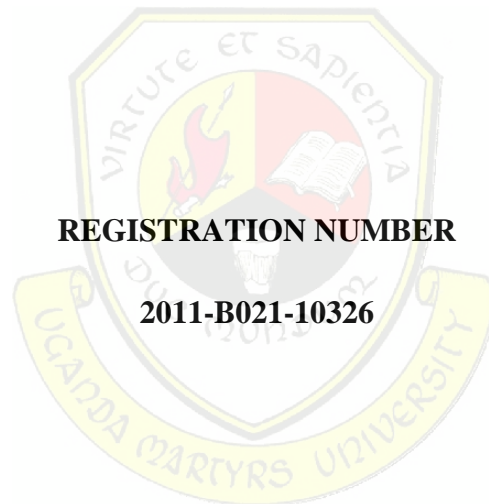


**FINANCIAL MANAGEMENT AND PERFORMANCE OF
PRIVATE HEALTH INSTITUTIONS IN UGANDA**

CASE STUDY: VILLA MARIA HOSPITAL

Submitted By:

NSUBUGA HENRY



REGISTRATION NUMBER

2011-B021-10326

UGANDA MARTYRS UNIVERSITY, NKOZI

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A DISSERTATION SUBMITTED TO THE FACULTY OF BUSINESS
ADMINISTRATION AND MANAGEMENT IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF A DEGREE OF BACHELOR
OF BUSINESS ADMINISTRATION AND MANAGEMENT
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DEDICATION

I dedicate this work to my parents Mr. Gerald Nsubuga and Ms. Josephine Nakitende, my beloved brother Lwanga Felix and my Uncle Fr. Vincent Mulumba for the contribution and inspiration they have offered during my education. I would also like to acknowledge my beloved friends in Uganda Martyrs University and also the lecturers who guided me throughout the research. Kisembo Susan Esther special thanks go on to you for all the words of encouragement you have always given to me. Thank you very much for everything all of you.

Special thanks to my supervisor Sister Jane Florence Amoding for enabling me write this research, it would not have been possible without your help, and may God continue to bless you.

I LOVE YOU ALL.

May God bless you abundantly.

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May the Almighty God bless you all

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LIST OF ABBREVIATIONS AND ACRONYMS

VMH- Villa Maria Hospital

IASG- International Accounting Standards Grant

PHC- Primary Health Care

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ABSTRACT

This paper seeks to examine the effect of financial management on the performance of the private health institutions. The performance of private health institutions is an important aspect in the community because it's through them that the community receives quality health services. Many private health institutions are coming up and this has increased the need for proper control of the finances of private health institutions as a means to improve on the quality of services offered to the community.

While there are many private health institutions that have good financial management, a large number still seem to have inadequate financial management systems, this gives a gap on the efficiency especially of the financial resource allocation by the health institution. The study examine the effect of financial management on the performance private health institutions taking a case of Villa Maria Hospital.

The study used empirical data acquired through questionnaires, review of the existing documents and interview with the hospital management, accountants, finance committee, medical staff and support staff. The data was analyzed both qualitatively and quantitatively to assess the effect of financial management and the performance of private health institutions.

The findings of the study show that the main sources of revenues for the health institution are user fees and PHC conditional grants and some external donations. The main challenges to effective financial management were lack of adequate capital, poor inventory management, lack of integrity and lack of participatory budgeting. The analysis showed a strong correlation between financial management and performance of private health institutions.

The study therefore concludes and recommends that to ensure efficient and effective financial management in the health institutions the management needs to strengthen the internal control procedures, and policies diversify the sources of revenue, improve on the infrastructure, staff development and monitor and evaluate financial management procedures.

CHAPTER ONE

INTRODUCTION

1.0 GENERAL INTRODUCTION

The concern of any organization today is how to remain sustainable, efficient, effective competitive and self-reliant. This entails instituting appropriate financial system and procedures of financial management. Financial management is strongly believed to play a vital role towards effective control of any given organizational resources so as to create value for its shareholders in its activities. It is becoming increasingly necessary for the manager of an organization of an organization to have knowledge of financial information systems and procedures due to the challenges faced in the competitive world of private organizations and public institutions as well on how to effectively and efficiently manage their inadequate resources in order to improve their performance and offer quality health services.

This involves establishment and developing appropriate financial management procedures to enable them control, allocate and manage resources in line with planned activities. This implies that the organization should be able to achieve its objectives and goals by means of cautious use of available limited resources. The basic objective of financial management is to maximize the shareholders “wealth” and minimize costs.

Financial management, effective planning and budgeting play a vital role in financial allocation by the managers as a means to regulate the flows of resources, which is the primary concern of an organizations existence.

In today's world of information advancement, many private organizations have failed to improve on their performance and the quality of resource delivery because of poor financial management and lack of effective planning policies and procedures to regulate out flows of resources.

This research thus, intends to examine the effect of financial management and performance of private health institutions focusing on Villa Maria Hospital.

1.1 BACKGROUND OF THE STUDY

Villa Maria hospital is a non- profit making organization that is found in Kalungu district, central Uganda. It is a private, community hospital serving the surrounding areas of Masaka, Nyendo, Kimanya and Villa Maria. The hospital began in the 1902 by White Sisters known as (Sisters of our Lady of Africa). It developed high status of providing curative, preventive and promotes medical services. Villa Maria Hospital is 11kms away from Nyendo / Masaka town. It is the major hospital serving Kalungu district. Using the funnel approach call it the Mugenda and Mugenda approach, the hospital is identified and recognized internationally by the Whites from Canada, nationally by Ugandans who are from Nyendo, Masaka and Kimanya who use the hospital to access health services. As per the district level, it is recognized as the main hospital in Kalungu district and the community of Nyendo and Masaka at large.

1.2 STATEMENT OF THE PROBLEM

For any organization to be successful whether profit making or nonprofit making their must be proper usage and management of finances so as to bring about efficiency and effective performance. (Shapiro, 1995).

However, most established organizations aim at growth and profitability, while those that are private not for profit aims at growth, sustainability and proper financial management and provision of high quality health services.

Villa Maria hospital has a finance committee, made up of management team, board members, accountants; the hospital still faces financial constraints to effectively cater for all its recurrent expenditures compared to the high demand of the hospital. This raises the question as to what could be the problem is it due to the fact that it over relies on government grants, donation and user a fee or un-timely remittances of PHC funds which has affected growth and delivery of quality services to the community by the hospital.

However, “despite the presence of financial procedures in place to aid the financial management of the hospitals resources hospital still experience low performance and poor quality of health service delivery.”

Therefore the researcher intends to investigate the effect of financial management and the performance of private health institutions (Villa Maria Hospital).

1.3 OBJECTIVES OF THE STUDY

1.3.1 GENERAL OBJECTIVE

The major objective of this study is to examine the effect of financial management and performance of private health institutions.

1.3.2 SPECIFIC OBJECTIVES

1. To examine the procedure involved in financial management in Villa Maria Hospital.
2. To examine the contribution of financial management on performance of private health institutions.
3. To identify the challenges encountered in the financial management and performance of private health institutions.
4. To explore options for effective management of the challenges in financial management so as to enhance performance in private health institutions.

1.4 RESEARCH QUESTIONS

A number of questions come forward in an attempt to comprehend the concept of financial management and its implications on performance of an organization. The following questions acted as a channel to the researcher throughout the study:

1. What are the processes involved in financial management?
2. To what extent is financial management being practiced in the private health institutions?
3. What is the contribution of financial management on the performance of private health institutions?
4. What are the challenges encountered in financial management and performance of private health institutions?
5. What are the options for effective management of the challenges in financial management so as to enhance performance in private health institutions?
6. What is the relationship between financial management and performance of health institutions?

1.5 HYPOTHESES

The following are the hypotheses on which the study will be tested

- Financial management is positively correlated to the performance of an organisation
- There is no relationship between financial management and the performance of an organisation.

1.6 THE SCOPE OF THE STUDY

The study focused on investigating the effect of financial management on the performance of health institutions especially in Villa Maria Hospital. The researcher chose this unit to represent other health units in the district and special emphasis was put on: internal financial management system in Villa Maria Hospital, internal controls, Record keeping, inventory management, credit management, Planning, budgeting, auditing, authorization and approval, division and segregation of duties sources and utilization of funds, clientele care, resource and quality of services delivery. The researcher assumes that the un-surveyed areas will be represented by the aforementioned institution. The study carried out puts much emphasis on a period of three financial years (2011-2013).

1.7 SIGNIFICANCE OF THE STUDY

Financial management is a core element in the successful performance of any organisation. Managers of these organizations need to take arraign of proper financial management with the responsibility of managing all the health unit resources and how to lessen the challenges encountered in planning and budgeting for these resources, which affect the performance of the health institution (VMH).

It is therefore, hoped that the following parties may benefit from the findings and recommendations of this study:

- The board of directors of the health institution, to plan within the limits of their resources and to focus their resources only on activities related to their priorities, which are realistic to the act as a means to improve the performance of the health institution.
- The information from this study is expected to help the managers of this institution to identify areas of weaknesses whereby they could concentrate to strengthen the functioning of the institution especially in areas of financial management.
- The Diocesan health department in the diocese, to be aware of the challenges of financial management in the health units and it will act as the baseline information to guide and direct the diocesan Board and health units in planning, budgeting and management of their meager resources towards achievement of their objectives and goals through improved performance.
- The general public would benefit from quality services as a result of cost effective/benefits emanating from good financial management of resources and high quality service delivery and customer care.
- The information from the study will also help donor agencies, stakeholders, and Ministry of Health which support organizations through PHC grant to facilitate their various activities, by availing them with timely information as to whether their funds are properly planned for and utilized as intended.

- To the researcher, the study will provide detailed information on effect of proper financial management on performance of health institutions and other organizations, and a wider knowledge and ability in research work which will be applied elsewhere in the future.
- It is further hoped that this study report will help to enhance other reader's understanding of effects of financial management on performance of the health institutions and provide literature and basis for further research.
- The information generating from this research is going to contribute significantly to improvement of the quality of health services rendered in private health institutions to the general public through good financial management.

1.8 JUSTIFICATION OF THE STUDY

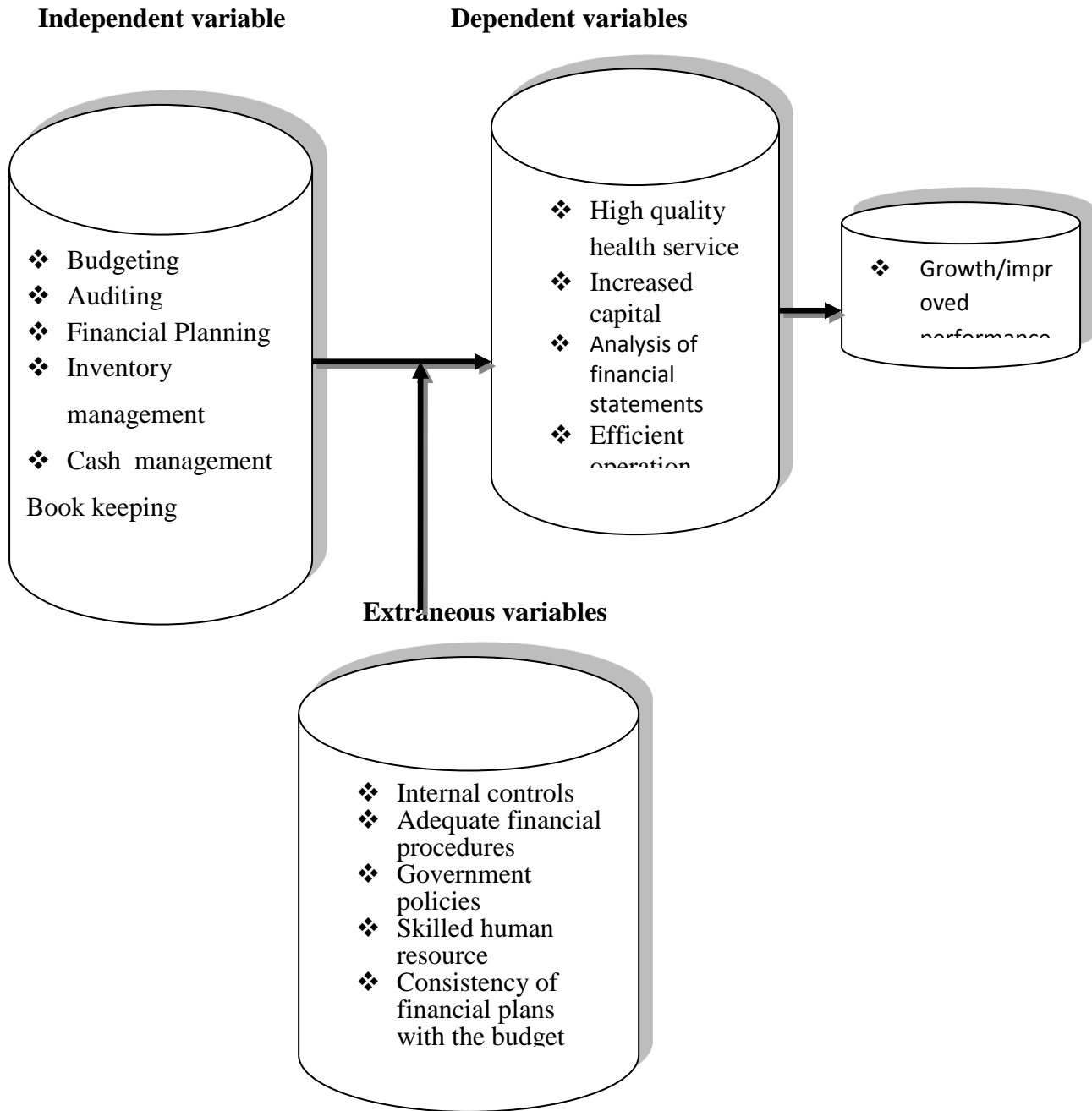
The research is of paramount importance to both private and non-private health institutions in Uganda. The study also aids the management team of the hospital to understand the effect of financial management on performance and the quality of health services delivered to the community. The findings and the conclusions will act as a means to bridge the gaps which could have been created due to poor financial management and introduce stringent measures on internal controls and procedures on how to rectify some loopholes.

The research also adds to the researcher's knowledge on the subject of financial management and its importance in the quality of health services which is one of the patent elements in the community. The research provides a foundation on which further research on the similar topic may be conducted.

1.9 CONCEPTUAL FRAMEWORK

Conceptual frameworks, according to educational researcher Smyth (2004), are structured from a set of broad ideas and theories that help the researcher to properly identify the problem they are looking at, frame their questions and find suitable literature. Most academic research uses a conceptual framework at the outset because it helps the researcher to classify his research question and aims. According to sociologist Haralambos and Holborn (2000), a conceptual framework enables the researcher to find links between the existing literature and his own research goals.

Figure 1: Showing the conceptual framework.



Source: Research data, 2014

This conceptual frame above shows that the performance of any health institutions depend on proper financial management and the internal procedures. Financial management is based on financial planning, budgeting, financial statements, auditing, internal controls and inventory

management, in an organisation which direct the managers when allocation financial resources to various cost centers in the hospital. This can be done through internal controls system and policies, consistency of financial management plans with the budget allocations. When the following intervening variables have been adhered to the organization comes up with complete good financial management procedures which enhance the flow of resources within an organisation, and guides the managers and accountants throughout the year.

Therefore, basing on the above, effective financial management can be measure in relation to increase level of planning, increased cash inflow and out flow, level of analysis of financial statements and efficiency and effective utilization of financial resources to maximize profits.

Where there is lack of effective and efficient proper financial management, such health units will fail to formulate proper financial plans, implement, and effect internal controls. This in turn may lead to improper allocation of resources to various cost centers thus poor performance of which may result to non-attainment of organizational goals and objectives In the contrarily, there are other factors that contribute to poor financial management such as poor management skills, lack of motivation, poor record keeping, lack of close monitoring, lack of financial procedures and policies and production of evaluation of performance.

