✓ Broad assistance to the higher management.

Training:

- **Management Control Techniques** TCHEM Associates / Rwanda, November 2007.
- **Auditing and Control Techniques** TCHEM Associates / Rwanda, September 2006.
- **IT business organization and Control** : case of electronic distribution of PIN-based products, by MOPAY EAST AFRICA, Rwanda, Mai 2005.
- Driving license

Experience:

- Managing Partner, FIORI LTD, January 2011-to date.
- Auditor, TCHEM ASSOCIATES, January 2010 – December 2010.
- Finance and Administration Officer, Publicell SARL, Rwanda, March 2005 – December 2009.
- Evening extra experience: Accountant with OCTAVIAN International, Rwanda, since October 2009-to date.
- Accountant at PHARMAKINA, Rwanda, July 2001-February 2005.
- Trial work at PHARMAKINA, Rwanda, June-July 2001.

Computer skills:

- SAGE, Quick books, Openoffice, Expert, CASH, MS Office.

Languages:

English
French
Kinyarwanda
Kiswahili

Travelling abroad:

2010-2012 : Kampala / Uganda

June 2009 :Cape Town / South Africa.

June 2008 : London / UK.

August 2007: Bujumbura

February 2006: DRC

Others

Gospel music, social activities.

References:

- NKURANGA Aimable, Chairman IKIGEGA MICROFINANCE, Mob. 0788305144
    - Past KARAYENGA Jean Jacques, ADEPR NYARUGENGE, Mob. 0788532596.
- RUZINDANA Clémént, Board member / IKIGEGA CICO ltd, Mob. 0788307162

I hereby certify that the data provided above are accurate and can be checked.

CV Updated at Kigali, Rwanda, on 10th July 2012