It is imperative that the management of the health institution know the actual levels of activity or whether performance measures up to the planned levels set by the hospital. In that case, internal control systems become vital. There is no doubt that with well-motivated staff, trained, experienced and an appropriate reporting system and good inventory control can lead to growth and improved performance of the health unit. In conclusion, effective performance of the

organization is highly dependent on a sound financial management system and procedures instituted in place.

1.10 LIMITATION AND CONSTRAINTS OF THE STUDY

There are many mechanism of financial management system. This study only limited itself to aspect on the procedures involved in financial management, contribution, challenges financial and performance of the health institutions.

During the course of this study, the following problems were encountered:

The time allocated for the research was not enough to meet all the intended respondents and to get all the required information, since most of the respondents were very busy basing on the nature of the institution. This in one way affected the quality and quantity of the data obtained on one where or the other.

Non-response by some respondents due to uncalled-for fear, made some respondents especially the support staff not ready to give information about the challenges encountered in financial management and utilization of resources in the organization due to the fear losing their jobs in case there is backfire on them. However, the researcher minimized this fear by reassurance and interviewing some management and finance committee members around the organization to eliminate the biases, which could arise.

It involved a lot of up and down movement to various departments, and following appointments was very tiring and stressing. Nevertheless, this did not affect the value and the quality of data obtained.

It was hard for the researcher access financial information of the organisation because of its sensitivity.

Lastly, many times some of the top management team and accountants were not available to be interviewed due to the nature of their work and other commitments. The various departments were so busy that the staff was involved with the patients; that it was not easy to get their questionnaires finished on time. However, they eventually finished though others could not. This was a hinder to the advancement of the research. It was conquer by rescheduling appointments with the concerned employees and stick to the time set for the interviews.

1.11 DEFINITION OF KEY TERMS

1.11.1 MANAGEMENT:

Gomez et al, (2008) states that management is the process of planning, organizing, leading, controlling, staffing, coordinating reporting and budgeting of the organizational resources so as to achieve the desired goals of the organization. According to Kinicki, A., (2003), management is the pursuit of organizational goals efficiently and effectively. Therefore, management is the planning and mobilizing of the resources of an organization as a means to achieve major objectives.

1.11.2 FINANCIAL MANAGEMENT

This is concerned with the acquisition and management of assets with some overall goals in mind. (Horne and Wachowicz, 1995, pp: 2). Villa Maria hospital has got a variety of assets such as current and fixed assets. However, the study will contemplate on only finances which are current assets. When there is apt management of finances, the hospital can achieve its desired goals, of

offering proper health services to the people. However in my view financial management is the process of running and using financial resources so that the organization can operate effectively in delivering its services.

1.11.3 PRIVATE HEALTH INSTITUTIONS:

Refers to an institution that is started, owned and managed by individuals or groups but not the government (Berman et al, 1999).

1.11.4 PERFORMANCE

This is when the employees activities and out puts are congruent or toning with the organization's goals (Noel et al, 2008).

1.11.5 PROPER FINANCIAL MANAGEMENT

Refers to the use of appropriate financial / accounting systems in accordance with the Practices. Kryzanowski et al (1998).

1.11.6 BUDGETING

Process of expressing quantified resource requirements (amount of capital, amount of material, number of people) into time-phased goals and milestones. Mukerj, 2000 defines a budgeting as a process of predicting and controlling the spending of money within the organisation and consists of a periodic negotiation cycle to set budgets (usually annual) and the day-to-day monitoring of current budgets. The budgeting process may be carried out by individuals or by companies to

estimate whether the person/company can continue to operate with its projected income and expenses.

1.11.7 AUDITING

Auditing is a systematic process of objectively obtaining and evaluating evidence regarding assertion about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users (Larry E.et.al 1999:5)

1.11.8 PERFORMANCE

The accomplishment of a given task measured against preset known standards of accuracy, completeness, cost, and speed. In a contract, performance is deemed to be the fulfillment of an obligation, in a manner that releases the performer from all liabilities under the contract.

1.11.9 INTERNAL CONTROL

An internal control is a business practice, policy or procedure that is established within an organization to create value or minimize risk.

Systematic measures (such as reviews, checks and balances, methods and procedures) instituted by an organization to (1) conduct its business in an orderly and efficient manner, (2) safeguard its assets and resources, (3) deter and detect errors, fraud, and theft, (4) ensure accuracy and completeness of its accounting data, (5) produce reliable and timely financial and management information, and (6) ensure adherence to its policies and plans.

1.12 CONCLUSION

Financial Management is not an independent area, but an integral part of overall operation of an organisation and this makes it significant in the performance of an organization as it provides accurate financial information which help managers use in making informed decision-. Therefore, this chapter has clearly given a defined overview of the all study, which is further looked at in the next chapter on the literature review on financial management and performance of the health units.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter discusses the different theories and studies written by various authors relating to of financial management and performance of private health institutions. A clear understanding of the concept of these theories and procedures will clearly and precisely bring out the importance of management of financial resources in health institutions. The various elements which contribute to financial management in an organization will be looked at such budgeting, audit, internal controls among others.

2.1 AN OVERVIEW OF FINANCIAL MANAGEMENT

2.1.1 FINANCIAL MANAGEMENT AND PERFORMANCE OF HEALTH INSTITUTIONS

According to Mary Parker, management is the act of getting things done through people. According to Harold Kootz (2000), management is the process of designing and maintaining environment in which individuals working together in groups efficiently accomplish selected aims. Good management ensures that people give the best and get the best from the organization.

According to Van Horne et al (2000), financial management is concerned with acquisition, financing and management of assets with some overall goals in mind towards improvement of

organizational performance. Financial management has the following functions, planning, budgeting, obtaining resources, controlling funds, auditing among others.

Bugene, F. Brigham and Luis C. (2004), financial management has undergone significant changes over three years since the 1900s where as the main functions of financial management is to provide qualitative financial information for use in making economic decisions, however, are to plan for acquisition and utilization of funds in order to maximize the efficiency of the value of the organization especially of the health institution. The health institution will undoubtedly continue to receive and manage budgets thus the need for improving financial accountability at all levels. It has been realized that the required level of financial management can only be achieved when both all the staff are involved the budgeting process and especially through well designed courses to be able to develop and operate strong internal control.

Earlier, the financial managers job was to raise financial resources and make purchase of goods for various departments. Today it necessities them to take the responsibility in whole process of initiating health institution's programs through budgets, coordinating their implementation, supervising revenue collection, and reporting on the organizational performance. Many private organizations that have had little or no concern about financial management in their operations face a low level of performance and eventual fail to attain their goals and objectives. Poor financial management is one of the leading causes of financial failure in most health institutions.

The researcher found out that the two authors that is James Van Horne and Eugen Brigham who have come up with the methods of financial management to ensure that health institution will survive and prosper especially in the area of health service delivery. The study also revealed that, in order for financial management to be more proactive rather than reactive, it should look on what

is to be done, hence considering effectiveness of financial management for high performance of health institutions. It is satisfactory to say therefore, that no organization can stand to operate and benefit from its operations without taking into consideration the benefit of financial management at all levels.

Van Horne et al (1995) gives the functions of Financial Management which are:

- Raising sufficient capital for the assets needed by the organization. Earning adequate profit consistently and predictably
- Managing cash flow from profits
- Minimizing the income tax burden of the organization and its owner minimizing threats of fraud and other losses
- Forecasting the cash needs of the organization
- Keeping the financial condition in good shape and out of trouble.

In an organization, the owners have to manage finances effectively in order for an organization to prosper. Van Horne et al (1995) explains the various decision in financial management in any organization to include investment decisions, financial decision and asset management.

2.1.1.1 INVESTMENT DECISION

Capital investments are funds invested in a firm or enterprise for the purposes of furthering its business objectives. Capital investment may also refer to a firm's acquisition of capital assets or fixed assets such as manufacturing plants and machinery that are expected to be productive over many years. Sources of capital investment are manifold and can include equity investors, banks, financial institutions, and venture capital and angel investors. While capital investment is usually

earmarked for capital or long-life assets, a portion may also be used for working capital purposes. This can only be achieved through proper financial management in an organization.

2.1.1.2 FINANCING DECISION

Financing decision is a decision that concerns the liabilities and stockholders' justness side of the firm's balance sheet. It can also be defined as a judgment made concerning the method of raising funds. The financial manager is concerned with the makeup of the statement of financial position. The manager has to determine how best to physically acquire the needed funds and also understand clearly the mechanics of getting a short term loan, negotiating a sale of bonds or stock or even entering into a long term lease arrangement. In making all these financing decisions the element of financial management should be taken with a caution.

By providing a steady and up-to-date flow of information, a business is able to make appropriate decisions about:

- How to reduce costs
- How to increase sales
- How to raise profitability
- When to purchase new capital assets
- The best sources of finance, and duration, etc.

This informed decisions help the management in improvement of the quality of services and performance.

2.1.1.3 ASSET MANAGEMENT DECISION

Defines Asset management as the "coordinated activity of an organization to realize value from assets". In turn, Assets are defined as follows: "An asset is an item, thing or entity that has potential or actual value to an organization". Wiki.answers.com Accessed on 3rd March 2014: Business & Finance.

Asset management decision is that decision taken to manage the overall assets of a company. Company runs on assets and managing the assets effectively is one of the vital operations that the management has to do. Taking combine decision of the superior authorities regarding assets that how to manage and fit each organization's asset is known as assets management decision

Asset Management is the art and science of making the right decisions and optimizing the delivery of value. A common objective is to minimize the whole life cost of assets but there may be other critical factors such as risk or business continuity to be considered objectively in this decision making. Therefore, asset management decision in an organisation is very vital because it helps the organisation as regards to:

- ✓ Asset acquisition, disposal and life-cycle management decisions are integrated into an entity's strategic and organizational planning;
- ✓ Asset planning decisions are based on an evaluation of alternatives, which assesses risks and benefits, and applies the Government's core procurement principle of value for money across the asset's life-cycle;
- ✓ An effective control structure is established for asset management;
- ✓ Accountability is established for asset condition, use and performance; and

- ✓ Disposal decisions are based on analysis of the methods which achieve the best available net return.

2.2 PROCESSES OF FINANCIAL MANAGEMENT AND PERFORMANCE OF HEALTH INSTITUTION

2.2.1 FINANCIAL STATEMENTS

This involves the process of providing reports and statements that are used to determine the financial performance of the organization through the use of Income and Expenditure accounts and Financial Statements. There is however a widespread recognition of the greater need in the Private Institution to supplement statement with other, often Non-financial measures of performance that enhance accountability, informal execution of policy ,budgetary planning and monitoring. This deemed to improve quality, monitor effective use of resources to ensure fair distribution and access to services. (Tom, Bill, and McKendric, 2002). These statements assist management in making decisions which are geared to improvement of performance.

2.3 BUDGETING AND PERFORMANCE

In every organization, there is a strong need to make a review of the current use of available information for financing, investing and operating activities in order to plan for future use of the funds. Thus budgeting is a process of identifying, gathering, summarizing and communicating financial information about organizations future activities according to the vision and mission of the organization

Budgeting is also an essential step in effective financial planning and management and serves the needs of management in respect of the judgments and decisions required to make and to provide a basis for the management functions of planning and controlling.

According to Pauline (1999), a budget is a detailed plan which sets out in money terms, the plans for income and expenditure in respect of a future period of time. It is prepared in advance of that time period and is based on the agreed objectives for that period of time together with the strategy planned to achieve those objectives

In an organization there is what is called performance budgeting which is an integrated annual performance plan and annual budgeting that shows the relationship between programmed funding levels and expected results. It indicates that a goal or a set of goals should be achieved at a given level of spending. Performance budgeting identifies the relationships between money and results, as well as explaining how those relationships are created. A program for support, in addition to estimating activity costs (Kydlan & Prescott, 1977).

Budgeting process should be participatory. Ndiwalana (2009), argued that the act of participating in budget process serves as a function by inducing employees to accept and commit to their budgeting goals (Mercantile, 1981). He further argued that when employees participate in budgeting, it will result into reduced costs, improved motivation and job commitment and therefore enhance performance.

According to Finkler (2005), a budget is the organization's plan. The corporate strategy and the operating plan provide the foundation that the hospital needs to build its budget. If the budget is to be developed successfully, management must establish and implement a budget preparation procedure. Budget preparation procedures include; the budget preparation manual review,

projection package development, administrative package approval, general budget meeting, technical budget meeting, resource specification, tentative budget completion, budget integration, final administrative review, budget completion, implementation and finally feedback.

Therefore basing on Finkler's view of defining or taking a budget as a plan is absolutely right because without a budget, the health institutions or an organization cannot trace what it is trying to achieve, why it wants to achieve that goal and how it intends to translate that goal into results.

Berman et al (2004), describe a budget in another perspective, as more explicitly as a comprehensive financial plan which is based upon anticipated outputs and predetermined hospital policies for future operations, that is expressed in dollars of expense and corresponding dollars of revenue. Wachowlcz (1998) adds that it is essential to communicate goals to the people who must achieve them, forecast future events, develop alternatives, select from among alternatives, and coordinate activities.

The financial budget has two primary components: the cash budget and the capital budget. The cash budget plans for cash receipts and the disbursements of the hospital. The cash budget also aids to estimate the amount that will be paid for expenses during the year and the amount that will be collected during the year for patients' treatment, this helps in knowing the performance of the hospital. On the other hand the capital budget plans for the acquisition of long-term resources, such as buildings and equipment.

William (1988) provides further categories of the budget apart from the two already mentioned. These are development budgets, performance budgets and routine budgets. Development budgets are the budgets that are usually prepared in support of medium-term (usually five-year) while

routine budgets are usually prepared in connection with annual work plans. Performance budgets are types of budgets that help to review performance basing on the budget projections.

Of all the types of budgets the performance budget is found to be the most useful throughout the process of planning, implementation, monitoring, and evaluation in the hospital (William, 1988).

Levine et al, (2010) says that the performance of the hospital can be seen through examining a monthly summary report that compares actual expenses and work performance for the whole hospital through budget projections.

It is worth noting that many scholars have different version of what budgeting but all point out that budgeting is essential tool on an organization and it plays a big role in financial management therefore it's imperative that the manager of the organization should take this tool as means to achievement of the organizational goals through improved performance since budgeting is an essential step in effective financial planning

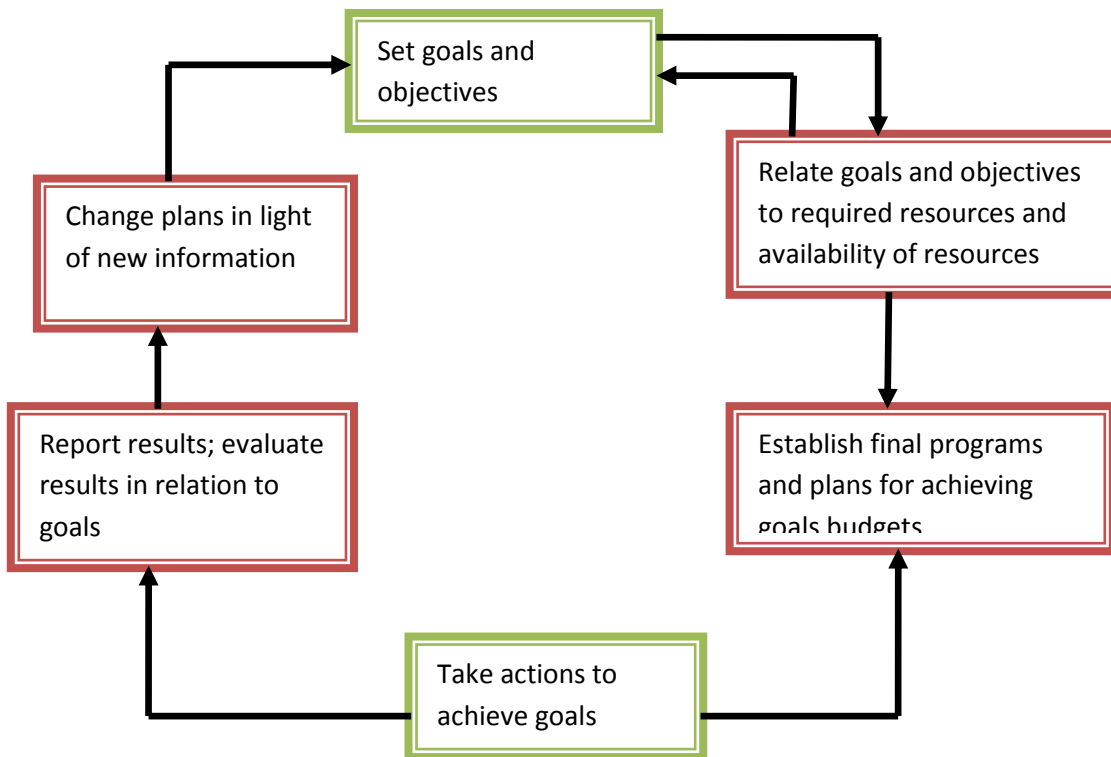
The purpose of budgeting system is to serve the needs of management in respect of the judgments and decisions to make and provide a basis for the management functions of planning and control. By stating plans in terms of numbers and breaking them into parts that are parallel to the parts of an organization, budget correlate planning and allow authority to be delegated without loss of control. In other words, reducing plans to numbers forces a kind of orderliness that permits the manager to see clearly what capital will be spent by whom and where and what expense, revenue or units of physical input or out put the plans will involve.

A budget generally forecasts future events and fosters effective financial management and also entails the expressing of plans into monetary terms for their effective implementation.

Figure 11: STEPS OF BUDGETING PROCESS

According to Joseph G. Louder back and Maurice. L. Hirsch (2000), the budgeting process contains the following steps.

Figure 2: Showing the major steps in the budgeting process



Source: Joseph G. Louder back and Maurice I (2000)

Budgeting benefits the health institution in a number of ways as:

A budget is a document that forecasts the financial results and financial position of a business for one or more future periods. At a minimum, a budget contains an estimated income statement that describes anticipated financial results. A more complex budget also contains an estimated balance sheet, which contains the entity’s anticipated assets, liabilities, and equity positions at various

points in time in the future. A prime use of the budget is to serve as a performance baseline for the measurement of actual results. Budgets may also be linked to bonus plans in order to direct the activities of various company employees. A budget may also be used for both tax planning and treasury planning. Despite these valid uses, there are also a number of problems with budgeting that have given rise to a movement dedicated to the elimination of budgets.

2.4 SIGNIFANCY OF BUDGETING IN A HEALTH INSTITUTION

Budgeting has been used by many health institution for a long time, and is used by nearly every large and small health units. Running a health institution often requires owners to carefully plan and review their finances. Most health institutions use some form of accounting for identifying, measuring, analyzing and reporting their financial information. Accounting tools may include budgeting, financial statements, forecasts and other tools for managing financial information. Health institution budgets for maybe one of the most important accounting tools of institution may use in management of their financial resources.

2.4.1 FACTS

Budgets usually represent a detailed analysis of how private health institutions expect to spend money in future time periods. Many private health institutions create budgets on an annual basis so they can carefully outline the expected needs of each department in the hospital. Using an annual budget process also limits the amount of time private health institutions spend creating and managing capital resources. Although larger private health institutions may have employed accountants or other professionals to create the private health institutions budget, small private health institution owners are usually responsible to complete this function themselves.

2.4.2 LIMIT EXPENDITURES

A major benefit to using a private health institution budget is the ability to limit how much money is spent on certain operations. Budgets usually count expense accounts to ensure that capital is not wasted on unessential items or the company does not overpay for economic resources used in the business. Limiting the amount of capital spent by the business may require owners and managers to find new vendors or suppliers for acquiring business inputs, saving money and meeting budget limits.

2.4.3 CREATES FINANCIAL ROADMAP

Budgets often allow private health institutions to have a financial roadmap for business operations. Many private health institutions review previous year's budgets to determine how well they followed the guidelines and why budget variances occurred. Not all budget variances may indicate a negative private health institution situation.

2.4.4 PLAN FOR FUTURE GROWTH

Private health institutions often use budgets to plan for future institution growth and expansion. Capital saved on regular institution expenditures may be placed into a special reserve account designated for selecting new private health institution opportunities. Budgeting for future growth opportunities ensures that private health institutions have capital on hand when needing to make quick decisions for expanding business operations. This capital may also be used during slow economic times as a safety net for paying regular private health institution expenses.

2.4.5 PLANNING ORIENTATION

The process of creating a budget takes management away from its short-term, day-to-day management of a private health institution and forces it to think longer-term. This is the chief goal of budgeting, even if management does not succeed in meeting its goals as outlined in the budget - at least its awareness about the private health institutions competitive and financial position and how to improve it is of great advantage.

2.4.6 PROFITABILITY REVIEW

It is easy to lose sight of where a private health institution is making most of its money, during the scramble of day-to-day management. A properly structured budget points out which aspects of a business generate cash and which ones use it, which forces management to consider whether it should drop some parts of the private health institution or expand in others. However, this advantage only applies to a budget sufficiently detailed to describe profits at the unit level.

2.4.7 PERFORMANCE EVALUATIONS

Senior management can tie bonuses or other incentives to how employees perform in comparison to the budget. The accounting department then creates budget versus actual reports to give employees feedback regarding how they are progressing toward their goals. This approach is most common with financial goals, though operational goals (such as reducing the scrap rate) can also be added.

2.4.8 PREDICT CASH FLOWS.

Private health institutions that are growing rapidly, have seasonal sales, or which have irregular sales patterns have a difficult time estimating how much cash they are likely to require in the near term, which results in periodic cash-related crises. A budget is useful for predicting cash flows in the short term, but yields increasingly unreliable results further into the future.

2.4.9 CASH ALLOCATION

There is only a limited amount of cash available to invest in fixed assets and working capital, and the budgeting process forces management to decide which assets are most worth investing in.

2.5 ACCOUNTING SYSTEM AND POLICY

This constitutes accounting methods, procedures, forms, formats of accounting records and other requirements as laid down in the policy of an organization. Accounting helps keep track of the financial affairs of a private health institutions. One of its functions is to server as “a tool for control”. Saleemi (2000) states that “Proper control on unnecessary expenses and misappropriation of funds is essential. A proper and accurate accounting system is helpful to maintain this control”

The books of accounting to be maintained include cash books, journals, general and subsidiary ledgers, stores ledger, control accounts and financial statements. These with the help of original documents, helps in managements of cash, credit, inventory, and analysis of financial position of the private health institutions. Sound accounting procedures and proper record keeping provides financial security and control in the private health institution. The management has duty to equip and enforce the use of correct accounting systems and policy to ensure effective financial control and management. Sound practices provide assurance of the integrity of transactions, financial

statements (as recommended by international accounting standards IAS 1) and the procedures being followed. These help to minimize chances of top management override. The major element of accounting system and policy include:

2.5.1 CASH MANAGEMENT

Cash is an important element in any private health institution and the life hood on which its activities run. To ensure effective cash management emphasis should be put on issues like how much cash to hold, what to do with excess cash and how to handle collections and disbursements. Basic skills in financial managements start in the critical areas of cash management and book keeping which are done according to certain financial control and management to ensure integrity in the book keeping process. Berman et al (2000) concluded that the strong steady circulation of cash is critical to the good health of a hospital as is the proper functioning of the circulatory system to health of the human organism. This expresses the degree of importance of cash and how much attention should be given to its management if the organization is realize good performance. Statement of cash flows shows where a private health institution received and used its cash. Any receipt of cash must be done by authorized people who acknowledge by issuing receipt with number, date, and indicate the balance if any. The cash has to be banked over intact confirmed by relevant documents. Private health institutions policies must guide collection methods and frequency of payment. The cash book and the bank statement must be reconciled and certified as correct by the finance officer.

Before effecting any payment, requisition must be made, approved and authorized by the responsible officers. The paying officer has to demand and attach authority chit to the payment voucher. Cash management involves evaluating all the processes and policies. Ross Westerfield

(2003) expresses the three basic concerns of cash management. That is how much cash should the private health institution keep on hand? How should the private health institution manage cash collections and disbursements? And how should 'excess' cash be invested? This brings out the essence of cash management. It is necessary to minimize cash holding but keep sufficient cash to meet operational obligation of the private health institutions as they fall due.

2.5.2 CREDIT MANAGEMENT

Ross Westerfield (2003) brings out the view that when the private health institution decides to extend credit to its clients, then the private health institution must establish a credit policy. This involved three distinct components of the terms of credit analysis and collection policy. Immediate record of every credit transaction helps keep details of resources in the hands of the client. (Monies due from patients or their agents, for services rendered). Uniformity in pricing and charges should be observed without compromise. The policy, which specify the time for pay/collection must be followed. The problem of controlling the costs of debts centers on the time/ the length of payment cycle. Berman et al (2000) conclude that the longer the period the greater the carrying cost; and the larger the amount the greater the collection cost. It is better to keep the period as short as possible so the private health institutions capital is not tied outside which at the end may affect the performance of the private health institution.

2.5.3 INVENTORY MANAGEMENT

Effective inventory management is all about knowing what is on hand, where it is in use, and how much finished product results. Inventory management is the process of efficiently overseeing the constant flow of units into and out of an existing inventory. This process usually involves controlling the transfer in of units in order to prevent the inventory from becoming too high, or dwindling to levels that could put the operation of the private health institution into jeopardy. Competent inventory management also seeks to control the costs associated with the inventory, both from the perspective of the total value of the goods included and the tax burden generated by the cumulative value of the inventory. System used in inventory management should include recording and monitoring of stock levels, forecasting future demands and deciding when and how to order. It is important to make decisions of what to stock for use or resale, depending on demand, rate of use and availability. Other decisions to make include how much and when to order so that what is required is always available in right quantities. In the study by Lucey (2000) it was expressed that “the stock record typically shows various control levels which relate to the inventory management system” this implies that a basic prerequisite in inventory management system is that stock movement is accurately recorded. Jae and Joel (2001) in discussing inventory management state that “the purpose of inventory management investment. It is important to create a sound inventory control system.

Adopting appropriate methods of stocktaking ensures a continued detailed and reliable check on stock. This helps to investigate any discrepancies in time and reconcile stores ledger with the balances on the control accounts. The chief finance officer has a duty to certify the reconciled balance each accounting period after verification. Policies are necessary to regulate all assets held

in the private health institution. The detailed records and policies act as control measures to avoid frequent abuse of private health institutions property.

With smart inventory management, the private health institution benefits the following:-

- **Inventory Balance.** Good inventory management helps the store's manager to figure out exactly how much inventory you need. This makes it easier to prevent product shortages and keep just enough inventory on hand without having too much.
- **Repeat Customers.** Good inventory management leads to what every private health institution owner wants – repeat clients. This is one way to do this is to make sure the private health institution have what they're looking for every time they come.
- **Accurate Planning.** Using smart inventory management helps to stay ahead of the demand curve, keep the right amount of products on hand and plan ahead for seasonal changes. This goes back to keeping clients happy all year long.
- **Employee Efficiency.** Training employees to use barcode scanners, inventory management software and other tools helps them make better use of their time, and it helps the private health institution make better use of its resources, both human and technological.
- **Inventory Tracking.** Inventory management becomes even more important because it helps to coordinate the supplies at each location depending on differences in demand and other factors.
- **Time Saving.** Inventory management is a great time-saving tool. By keeping track of all the products the private health institution has on hand and on order, this saves private health

institutions from the hassle of doing inventory recounts to make sure the records are accurate. This once again requires inventory management software.

- **Cost Cutting.** When the inventory is humming along efficiently through good facilities, the private health institution can save its resources from being misused Inventory management helps avoid wasting money on slow-moving products.

2.5.4 INTERNAL CONTROL

Internal control, as defined in accounting and auditing, is a process for assuring achievement of a private health institutions objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies.

COSO (1998) defined internal control as management procedures designed to ensure efficiency and effectiveness in operations, to improve management decision making, to protect resources, ensure maintenance and reporting of reliable information, and enforce execution of operations in a manner that is consistent with management policy. It is further argued that internal controls are designed to ensure that a ministry, agency or department carries out its required function effectively and efficiently, that its financial reporting is reliable and complies with relevant laws and regulations (Policy Brief, 2004). Further states that for most countries, such internal controls are focused on controlling allocation of spending, accounting procedures and financial statements.

The components that make up internal control process include control environment, risk assessment, control activities, sound information and communication system and monitoring (Serens and de Beeelde, 2004). Control environment provides an atmosphere in which people out their control responsibilities and serves as foundation for other components. Management assesses risk with the environment to achievement of specific objectives.

Control activities are implemented to ensure that management measures to control risks are carried out. Meanwhile relevant information is captured throughout private health institutions and the entire process is monitored and modified as conditions warrant. The responsibility of establishment of an internal control framework lies with management and the board, In addition management has to ensure implementation, monitoring, and a constant review of their adequacy. The internal audit committee is fundamental to this exercise (Barret, 2001).

Therefore linking internal control with their duties and responsibilities and private health institutions objectives (IIA, 2000) is crucial. Controls can break down because of human action or technological failure, deliberate or plausible management override, necessitating constant review of the controls if objectives are to be attained.

Meigs (1998), internal control refers to all measures taken by management to ensure that the private health institutions operate efficiently and effectively, produces reliable financial information and complies with applicable laws and regulations.

Fess Warren (1984) defines internal control as the procedures and records that are mainly concerned with the reliability of financial records, reports and the safeguard of private health institution assets. Considering the above definition, Fess Warren noted that the system does not extend beyond those matters, which relate directly to the functions of the accounting system, it does not include adherence to management policies and the fundamentals to assist in achieving management's objectives.

Participants Handbook(2003), Internal control is the whole system of controls, financial and otherwise, established by the management to carry out the tasks of the health institution in an

ordinary manner, to safe guard its assets and to secure as far as possible the accuracy and reliability of its records.

SAP 6 defines the system of internal control as “the plan of private health institutions and all the methods and procedures adopted by the management of an entity to assist in achieving management’s objective 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 error. The accuracy and completeness of the accounting records and the timely preparation of reliable financial information. The system of internal control extends beyond those matters which relate directly to the functions of the accounting systems. (Kamai 2001)

However, from the above definition, it can be observed that internal controls extend beyond accounting records. Thus, operational functions such as quality control, periodic reporting, and policy appraisals all belong to internal control system. A private health institutions internal control structure is defined as the policies and procedures to provide a reasonable assurance that specific objectives of the private health institution will be attained.

According to Ray Whittington and Kurt Pany (2001) states that internal control system extends beyond matters relating directly to accounting system functions and is comprised of five components which include the following:

- **Control environment:** A sound control environment is created by management through communication, attitude and example. This includes a focus on integrity, a commitment to investigating discrepancies, diligence in designing systems and assigning responsibilities. An effective control environment helps ensure that established policies and procedures are followed.

- **Risk Assessment:** This involves identifying the areas in which the greatest threat or risk of inaccuracies or loss exist. To be most efficient, the greatest risks should receive the greatest amount of effort and level of control. For example, dollar amount or the nature of the transaction (for instance, those that involve cash) might be an indication of the related risk. Risk assessment helps the managers to consider the threats which are most like to affect the performance of a private health institution.
- **Monitoring and Reviewing:** The system of internal control should be periodically reviewed by management. By performing a periodic assessment, management assures that internal control activities have not become obsolete or lost due to turnover or other factors. They should also be enhanced to remain sufficient for the current state of risks. Finally the auditors should obtain a sufficient understanding of the entity's monitoring methods relating to financial reporting to understand how these activities are used to initiate actions to address inadequate performance.
- **Information and communication:** The availability of information and a clear and evident plan for communicating responsibilities and expectations is paramount to a good internal control system.
- **Control activities:** These are the activities that occur within an internal control system. These are fully described in the next section.

Figure 3: Showing the processes of Internal Control in an organisation. (VMH)



Source: Meigs 1999

The above element of internal control contribute a lot on financial management and in order to identify and establish effective controls, management must continually assess the risk, monitor control implementation, and modify controls as needed. Top managers of the private health institution must sign a statement of responsibility for internal controls and include this statement in their annual report to stockholders. On the other hand Kamai (2001) rightly observed that internal control has also limitations and these include:

Simiyu (2000) defined internal control as

The whole system of controls financial and otherwise, established by management order to; carry on business of the entity in an orderly and efficient manner, ensure adherence to management policies, sage guard assets and secure as far as possible the completeness and accuracy of records

This concludes both accounting and administrative controls since all departments activities are recorded in accounts and have financial implication. Reliance can be placed on sound internal

control system since accounting records are likely to be accurate. This shows that accurate accounting records are a sign of sound internal control. Hence, the statement of the hypothesis that proper financial management contributes to the performance of the private health institution.

Therefore, internal control is all of the policies and procedures management uses to achieve the following goals.

- Safeguard University assets - well designed internal controls protect assets from accidental loss or loss from fraud.
- Ensure the reliability and integrity of financial information - Internal controls ensure that management has accurate, timely and complete information, including accounting records, in order to plan, monitor and report business operations.
- Ensure compliance - Internal controls help to ensure the University is in compliance with the many federal, state and local laws and regulations affecting the operations of our business.
- Promote efficient and effective operations - Internal controls provide an environment in which managers and staff can maximize the efficiency and effectiveness of their operations.
- Accomplishment of goals and objectives - Internal controls system provide a mechanism for management to monitor the achievement of operational goals and objectives.

When all the above variables have been followed by the managers of the private health institution, there will be high performance and improved quality of service delivery.

2.5.5 INTERNAL AUDIT FUNCTION AND PERFORMANCE

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve a private health institutions operations (IIA, 2002). It helps a private health institution accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes (Collier, et al, 1991). With this description forming a foundation, the essential characteristics of an effective internal audit function can be framed. (Kathrine, 2001) established that the following elements as key. According to Institute of Internal Auditors (IIA, (1999), internal audit is an important part of the corporate governance structure within a private health institution. Corporate governance includes those oversight activities undertaken by the board of directors and audit committee to ensure the integrity of the financial reporting process. Three monitoring mechanisms have been identified in the corporate governance literature. They are external auditing, internal auditing and directorships (Anderson et al, 1997; William, 2000) as well as the audit Committee (IIA, 2003).

Evaluating the internal audit function is to examine how well it can detect errors within a private health institution as well as fraud that have received greater emphasis (Anderson, 2006).

Internal auditing is performed in diverse environments and within private health institutions that vary in purpose, size, and structure. In addition, the laws and regulations within various countries differ from one another. Particularly, private sector auditors operate in private health institutions that are as complex and varied as the many forms of government that exist throughout the world today. As is true for all internal auditors, private sector internal auditors are called upon to assist private health institutions in improving their operations. The private sector internal audit function is an element of a strong private sector governance foundation. Most public sector internal auditors

also play a role in their entity's accountability to the private as part of the check-and-balance process.

The nature of internal audit private health institutions arrangement determines its independence and effectiveness. The size and complexity of the private sector have influenced the diverse forms of internal audit private health institutions arrangements and service delivery approaches. Internal audit structure in the private sector can broadly be classified as following either a centralized or a decentralized model.

According to Beeler et al (1999), internal auditors can provide an independent appraisal of the effectiveness of internal controls and the quality of managerial performance in carrying out assigned responsibilities within the private institution. Fadzil et al (2005) argues that an effective internal audit function unequivocally correlates with private health institutions success in meeting its objectives. It's noted that internal audit is an element of the internal control system responsible for providing checks as to the effectiveness of the internal controls. To achieve the objectives of the internal audit function, management should emphasizes independency, scope and objectives of the internal audit function, due professional care, technical competence, and adherence to reporting standards and ensure resources to facilitate the internal audit function are available.

Internal auditing involves: a review of the reliability and integrity of financial and operating information, a review of the controls employed to safeguard assets, an assessment of employees' compliance with management policies, procedures and applicable laws and regulations, an evaluation of the efficiency and effectiveness with which management achieves its private health institutions objectives.

2.5.6 FINANCIAL PLANNING AND PERFORMANCE OF PRIVATE HEALTH INSTITUTIONS.

Planning is a vital element in any private health institution because of its necessity for effective (Berman et al, 1994). For a private health institution to operate effectively and efficiently it should have a good plan. A good plan should be simple that is to say to understand, specific, realistic and complete.

Weston and Copeland, (1992) say that it is not enough for a firm to perform well in the first quarter of the year and the rest of the year it is performing disappointingly. Therefore the firm must always be looking ahead that is to say forecasting. According to Katellus et al, a hospital that does not plan or forecast is not worth existing since it operates with no direction. It is very obvious that such a hospital cannot exist for a long time because it will fail to fulfill its objectives, among them being providing for the community with services at an excepted level of quality and the least possible cost. Without a plan a hospital will deviate from its mission and vision too.

Forecasting can be done by engaging in the long-range planning for the future as well as continue efficiently and effectively in the present. The hospital therefore should build a multiyear plan that indicates the hospital goals, what each private health institution unit within the hospital must do in order to achieve these goals, and the resources in total and any private health institution unit available to accomplish the goals. However it does not make sense to just plan and you do not implement the plan as well as evaluating the achievements of the objectives (Bakunda and Ngoma, 2001). Therefore it is necessary for the top managers of the hospital to always follow up the plans set or made so as to make sure that or become a success for the better performance of the hospital.

According to Horne, (1998) planning works hand in hand with the budgetary process which provides a structure in which to plan. The budgetary process plans for the future, in terms of operating expenses, revenues, capital expenditures and cash flows.

Berman et al, agree with Horne that the budgetary process provides a structure to plan and thus add that it also provides an opportunity to plan. They say, “The budgetary process raises the priority planning by making it a required component of an operational problem preparing a budget. This forces the management to devote attention to planning, providing at least one opportunity in the course of the year to plan.”

When you speak about planning some people’s first impression is budget attachment, however one can plan without translating that plan into financial (budgeting). Berman et al emphasizes that the budget must be tailored to the plan not the plan to the budget.

There are two types of planning that the study wants to consider and these are: strategic and operational planning.

Operational planning is the process of converting the corporate strategy into an operating plan and expressing the operating plan as a budget (Berman et al, 2001). The operational plans specify details on how individual objectives are to be achieved usually in a period of one year. It is usually viewed as the decision-making or the management function of the hospital.

According to Bakunda and Ngoma (2001), strategic planning is the process by which managers jointly formulate strategy. It does not look at how the plan is implemented (strategy), or how the planning process itself should be managed and controlled.

On the other hand, Berman et al (1994), define strategic planning as the process of establishing the private health institutions future direction. It is the process of creating a shared vision of what the hospital can do and become in serving its community and then communicating that vision as broadly and comprehensively as possible.

Basing on the definition by Bakunda and Ngoma strategic planning does not emphasize or does not critically look at how the plan is implemented. On the other hand, in Berman et al definition there is an element of looking at how the plan is implemented bringing a contrast in these definition.

However, in my view, strategic planning is the process of defining the overall objectives and position of the private health institution with the relation to its environment.

Therefore the researcher intends to carry out a study to find out what exactly is entailed in strategic planning for the hospital with the aim resolving this argument.

2.5.7 AUDITING AND PERFORMANCE

Audit is a Latin word meaning “he hears”. This is because of the ancient times, the accounts of an estate were checked by having them called out to those in authority by those who had complied them (Woole,1997).

Auditing is one other important control mechanisms to ensure good financial management. Auditing refers to the examination of financial statements and their underlying data to determine whether the statements are fairly presented in accordance with generally accepted accounting principles (Ahmad Saleem, 2000).

In well-functioning private health institutions there are usually internal control mechanisms or policies and procedures set by the management to ensure that objectives of the private health institutions are achieved (Ahmad Saleem, 2000). These include the following;

According to Segsworth, (2002), private health institutions performance management is concerned with designing controls, policies and procedures that govern the activities and operations of the private health institution. The controls are the internal accounting controls and operational controls. Internal accounting controls are such controls relevant to the expression of an audit opinion on financial matters. Operational controls are not directly relevant to the expression of an audit opinion on financial matters such as procedures relating to monitoring the performance of employees.

Preparation of annual budgets, proper authorization of transactions, review of monthly bank reconciliation statements, presentation of monthly reports, adequate segregation of duties, setting up a finance committee, use of proper forms of accounting books, and an accounting procedure manual among others.

Internal control measures are designed to prevent or to detect and correct errors. An internal control system must identify and record all varied transactions, describe transactions on a timely basis, measure and value transactions properly, record transactions in the proper time period, properly present and disclose their effects and communicate responsibilities to employees (Ahmad Saleem, 2000).

According to Larry E. et al (1994), auditing is a systematic process of objective obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results

to interested users. Thus this aid the top management in making informed decision on the future of the private health institutions.

According to C. Nobles (2004), Auditing is a control mechanism designed to provide and internal and independent check on the financial statements and reports published by those private health institutions. Since the early ninety's the overall objective of the auditing has been the expression of an opinion as to whether the financial statements are prepared in all material aspects in accordance with an identified financial reporting framework.

Kurt P (2001), the contribution of the independent auditor is to provide credibility to information which means that the information can be believed or relied upon by outsiders, such as stockholders, creditors, government regulations, customers and other interested third parties. These third parties use the information to make various economic decisions, such as decisions about whether to invest in the private health institutions new assets or not.

Financial managers make decisions that affect the life of the private health institutions; they basically need information to perform this duty. Although financial statements can provide the needed information, the opinion of the Auditor in relation to the information given is very vital.

2.6 TYPES OF AUDIT

Audits can be classified into four ways according to the nature of work done and classified according to the approach to the work to be done and these include the following:

- **External audit:** This audit is performed by an outsider hence is called external. The audit firm is employed by shareholders and chosen from independent professionals who do not have any such relationship with the private health institution as might adversely affect his ability to for an objective judgment about the financial state of affairs. His report is

submitted to the shareholders which helps them in seen the actual performance of the private health institution.

- **Voluntary or non-statutory audit:** These audits are performed on various schools, clubs, sole traders and partnerships because the owners want them not because it is legally needed. They are carried out according to agreement between the client and the auditor. They are not compulsory and their scope is limited. For example tax audit, cost audits, project audit and performance audit among others.

- **Internal audit:** As defined by the institute of Internal Auditors (IIA), “Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve on the private health institution’s operations. It helps the private health institution to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk involved and examination and evaluation of various activities of an the health institution. The scope of the audit is determined by the management in the context of its specific requirements.

- **Statutory audit**

The audit is performed to meet the requirements as per the provisions of legislation. As per company’s Act, all entities, registered under Company’s Act must get their books of account audited. Various other bodies require an audit under law include: Banks, insurance companies, this type of audit involve obtaining and evaluating evidence about an entity’s financial report for the purpose of expressing an opinion on whether the financial information is presented fairly in accordance with established criteria for example applicable accounting standards and the law.

Although the above importance of auditing are given, it has got some limitations:

- ✚ Collusion may conceal frauds and errors that is through cunningly and purposely prepared documents may not be uncovered, sample audit has to depend on some other professional' opinion.
- ✚ Inadequate information or incorrect information and relying on certificates of management may hinder auditors thus a limitation of auditing. Manager attitude towards auditor. Auditor is not a blood hound but a watch dog, it means auditor has to exercise reasonable care and adopt skill in examining accounting record (Kingston Cotton Mills Co,1896)

The researcher considered harmonizing the above authors that is Larry E. Ritterbrg and Bradley, David Alexander Nobles among others who have the definitions of auditing and performance of the private health institution. To continue harmonizing the gap, the researcher concluded that the recruitment of potential external auditors and appropriate methods to encourage auditors apply for the jobs rather than how to recruit them in the performance of the private health institution. It is therefore, imperative that private health institutions carry out audits as this enables them to see the real picture of the private health institutions performance.

2.7 SOURCES OF FUNDS

There are always many issues to be considered before financing a private health institution. With set aims and objectives, a private health institution has to engage in financial mobilization.

According to D. Needham and R. Dransfield (2000).

The various sources of finance that may be available to the private health institution

Include trading income, loans from the banks or other financial institutions

Fundraising, government funding, donations, user fees among others

A medical unit generates its funds from user fees. Donations from donors and well-wishers, refunds of taxes by revenue Authorities, and government grants (PHC). All these aid the hospital administration in offering quality health services to the community at reasonable costs. Therefore there is need for proper financial management for anticipated resources to maximize the gain and improve on performance.

2.8 DIVISION AND SEGREGATION OF DUTIES

Separation of duties is an internal control concept that requires different people to complete different parts of a task. The main objective is to prevent a single person from defrauding the private health institution. A secondary purpose is to catch and prevent serious errors from occurring. The concept of separation of duties can be difficult to achieve while maintaining optimal efficiencies throughout the entire process. One will have to measure the trade-off of an efficient process against the risk of a fraudulent employee going undetected. Separation of duties is the concept of having more than one person required to complete a task. In business the separation by sharing of more than one individual in one single task is an internal control intended to prevent fraud and error.

Specific examples of segregation of duties are as follows:

- The person who requisitions the purchase of goods or services should not be the person who approves the purchase.

- The person who approves the purchase of goods or services should not be the person who reconciles the monthly financial reports.
- The person who approves the purchase of goods or services should not be able to obtain custody of checks.
- The person who maintains and reconciles the accounting records should not be able to obtain custody of checks.
- The person who opens the mail and prepares a listing of checks received should not be the person who makes the deposit.
- The person who opens the mail and prepares a listing of checks received should not be the person who maintains the accounts receivable accounting records.

Segregation of duties helps employees know what to do and what others are to do John and Paul (1982). This is done to minimize errors and fraud and to detect them in a timely manner where they take place.

Transactions should be allowed to pass through the authorization, approval, execution and recording processes. Proper authorization of transactions and activities helps ensure that all company activities adhere to established guide line unless responsible managers authorize another course of action. For example, a fixed price list may serve as an official authorization of price for a large sales staff. In addition, there may be a control to allow a sales manager to authorize reasonable deviations from the price list. Adequate documents and records provide evidence that financial statements are accurate. Controls designed to ensure adequate record keeping include the creation of invoices and other documents that are easy to use and sufficiently informative, the use of pre numbered, consecutive documents; and the timely preparation of documents.

Independent checks on performances, which are carried out by employees who did not do the work being checked, help ensure the reliability of accounting information and the efficiency of operations. For example, a supervisor verifies the accuracy of the transaction.

In order to identify and establish effective controls, management must continually assess, monitor control implementation, and modify controls as needed. Top managers of the organisation must sign a statement of responsibility for internal controls and include this statement in their annual report to stockholders.

2.9 THE RELATIONSHIP BETWEEN EFFECTIVE FINANCIAL MANAGEMENT AND PERFORMANCE OF HEALTH INSTITUTIONS.

It is important to aspect of financial management and how it impacts on the performance of the private health institutions as a focal point of this study. Effective financial management refers making expected impact and improve on the performance of the organization which in the private health institutions refer to the ability to implement and evaluate all the budgeted activities in a more satisfactory way.

The performance of a private health institution depends on certain desired parameters, according to Garrison Rahy (2001, 722) are clear formulas of strategic goals, forecasting short and long term objectives, contingency plans for emergencies, implementing plans, establishing and maintaining a system of contrast and evaluation of which alternatives to undertake and measuring subsequent performance against the goals set in financial management plan. It then becomes justifiable to assess the effect of financial management on private health institutions.

One will realize that all the different control measures aim at safeguarding and protecting the resources of the health institutions like cash, stock, and other valuable property from theft, fraud,

misappropriation and allocation of resources and encourage accountability. It is true that if there are no established procedures, and support systems within our organizations, there will be rampant theft and misuse of resources resulting in failure of an organization to perform and achieve its goals.

The result of poor financial management may affect access of medical resources if drugs and other logistics are not readily available thus leading to poor performance. Therefore, the divergent views, seen above, provide clear evidence that there is a strong relationship between financial management and performance of private health institutions hence becoming indispensable management tool that directs the management towards desired performance.

2.10 CONCLUSION

The literature discussed in this chapter highlights a number of issues related to methods, roles functions and effects of financial management on performance of health institution. Financial management is concerned with the making investment decisions, asset management among others, the above decisions to be made efficiently depends on proper financial management which lead to excellent performance of the private health institutions in the long run. The financial manager should provide standards to evaluate performance in various sections this assist in rewarding better performance as a means of motivating staff to strive higher always.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 INTRODUCTION

This chapter points up the overall research process; it includes research methods used in obtaining the essential information and methods of data analysis. It also covers the study design and population, sampling size, data analysis techniques, reliability and validity, ethical issue and the criteria for the interpretation of the results.

3.1 RESEARCH DESIGN

This is a series of advanced decisions that, taken together, make up a master plan or model for a research study (Amin, 2005). There is no one best approach to study management research rather the approach that is the most effective for resolution of a given problem depends on a large number of factors such as nature of the problem etc. (Gill & Johnson, 2006). The researcher employed a combination of qualitative and quantitative techniques since some data was anticipated to be in numerical form and there after the data was condensed into figures, tables and other graphical techniques for easy interpretation.

This means that a research design is the conceptual structure within which the research is conducted and it is a blue-print for measurement of variables, collection and analysis of data. The study was a descriptive cross-sectional case study based on examining the effects of financial management and performance of health institutions. This design aided the researcher in obtaining the information on the sources of funds of the hospital, the number of patients received in a particular day. The research involved both quantitative and qualitative techniques of data

collection. It covered the period of 2011-2013. The methods used, facilitated the collection of the empirical data required for the study. The sources of data include; documents, budgets, financial statements, work plans and other materials used in financial management of private health institution's resources. The top administrator and accountants were chosen because they are the controllers of the key liquid and non-liquid assets in the private health institution.

3.2 STUDY POPULATION

The participants in the study were drawn using a purposive sample with a targeted group of 80 staff, which included the accountants, top managing directors, staff and management team as shown in table 1 below. The study was conducted in Villa Maria Hospital. The selection of the above key respondents was done for purposes of obtaining objective information about the effect of financial management on performance of health institutions. This method minimized almost all kinds of biasness and misrepresentation within the population that was studied.

Table 1: Showing the study population

Category	Target	Actual number	Response %
Board of directors	20	15	75
Finance committee	15	10	66.67
Management team	10	8	80
Accountants	5	3	60
Medical staff	30	28	93.3

Total	80	64	80
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Source: Research data, 2014

3.3 AREA OF STUDY

This research was carried out in Masaka district. Masaka is one of the districts in Uganda mainly occupied by the Baganda. It is mainly covers three divisions; Katwe Butego division, Kimanya Kyabakuza and Nyendo Ssenyange division. The 2002 national census estimated the population of Masaka District at 228,200, with an annual population growth rate of 3.0%. With those statistics, it was estimated that in 2010, the population of the district was approximately 289,000. The residents of Masaka are mainly involved in agriculture and small scale businesses. Masaka District, *population available at* [http://en.wikipedia.org/wiki/ Masaka_District](http://en.wikipedia.org/wiki/Masaka_District) Accessed on [27th May 2013].

3.4 SAMPLE SIZE AND SELECTION

Amin (2005) defines a sample size as the number of elements in a portion of the population whose results can be generalized to the entire population. Using the population and sample size table by Amin (2005:454) that provided the sample size (S) required for the given population sizes (N), the sample comprised 80 individuals from the target population of 64 respondents. The sample consisted of 20 Board of directors; 15 finance committee members; 10 management team; 5 accountants and 30 support staff. The above sample was selected based on the fact that the researcher was most likely to get reliable information from the above members who were considered responsible people with efficient information in the area of study. To determine the

sample size, Solvin's formula was used: the researcher applied Solvin's formula to determine the sample size of 80 respondents as illustrated below:

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

Where: n=sample size

1=constant number

N=population size

e = desired margin of error set at 0.5 level of confidence

Thus:

$$n = \frac{80}{1 + 1(0.5)^2}$$

$$n = 64 \text{ respondents}$$

However out of the 80 questionnaires that were distributed to various respondents 64 questionnaires were received back and were completely filled, 10 were incompletely filled and were discarded whereas, 8 were not received back because some respondents were nowhere to be traced, whereas others seemed not to have time to respond to the questionnaires.

3.5 SAMPLING TECHNIQUE

Sampling refers to the method used to select a given number of people or things from population Mertens,(1988) it is the selection of some part of an aggregate or totality on the basis of which judgment is made Kothari,(1987). A stratified random sampling procedure was used. The

respondents were grouped according to their nature of work and qualification and/or their role in the private health institution. Therefore, in each department, four strata comprised of top Board of directors, accountants, finance committee, management team and support staff, was made. The members from each group were chosen based on their positions in the private health institution. All these respondents were chosen to participate in the study because they are directly involve in the daily running of the private health institution as financial management is concerned. The researcher also used the theoretical sampling technique using the general research questions formulated on the study topic to collect and generate the relevant information needed.

3.7 METHODS OF DATA COLLECTION

This refers to the mechanism through which data can be collected. Tools refer to the instruments used in data collection. The study used two types of empirical data that is primary and secondary data sources to answer the research questions and to achieve the objective of the study. This data helped to explain the contribution of financial management on performance of health institutions in Uganda (Villa Maria Hospital) in Masaka Municipality. The researcher employed different instruments or tools for collecting data like; interview guide, self-administered questionnaires, and direct observation. Primary data was collected using interviews and questionnaires while the secondary data was obtained by reviewing the private health institutions records especially work plans, financial statements and financial manuals among others.

Primary source: It is rare that secondary data is adequate as it usually supplements primary data. Primary data is data developed specifically for the project; Tull and Hawkins (1990). Primary data was collected from the three categories of the respondents; board of directors, finance committee,

accountants, and the staff of Villa Maria hospital. This was collected through the use of, interview schedule and questionnaires.

The Secondary data were obtained through the review of the records, and documents prepared by the private health institution like work plans, annual budgets and financial reports. The literature review was done with the help of relevant textbooks in the university library. These methods helped in verifying the existence of internal control system and accessing views of other scholars.

3.8 OBSERVATION

The researcher observed the habitually exercises of the financial management system in different departments handling finance within the private health institution. Where applicable, all the internal controls in use were observed. For instance, in accounts department, physical observation was made on how inflows and outflows of cash and cheque payments and receipts are done. The approval sequences were followed. This yielded accurate data, which helped to supplement information, got through interview and a test against possible biases of the information obtained. The researcher used this method because it avoids reporting bias information and helps in overcoming language barriers.

3.9 INTERVIEWS

In this method, a face to face interview was conducted with the help of the questionnaires which were both closed and open to interview at least 64 selected board of directors, accountants, finance committee members, and the staff members. The purpose of this selection was to capture a cross section of information from top informative managers who are involved in financial management and aware of the challenges faced in the allocation and management of resources in the private health institution. They availed information on processes involved in financial management, the

challenges encountered, budgeting process, internal control systems, cash management, credit management and inventory control, and the way to minimize the challenges. However, this method endowed with firsthand information and it gave the researcher detailed point of reference with the respondents. It reduced unfamiliar influence on responses and allowed for collection of seemingly sensitive information for clarification where information seemed unsatisfactory. This method was tiresome given the fact that the respondents were too busy for in-depth interaction, proving to be more inconveniencing. However, in this instance, use of questionnaires was appropriate.

3.10 QUESTIONNAIRES

The researcher used questionnaires to collect data on the work plans, budgets, and cash and credit management, financial statements and inventory. Also on the process involved in financial management, the importance of financial management, the internal control systems and other related data regarding study was collected. These were distributed to a number of staff of the private health institution who included the top directors, accountants, medical staff and some selected management committee members.

The questionnaires were the most effective method since most of the workers had tied schedules. The method was convenient and gave the respondents ample time to think and provide the best responses. This technique helped the researcher in gathering information about expectations from a large number of staff within a short time period. However, the use of questionnaire method was associated with some shortcomings whereby the respondents did not answer the question due to time problems. Some respondents also misplaced the questionnaires and were never returned. Hence, out of 64 questionnaires that were distributed, only 10 were returned with sufficient responses and 16 were left out.

3.11 REVIEW OF RECORDS

These were used to determine the quality of records keeping, and completeness of the records and management of the flow of resources within a private health institution. The assessment covered viability records as well as completeness of data. The basic records assessed were annual budgets, financial reports and documentary materials relevant to the topic of study financial manuals. The researcher used the checklists to guide when reviewing records so as not to forget important information of interest. Records of accounts, financial work plan, financial statements, budgets, and other documents for at least 3 financial years (2010/2012) were reviewed. This method helped the researcher in verifying the information obtained from interview and questionnaires in ensuring that there was no bias.

3.12 DATA MANAGEMENT AND ANALYSIS

The data that was obtained was managed and analyzed using two methods that is:

3.12.1 QUANTITATIVE TECHNIQUE

Both qualitative and quantitative methods were used. Quantitative methods was employed to collect data on budgeting, financial statement reports, cash management and inventory management regarding total monthly expenditures on various operational activities, actual income per month and annually. This information was coded and reviewed in order to have the required quality, accuracy, reliability and uniformity. The data was entered into computer and using Microsoft excels program and statistical package for social sciences (SPSS). It was transformed into tables and percentages and analyzed with regard to the theoretical principles. The advantage being that, the different tables, graphs and charts give precision to the research, add objectivity, and enable accurate policy response development on effectiveness of financial management, and

performance of a private health institution. They help the management in making economic decisions for the private health institution.

3.12.2 QUALITATIVE TECHNIQUE

The qualitative data was edited upon the receipt of questionnaires to ensure precision and dependability in information given by respondents. Data was then entered in the computer and analyzed using the Microsoft excels software and summarized into meaningful patterns for analysis and interpretation. Frequency tables, bar charts, and pie charts were then used to present the data into meaningful information for easy interpretation and decision making.

3.13 RELIABILITY/QUALITY CONTROL

According to Christensen (1997), reliability refers to consistency or stability. Reliability in the literature review was addressed by using existing literature sources, theories and models that are available to other interested academics. All questionnaires were given serial numbers for easy tracking and avoid double inclusion. There was pre-testing of questionnaires to control ambiguity and varied elucidation of questions. The questionnaires were edited and filled and the use of checklists was done to ensure wholeness. Empathy was first built to guard against respondent bias. Interviews and observation were used concurrently to supplement each other and improve the implication of information.

3.14 ETHICAL CONSIDERATION

The researcher sought authorization from the Villa Maria top management to carry out the study in the private health institution. Information consent was first sought from the different respondents after explaining the purpose of the study. Acknowledgment of all the literature used

to avoid plagiarism was done. It was made clear that information obtained would be treated with utmost prudence and as evidence of this; names of the respondents were optional.

3.15 LIMITATIONS

One of the major limitation encountered by the researcher was on the number of employees, the company had few employees which limited the quantity of data collected because most of them were engaged in the words with the patients and field work and hard to meet and share their different experiences in financial management in the private health institution. Getting financial information from the accountants was very difficulty

The respondents were not willing to take up the questionnaires due to the fear of committing themselves on the issue of the private health institution and also the limited time they had as a reflected on the 16 questionnaires which were not collected. However, in spite of all these the researcher managed to collect the information required for the study from the interviews, review of records and observation in order to come up with a true research findings and recommendations.

3.16 CONCLUSION

The chapter has discussed in depth methodology and the design that were used to collect data. The instruments used, the way of presentation analysis and discussions form the basis on which chapter four will base. Even though there are limitations, the methods of data collection, analysis, and interpretation, will generally result in reliable conclusions. Therefore, the next chapter, the findings from the field, and records based on objectives and questions are presented and analyzed.

CHAPTER FOUR

DATA PRESENTATION AND DISCUSSION

4.0 INTRODUCTION

This chapter presents and discusses the findings of the study and relates the findings, data analysis and the interpretation of the findings to the effect of financial management and performance health institutions (Villa Maria Hospital) to the research questions and hypothesis presented in the earlier chapters. The findings of each research question are presented in the consecutive sub-sections.

4.1 BACKGROUND INFORMATION OF THE RESPONDENTS

The background of the respondents was examined using both questionnaires and interviews basing on the sample size of 64 and the findings are as shown in the table below:

Table 1: Showing the background information of the respondents

Educational level	Frequency	Percentage %	Rank
Certificate	12	18.75	4
Diploma	18	28.125	2
Degree	20	31.25	1
Masters	14	21.875	3
Total	64	100	

Source: Research Data, 2014

The above table clearly illustrate that Villa Maria Hospital has qualified personnel which are a key factor given the fact that it is health institute which handles health aspects which are sensitive. The statistics showed that most of the staff are on and above the average with their level of educations and their doctors are of degree and master level as shown on the table above. Given the nature of the work and qualifications depicted, it gives an assurance that the health institute is most likely to offer quality health services to the society. The researcher was able to get adequate information because the questionnaires were properly answered and the interviews were conducted fluently. This enabled the researcher to come up with un- biased results used in drawing up the conclusion and the way forward on financial management and performance of the health institution.

4.2 THE AGE BRACKETS OF THE RESPONDENTS

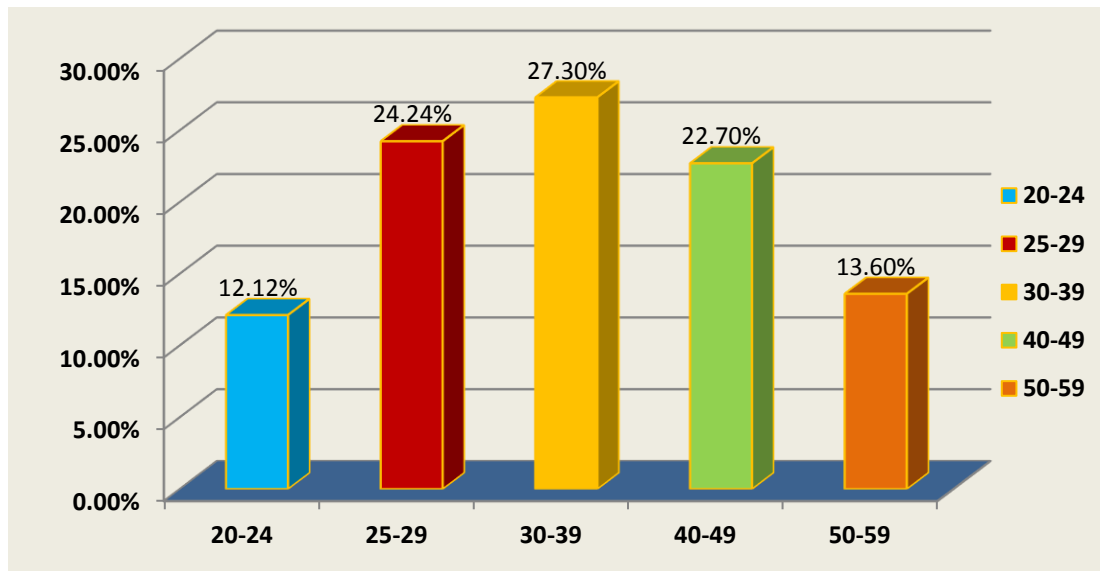
According to the data, the researcher found that the age of the respondents who are employed at Villa Maria Hospital Kitovu ranges from 24 and 59 years as indicated by the table 2 and the graph below:

Table 2: Showing the age brackets of the respondents

Age	Frequency	Percentage %	Rank
20-24	8	12.12	5
25-29	16	24.24	2
30-39	18	27.34	1
40-49	15	22.7	3
50-59	9	13.6	4
Total	64	100	

Source: Research Data, 2014

Figure 4: The bar graph showing the respondents age brackets



Source: Research data, 2014

From the table and the figure above, age of the workers of Villa Maria Hospital is above 24 years.

Thus, it shows that most of the hospital workers fell in the age bracket of 30-39 and 40-49. This

shows that the hospital has energetic and youthful staff that can render services beyond self and definitely the society stands the chance to benefit through improved quality of health services delivered as the resources will be well managed.

4.3 PRESENTATION AND DISCUSSION

4.3.1 FINANCIAL MANAGEMENT AND PERFORMANCE OF PRIVATE HEALTH INSTITUTIONS

Financial management is one of the important parts of overall management, which is directly related with various functional activities in an organization such as planning, directing, controlling, and managing financial resources and accountability of all the funds obtained. It is concerned with the duties of the financial managers in the health institution. Excellent performance in an organization is dependent mostly on the financial management of the resources.

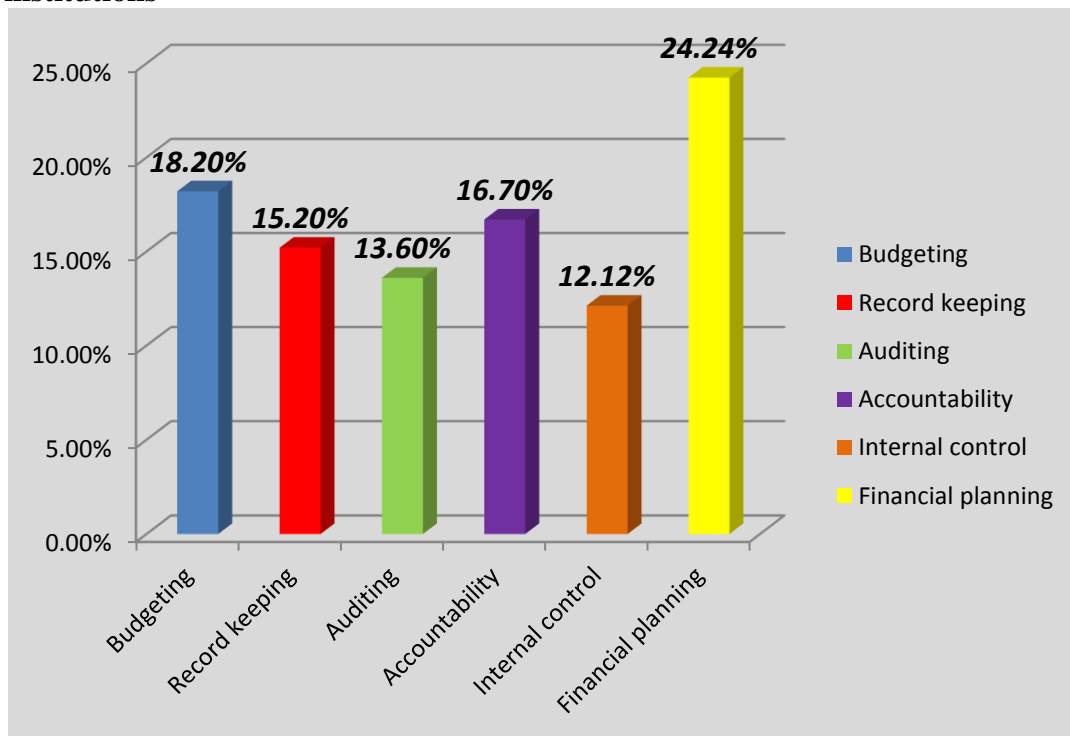
According to the findings, the researcher found that different respondents had different components of financial management as shown on the table 3 below:

Table 3: Showing the financial management and the performance of private health institutions.

	Frequency	Percentage %	Rank
Budgeting	12	18.2	2
Record keeping	10	15.2	4
Auditing	9	13.6	5
Accountability	11	16.7	3
Internal control	8	12.12	6
Financial planning	16	24.24	1
Total	64	100	

Source: Research Data, 2014

Figure 5: Bar graph showing the component of financial management in health institutions



Source: Research Data, 2014

The table and figure above, gives an analysis that shows that there are various components of financial management in health institutions (Villa Maria Hospital). The reasons put forward for financial management are budgeting, 18.2%, because it helps in making future forecasts of financial resources, accountability (16.7%), auditing with a rank of (13.6%), internal control with (12.12%) and lastly most of the respondents believed that for effective financial management to be effective financial planning component must be considered. (24.24%).

4.4 BUDGETING AND FINANCIAL MANAGEMENT IN PRIVATE HEALTH INSTITUTION

The health institute makes an operating budget annually in accordance with the government financial year June-July. The budgeting committee, which comprises of core administrators directors, management team, the accountant, do the budgeting. They prepare the budget with the consultation of heads of departments other cost centers, technical department and procurement department in order to get the accurate information about the requirements needed in various cost centers. According to the health institute financial manual, the budget team evaluates the past budget in order to guide administration in making forecasts for the next financial year. The budget proposal is then submitted for approval to the governing council after consolidation. After approval, the details are capture into the system for monitoring

purposes. The resources for financing the projected activities of the hospital are raised from the delay user fees and PHC conditional grant.

From the findings, it can be scrutinize that Villa Maria Hospital has a relatively good budgeting system for its resource exploitation. This is evidenced by the involvement of the heads of cost centers in the preparation process.

The participatory approach in budgeting acts as a motivational tool for to the staff to support and respect the budget and facilitate the implementation of the budget according to the health unit objectives and goals which are lined with the vision and mission of the hospital. This definitely in turn contributes to improved performance through quality health services. Budget monitoring as a tool is an important aspect in the organization because helps in controlling overspending or misallocation of funds. As a result, it controls divergence from actual and planned budget. The practice of budgeting is a management tool used for directing, coordinating and controlling activities of the management these control measures portrays a good financial management and improved performance.

4.5 RECORD KEEPING AND FINANCIAL MANAGEMENT IN PRIVATE HEALTH INSTITUTION (VMH)

The accounting system was assessed through both interviews with the heads of cost centers and by reviewing the accounts records, and the data obtained was qualitative in nature. All the 20 respondents interviewed stated that proper record keeping help in safeguarding the unit's assets, abuse and theft of resources, facilitate planning and budgeting and act as evidence of transactions. Proper record keeping is importance to the management because information is wealth which can be based on for future reference and making economical decision making as

depicted by 15.2% on the figure above. The researcher discovered that the hospital has a relatively a good records keeping system because some of the records ledgers were filled for reference with updated information and help in the preparation of financial reports. The hospital has the receipts with serial numbers and other financial books like cash book, and ledgers, it's through this records that administrators can base on while trying to plan and budget a head for the prosperity of the hospital. Nevertheless, some of the administrators do not have enough knowledge about accounting which makes it difficult for them to uphold the importance of record transactions in the health unit. Although the health institution has element of recordkeeping, there is still need to computerized and re-organize on how to keep their records in the most appropriate manner for easy access.

The findings showed the staff have idea of recordkeeping and how it affects the performance of the health unit. Most staff being in the tertiary bracket, it's evidenced that they are able to record every transaction that takes place in the hospital. However, the researcher discovered that in most departments' records of sundries were maintained although some staff were not keen, calling for the management monitoring.

Through documentary assessment and observations, the researcher also found out that, various records are being kept and these include:

Financial reports, stock cards/ledgers, and, work plans, cashbook, receipts, vouchers, receivable and payable registers although there were no policies.

- Some records are incomplete and, yet again, some department lack information on basic accounting system and equipment's. Example, minimal records are kept in the various wards and an scanty records of debtors in accounts section;
- Records of all resources are kept.

Keeping proper records for the organization enable funds to be traced and monitored by following the set procedures. When all the records are complete and accurate the effect of good financial management can be realized and movement of resources can easily be traced. As Berman et al., (1994) pointed out earlier in chapter two that non-profit operation philosophy of most organizations should neither encompass an excuse nor be used as a rationalization for irresponsible management of accounting practices and procedures. Therefore, proper uses and application of documents for all activities monitor the flow of funds and these lead to effective control of resources. Availability of relevant financial reports coupled with information regarding flow and control of resources facilitate decision-making and excellent performance of health institutions.

4.6 AUDITING AND FINANCIAL MANAGEMENT IN PRIVATE HEALTH INSTITUTION

An audit is a planned and documented activity performed by qualified personnel to determine by investigation, examination, or evaluation of objective evidence, the adequacy and compliance with established procedures, or applicable documents, and the effectiveness of implementation. The term may refer to audits in accounting, internal controls, quality management, project management, water management, and energy conservation.

Therefore, from the interviews held with the in-charge of the various departments and some key informants, the Villa Maria Hospital (VMH) has audit exercise annually. Auditing plays a vital key function in management by helping the administrators to improve or come up with

better strategic methods of managing its resources. Auditing ranks with (13.6%), which is an indication that organizations should always audit in order to know whether the account give a true and a fair financial position of the organization.

According to the findings majority of the respondents agreed that auditing is very essential to an organization and (VMH) in deed has this exercise annually because of various advantages such as:

Auditing helps in determining the efficiency of the employees. The training and qualified management is an asset for any organization. Such management can play dynamic role in framing and implementing the policies which lead to improve performance on quality service delivery to the society.

Improved internal control because the auditors can point out the weakness of internal control system which the management of the health unit can take steps to remove these weaknesses. The effective control systems are essential for large-scale business enterprises and the non -profit making organizations (VMH)

4.7 INTERNAL CONTROL AND FINANCIAL MANAGEMENT IN PRIVATE HEALTH INSTITUTIONS

Internal Control System is a vital role in the every organization to achieve their management objectives. Coso (1992), provided a criteria against which effectiveness of internal controls can be

assessed. Internal control can be judged effective if the entity's operations objectives are being achieved; published financial statements are being prepared, reliable and applicable laws and regulations are being complied with. While internal control is a process, its effectiveness is a state or condition of the process at a point in time. Accordingly, the effective functioning of the components of internal control provides a reasonable assurance regarding achievement of one or more of the stated categories of objectives to ensure high levels of organizational performance. Thus the company's criteria for effective internal control and success of the entire organization.

The finding from the study showed that internal control is a vital tool in financial management in the health institution as shown with (12.2%). The respondents also point it out that the internal control should be performed by a person who has the knowledge in internal control operation or having the background in accountancy. All the knowledge and skills of the individual will reflect on the recording processes or financial statements of the company. The firm should be aware that the presence of errors and inconsistency in reporting can be a sign that there is a fraudulent action within the procedures. Also, the manager must maintain the communication to ensure that the process in the management is being followed. The internal controls can significantly return the core advantages in the organization such as stability and improvement in the accountability.

The findings clearly showed that the respondents believed that effective financial management must have all the above components such as budgeting, internal control, recordkeeping, accountability in the organizational policies. Surprisingly the percentage of those who said all the above was the highest with (24.24%).

4.8 THE CONTRIBUTION OF FINANCIAL MANAGEMENT IN THE PERFORMANCE PRIVATE HEALTH INSTITUTIONS (VMH)

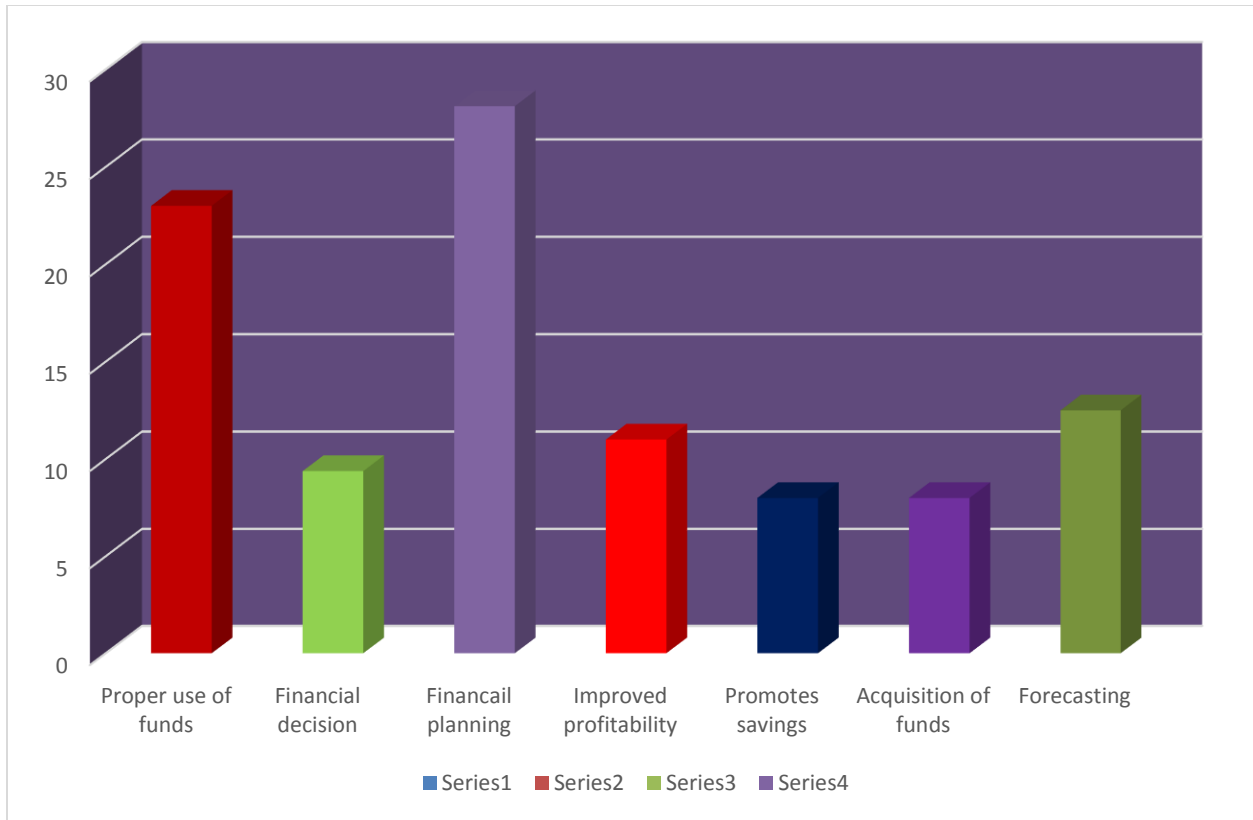
Financial management has contributed significantly to the performance of health institutions. According to the interviews conducted with the accountants, medical staff and administrators, various factors were raised up as shown on the table 4 below:

Table 4: Showing the significance of financial management and Performance of an private health institution

	Frequency	Percentage	Rank
Proper use of funds	15	23	2
Financial decision	6	9.38	5
Financial planning	18	28.12	1
Improved profitability	7	11	4
Promotes savings	5	8	6
Acquisition of funds	5	8	6
Forecasting	8	12.5	3
Total	64	100	

Source: Research data, 2014

Figure 6: A bar graph showing the significance of financial management and Performance of private health institution



Source: Research data, 2014

From the figure above, majority of the respondents accepted that practices of good financial management system in an organization leads to effective financial planning with 13%, 11% accepted that it leads to improved profitability, while 12% affirmed that it created good forecast which helps in the process of budgeting minimizing the misuse of resources, 9% considered good financial management helps in decision making which entail good Cost planning and cost management thus limiting wastage of resources since decisions are made based on accurate forecasts and 8% stated that proper financial management promotes saving in an organization since resource are put into proper use and decisions made according to the planned activities. However, financial management helps to organization in acquisition of funds (6%) because resources are put into proper use and accountability which the government can base in extending more finances to the institution. Therefore, financial management by the organizations acts as a basis for gradual

growth and improvement of performance. This analysis answers the questions posed on the contribution of financial management in the performance of health institution.

4.9 PROCESSES INVOLVED IN FINANCIAL MANAGEMENT

4.9.1 CASH MANAGEMENT

Cash is one of the fundamental part in financial management as stated earlier on by Berman et al., (1994). The researcher observed Villa Maria Hospital cash/cheque received are paid directly to the finance department. The finance department personnel issue a general receipt in acknowledgment of payments. Cash is deposited in the bank before use intact on weekly basis. The cash is withdrawn from the bank and kept in the main safe, and passed on to the paying cashier on request of reimbursement according to the agreed floating amount needed to meet the recurring expenditures. It was observed that there is no strong internal control over cash when it comes to posting and balancing the cashbook and physical cash count is not done regularly this can creates a loophole for fraud and misappropriation of resources. Bank statements are collected monthly and reconciled with cashbook.

According to the interview with accounts staff, the accountant based on the standard rates, prepares vouchers for cheque payments to the creditors, wages and allowances. These are verified and approved by head of accounts department along with the administrator, and accountant pays out the cash/cheque to the creditors. It was also noted that support documents were not fully attached and nobody reviews the payments. As noted by the International Accounting Standards regulations (2013), all payments need to be supported by clearly and explicitly worded explanations on

approved payment vouchers as a way of minimizing fraudulent habits among the staff involved in handling the finances.

4.9.2 FINANCIAL STATEMENTS

These are one of the important element in financial management and they summary reports that shows how organization has used the funds entrusted to it by its stockholders (shareholders) and lenders, and what is its current financial.

One area of significance during the interview with the respondents was to ascertain the financial statements in use. The findings show that the only financial statement prepared and used is the income statements and the statement of financial position. These reports are made quarterly and submitted to the board of directors. Jae and Joel (1997) states that financial statement preparation reveals fiduciary confidence. The basic financial statements and reports recommended by Institutional Accounting Standards (2013) for any organization include;

The three basic financial statements are the (1) statement of financial position, which shows organizational assets, liabilities, and net worth on a stated date; (2) income statement (also called profit & loss account), which shows how the net income of the firm is arrived at over a stated period, and (3) cash flow statement, which shows the inflows and outflows of cash caused by the firm's activities during a stated period.

The whole of financial accounting is based on the accounting equation, which consist entirely of statement of financial position elements. It reveals what the organization owns and what obligations it has. The fact that the organization uses two statements; implies inadequate report and presentation of financial statements. This makes it difficult to establish/evaluate the financial

position and cash situation of the organization. As stated earlier, financial statement, analysis helps to discover the strengths and weaknesses of an entity and reveal fundamental trends in its activities. The findings also show that the organization uses both accrual and cash basis of accounting, therefore, there is need to adopt only accrual basis system for purposes of preparing the cash flow statement as to give a logical image of the organizational financial position. Lack of relevant financial statements and reports is an indication of inadequate information for proper management and decision making process and effective control of resources, which results to poor performance and affects the services offered to the community.

4.9.3 INVENTORY MANAGEMENT IN VMH

This is one of the critical areas of financial management. Effective and efficient operation depends largely on timely availability of sundry supplies. This is backed up by Jae and Joel 2000 who noted, the purpose of inventory management is to develop and create a sound inventory control system and policies to achieve optimal inventory monitoring. The questions raised aimed at finding out the basis for sundry issue, how to ensure full utilization of sundry supplies by ensuring that the right quantity of supplies are issued and the inventory is properly managed.

The researcher assessed the logistics management of the stock by observing ledger records and interviewing the person in charge of stores. The findings show that the hospital has some one responsible for the stores, issuing of all required sundry to various departments. Accountability is by use stock ledger cards. First in and first out method is used for issue of sundry supplies after receipt of requisition from each department. Stock cards are used to update items in the stores. It was observed that there were no up-to-date stores ledgers, goods received note, and the items issued were only written on the stock cards. There is no stock evaluation records.

Inadequate records of stock items might result in discrepancies in store/department. It should be noted that proper stock records reflect efficient control of sundry supplies and help avoid frequent misappropriation the hospitals resources. The trend of inventory management in VMHK is positive but still there is need of better policies and stock appraisal procedures to be put into force as tools for managing inventory appropriately. It is therefore, through this good inventory management that organizations are able to achieve their objectives and improve on their performance and the services delivered to the community.

4.9.4 BUDGETING

A budget is a plan for organizations future income and expenditures that can use as a guideline for spending and saving. The organization makes an operating budget annually in accordance with the government financial year June-July.

The budgeting process is initiated by the top management, and the accountants. They prepare the budget together with the heads of departments, and procurement department in order to get the accurate information about the requirements needed in various departments and according to their work-plan and activities. According to organization's policy, the budget team reviews the past budget in order to guide them in making forecast for the next financial year. The budget proposal is then submitted for approval to the governing council. After approval, the budget is put into use and being monitored by the finance departments.

From the findings, it can be ascertained that Villa Maria Hospital has a relatively good budgeting system for its financial resources. This is evidenced by the involvement of the heads of departments in the preparation process as this helps the staff to own the budget and follow its implementation.

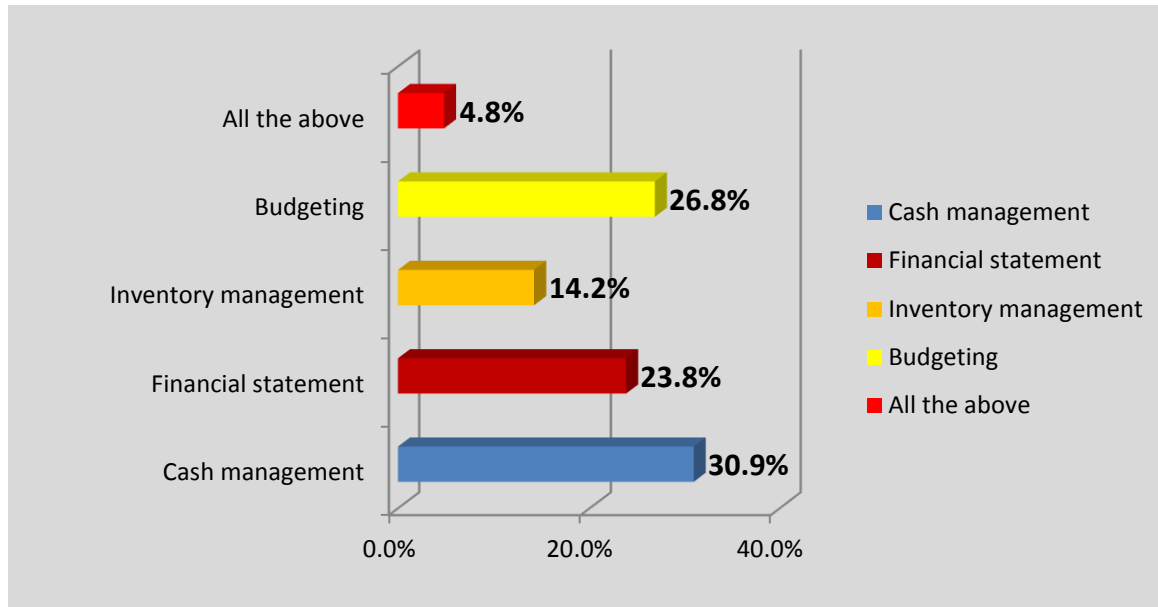
The participatory approach in budgeting acts as a motivational for to the staff to support and respect the budget, which in turn leads to better performance. Budget monitoring is an important aspect in the organization because it controls overspending or misallocation of funds. As a result, it controls deviation from actual and planned budget. These control measures portrays a good financial management.

Table 5: Shows the processes in financial management in VMH

Processes	Frequency	Percentage	Rank
Cash management	13	30.9	1
Financial statement	10	23.8	3
Inventory management	6	14.2	4
Budgeting	11	26.8	2
All the above	2	4.8	5
Total	42	100	

Source: Research data, 2014

Figure 7: A bar graph showing the processes of financial management in VMH



Sources: Research data, 2014

The figure above clearly shows that the respondents of VMH have processes of financial management in place. Cash management was highly rated with 30.9% showing that the respondents appreciate this element in an organization. The 23.8% also support the idea that financial statements contribute to financial management in an organization as this helps in showing how the organization is performing by looking at the revenues and expenditures. While 28.8% point out clearly that budgeting is one the important tool in financial management as this helps the managers in forecasting future revenues and expenditures. The findings clearly showed that 14.8% believe that inventory management in an organization help in monitoring and management of organizational sundry supplies. Lastly 4.8% state that all the above components in financial management in an organization are important and the organizations with all the above processes stand high chances of managing their resources and improve on the performance.

4.10 THE CHALLENGES ENCOUNTERED IN FINANCIAL MANAGEMENT AND PERFORMANCE OF VMH

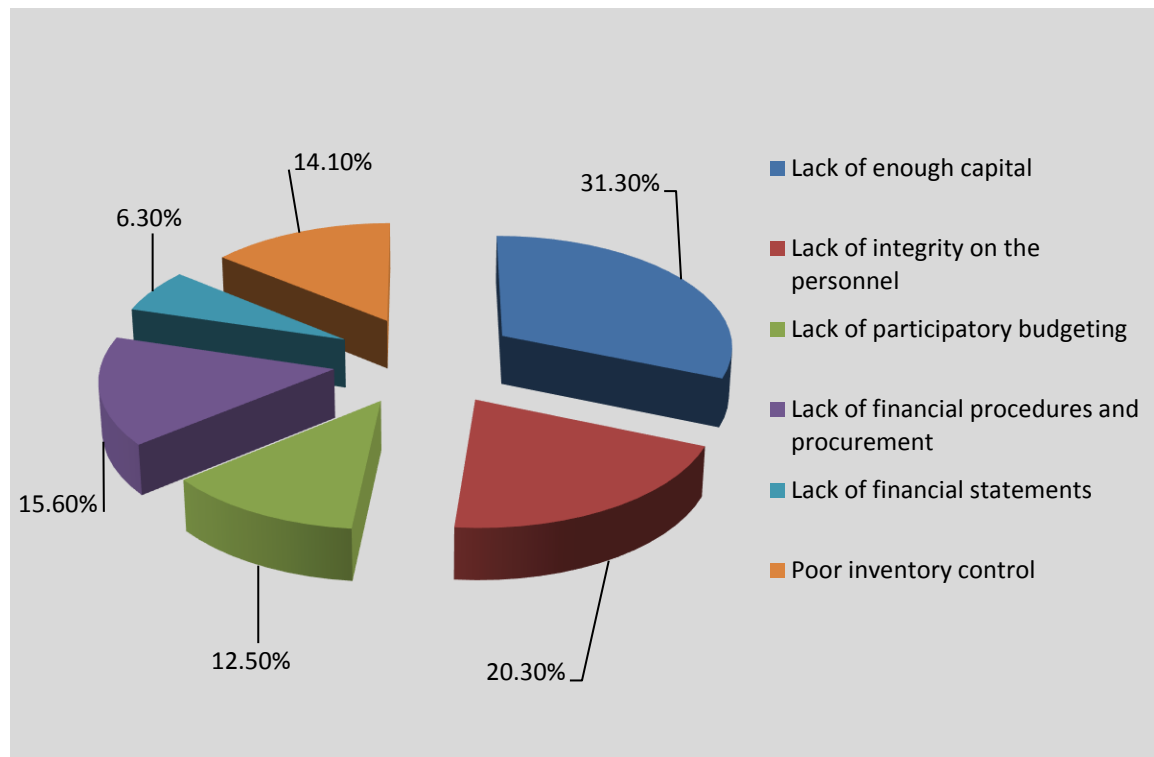
Many factors affect the performance of an organization. According to the findings from the questionnaires and interviews from the sixty four respondents, the following findings were obtained as indicated in the table 6 below:

Table 6: Showing the challenges encountered in financial management and performance in VMHK

Responses	Frequency	Percentages	Rank
Lack of enough capital	20	31.3	1
Lack of integrity on the personnel	13	20.3	2
Lack of participatory budgeting	8	12.5	5
Lack of financial procedures and procurement	10	15.6	3
Lack of financial statements	4	6.3	6
Poor inventory control	9	14.1	4
Total	64	100	

Source: Research data, 2014

Figure 8: A Pie chart showing the challenges of financial management and performance of VMH.



Source: Research data, 2014

The figure above clearly shows the challenges faced by the organization on management of their financial resources. The interviews and observations assessment found out various financial challenges, which have affected the performance of an organization as being:

Lack of enough capital (31.3%) to facilitate both capital and current expenditures as planned.

Lack of financial procedures with (15.60%) which may cause the private health institution to lose its financial resources.

Lack of participatory budgeting with a percentage of (12.5): this may lead to lack of implementation of all the budgeted activities.

Poor inventory control with a percentage of (14.10).

Lack of committed human resource among the employees has resulted to poor performance and affects the quality of service delivery.

Lack of participatory budgeting, (12.5%) this affects the implementation of various activities because the staff did not own the budget because they are not part of it, they do not own it and the implementation of various activities may be frustrated.

Inventory management causes poor performance and management of resources inflow and outflows. This creates a big loophole of fraud by the financial managers and heads of departments. Therefore, the system in existence is not fully adhered

Financial statements, this are very important documents when it comes to decision making, the organisation prepares this statements but not all are prepared for example statement of changes in equity is not prepared yet is one of the essential tool in decision making.

It is worth noting that these challenges if not considered by the top administration team may affect the performance of the organization, and the quality of services offered to the society and in a long run, loss the goodwill gained.

THE RELATIONSHIP BETWEEN FINANCIAL MANAGEMENT AND PERFORMANCE OF PRIVATE HEALTH INSTITUTIONS

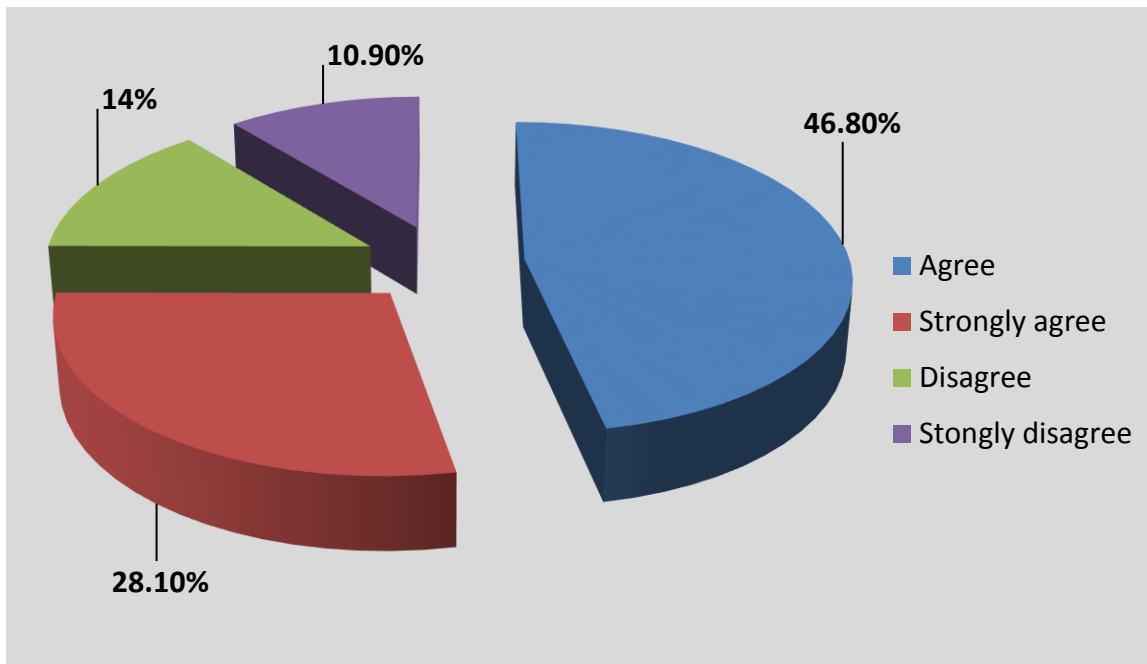
Sixty six respondents were asked as to whether there is correlation between the two variables (financial management and performance of health institutions). The findings are as shown in the table below:

Table 7: Shows the relationship between financial management and performance of private health institutions

	Responses	Response Rate in (%)
Agree	30	46.8%
Strongly agree	18	28.1%
Disagree	9	14%
Strongly disagree	7	10.9%
Total	64	100

Source: Research date 2013

Figure 9: A pie chart showing the relationship between financial management and performance of private health institutions (VMH)



Source: Research data 2014

The pie chart on the figure above clearly illustrates the respondents' reaction on whether there is any relationship between financial management and performance of private health institutions. It

was found out that 46.8% of the population Strongly agreed that there is a relationship between financial management and performance of health institutions, 28.10% agreed that there is a link between the two variables (financial management and performance), 14% disagreed and their observation was that there is no relationship between financial management and performance of private health institutions that the two variables are quite independent from each other. and finally 10.9% completely disagreed of the relationship in between financial management and performance and effective financial management leads to improved performance though they were the minority according to the population studied who still disagree. This gives room for further investigation as why they think there is completely no correlation on the two variables.

Margnerite S R (2001) confirms that there is a relationship between the two variables, he goes ahead to mention that, successful financial management and performance. Therefore, it was concluded that there is much correlation between financial management and performance of private health institutions. This is evidenced by the responses gathered from respondents as shown in the table and figure above.

ELEMENTS OF FINANCIAL MANAGEMENT ON PERFORMANCE OF PRIVATE HEALTH INSTITUTIONS

Good financial management requires the provision of pertinent and reliable information for planning and allocating funds. It is our view that the use of accrual-based financial information for budgeting and appropriation of funds would allow departments to better manage and control operating and capital spending and improve transparency and accountability. It would also help legislators hold the government accountable for its stewardship (effective, efficient, and economical use) of public assets, the full costs of programs, and its ability to meet short-term and long-term financial obligations.

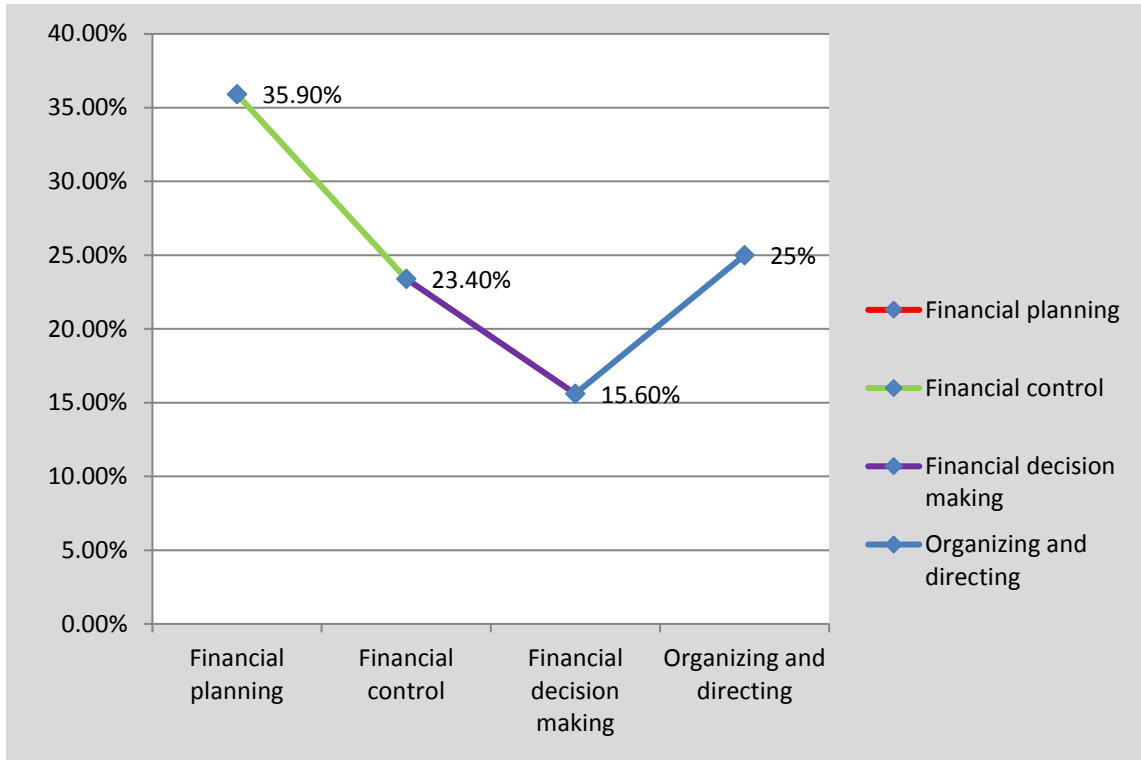
The capacity of financial human resources also plays a key role in determining how well the government can deliver results that meet the expectations of Canadians. In a climate of fiscal pressure, it is important for departments to continue to maintain and build a strong workforce for the future. This can be accomplished by recruiting, training, and developing the appropriate number of financial officers and managers with the required qualifications, skills, competencies, and experience.

Table 8: Showing the elements of financial management in Private Health institutions (VMH)

KEY ELEMENTS	FREQUENCY	PERCENTAGES
Financial planning	4	10
Financial control	4	10
Decision making	6	15
Organizing and directing	28	65
	42	100

Source: Research data, 2014

Figure 10: A Line graph showing elements of financial management in private health institutions.



Source: Research data, 2014

Planning — Identify steps that must be taken to accomplish and private health institutions objectives.

Controlling — make sure that each area of the private health institution is following the plans that have been established.

Organizing and Directing — decide how to use private health institutions resources to most effectively carry out established plans.

Decision-Making — Make choices among available alternatives. All the above attributes contributed to the performance of private health institutions if the management strictly adheres to.

4.3 CONCLUSION

In conclusion therefore, this chapter has displayed the findings of this research and if carefully analyzed, they could be of importance to all private health institutions.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

This chapter gives a complete summary of information from the literature review, findings, conclusions made upon findings and the recommendations in line with the objectives of the study.

5.2 SUMMARY OF THE FINDINGS

From the study, it has been established that the success of any organisation be it public or private depends upon good financial management techniques, policies put across by the administrators during the operations in relation to the organizational financial objectives designed to minimize costs.

Financial management comprise of many dimensions but the ones that have been used in this research are budgeting, internal controls, auditing, book keeping, accountability and financial planning. Therefore it's on these that the financial manager has influence of controlling all organizational resources. For the health institution to have an effective performance, it must have clear-cut guidelines for the control of the financial management dimensions that have been mentioned above. The organisation should determine the purpose for which financial management is important and it affects the quality of health services and financial inflows.

The key elements underlying the philosophy of financial management is established in a written document communicated within the private health institution, as an approach towards reducing bad debts. The findings clearly showed this philosophy in financial management as it contributes a lot to the existence of the health institutions as it requires auditing of accounts, proper record keeping, budgeting, accountability and internal controls. The health institution which follows the

above elements in financial management no doubt leads to improved performance and the quality of health services.

From the study findings, Villa Maria Hospital is financed largely by user fees and partly by the PHC grants from government. The PHC grant has been declining for the last five years (2009-2012). The hospital may get financially constrained if the PHC grants is reduced or is completely withdrawn. PHC grants are also offered as conditional funds in terms of expenditure, this limits freedom and flexibility in the use of the funds thereby distorting the hospital planning and execution of the budget according to its set objectives and activities.

According to the findings the patient user fees ranks as the first major source of funds for the hospital. User fees are not predictable and cannot be relied on as a steady source of finance. If the hospital relies much on patient user fees then it may lead to reduced access, use, lack of capital development and poor quality services and performance of the health institution.

The health institution runs a participatory budget process which involves all the departments or the cost centers. Due to the consultative approach, the budget of the hospital often reflects inputs from all departments. The participatory budgeting approach acts as a motivation for the staff to support and respect the budget. On the contrary, although the hospital runs a well-planned budget system, budget monitoring is not very effective which may lead to misallocation of funds from the other sources especially user fees. Budget monitoring is important aspect in financial management because it controls overspending or misallocation of funds to non priority areas which are not on work-plan.

Though the administration of the health institution appreciates that record keeping and management helps in safe guarding the institutional resources against loss, abuse and theft of the

hospital property and acts as evidence of transaction. However, some departments clearly showed lack of proper records, giving incomplete information yet keeping proper records in an organisation enables the tracing and monitoring of the resources and procedures.

The health institution generally has internal controls in place on how to management its resources and it also carries annual audits of its financial statements which help give a picture as to whether the financial give a true and a fair view of financial position of the organisation. However, there is still need to strengthen the effectiveness of the internal controls in some areas especially in the various departments or canters.

Cash management is well managed and documented at all stages; requisition, approval and release of funds. This makes it easy for the hospital to trace all the expenditure and monitor the different expenditures so as to keep within the budgetary requirements as per the work-plan. It was however observed that there is still need to strengthen internal control over cash when it comes to posting and physical cash count which is not done regularly this can creates a loophole for fraud

International Accounting Standards IAS 1 recommends that all entities should prepare their financial according to IAS 1 and it is legal obligation. In following this standard, the organisation should use accrual basis of accounting where incomes and expenditures which recognized before the actual income is received. According to the study the health institution uses both cash and accrual basis of accounting this cannot give a clear view of the organisations resources and expenditures.

Inventory management in an organisation is very critical, and needs a lot of attention. Basing on the finding, Villa Maria Hospital inventory management is good but the system leaves a lot still desired. The study revealed that in some instance the inventory was not verified and where it is

done, the store's manager alone does it. In time of emergency some stock may be released without being recorded, no stock control accounts are maintained. Inadequate records of stock items in such an organisation which is sensitive may affect the quality of services and the hospital's general performance.

Private health institutions' performance is referred to as recitals where considerations of budgets, assets, operational products are crucial in determining the overall bottom line of the private health institution. Private health institutions' performance measurement is often based on the principle of alignment, process thinking and practicability which starts at the strategic level to determine internal and external measures driven by the shareholder's perspective of the private health institutions. Thus, the appropriateness of financial management policies highly determines the financial performance of any private health institutions.

5.3 CONCLUSION

Villa Maria Hospital is financed mainly through user fees with some PHC conditional grant from the government. The income-generating activities of the hospital are underharnessed, leaving the health institution reliant on user fees, yet the PHC grant has been declining for the last six years; therefore, management should strengthen and diversify its financial sources of revenue.

The hospital runs a well-planned budgetary system which involves all the heads of various departments and their inputs. Budgetary monitoring should cut across to both user fees and PHC conditional grant. Utilization of raised funds is largely on employee cost and drugs and capital developments. Record keeping and management is good but still has some weaknesses in other non-accounting departments or cost centers. Cash is well managed to a large extent although no physical regular cash count which is a big weakness.

Inventory management system though positive requires strengthening and improvement on the ledger cards and if possible automates it for effective results.

Therefore, it is worth noting that all the respondents agreed that financial management in an organisation has a positive effect on the quality of services and the performance of the health institution

5.4 RECOMMENDATIONS

Budgeting being a key element in financial management and performance of an organisation, budgeting and budgetary controls should be improved to include monitoring aspect of all the revenues and expenditures of the health institution against its budgeted amount and in accordance with the work-plan.

As a health institution which is dealing with life which necessities the availability of all the resource to save human life. The element of diversification of the sources of funds from user fees and conditional grant to local projects creation other sources is critical for the hospital and this should be strengthened to reduce over dependency on the PHC grant and donations which are being withdrawn.

The administration of the health institute should ensure that all the departments comply with proper record keeping and management with the sense that information is wealth so good record keeping gives reliable information which management can base in making informed decisions for the good and development of the health institution.

Inventory management though not very bad, lacks some important aspects which the management of the health institution should pay keen interest especially need to improve on ledger and control

accounts so that the goods moving out of the stores are properly recorded and allocated to a particular department or cost centers where they are supposed to be.

Effective internal controls in an organization is a key to good performance and therefore, the management of the Villa Maria Hospital is charged with the responsibility of ensuring that all financial procedures are followed and they should consider to introducing an internal auditor who will strengthen the controls and reinforce procurement procedures and process.

As a legal requirement, management of the Villa Maria Hospital should ensure that its financials are prepared according to International Accounting Standards IAS 1. This standard requires that all the four sets of accounts are prepared, that statement of comprehensive income, financial position, cash flow statement, and changes in equity. And accrual basis of accounting is recommended rather than cash basis.

All policy guidelines, financial management policies and procedures should be carefully selected, documented and communicated to all staff health institution, so as to have a framework for making informed financial management decisions where all the concerned parties are aware of and comfortable with. These financial management policies should be reviewed periodically to effect any amendment in the external and internal environments of the private health institutions and to correct any loopholes or unforeseen defaults in the policy of management.

Therefore, the financial management policy must not coerce but rather guide management on their terms of running the health institution for the common good of the entire society.

5.5 SUGGESTIONS FOR FURTHER RESEARCH

There are other chances for further research that would give more insight into the areas of financial management and performance of health institutions, some of these include:

1. Effect of shareholders responsibility on financial management and performance of health institutions
2. Impact of working capital management on the quality of health service delivery in private health institutions
3. Effect of Owners equity in goal attainment in private health institutions.
4. Effect of Budgeting on resource allocation in a private health institutions

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APPENDIX I: RESEARCH QUESTIONNAIRES

RESEARCH QUESTIONNAIRES

PART 1

QUESTIONNAIRE

Dear Respondent:

I am **NSUBUGA HENRY** a student of Uganda Martyrs University in the Faculty of Business Administration and management. I am doing a research in partial fulfillment of a degree of Bachelor of Business Administration and Management. The research is about Financial Management and Performance of Private Health Institutions. I am soliciting your contribution to this undertaking by requesting you to answer these questions for me. All information will be treated with confidentiality. I will be very grateful for your contribution.

Thank you for your cooperation and kindness.

INSTRUCTIONS:

Fill the spaces provided or indicate the response corresponding to appropriate choice of response where applicable.

1. Name of the respondent (optional) -----

Sex: Male Female:

Age: 18-25 25-35 35-70 Post held-----

Education	O level	<input type="checkbox"/>	Occupation	Employed	<input type="checkbox"/>
	A level	<input type="checkbox"/>		Unemployed	<input type="checkbox"/>
	Diploma	<input type="checkbox"/>			
	Degree	<input type="checkbox"/>			

2. How long have you been in this organization? 2 years 4 years 6 and above

3. What are the objectives and goals of your hospital? -----

4. What are the main sources of income in your hospital?

a) School fees

b) Donations

c) Loans

d) Local projects

Specify others-----

5. Do you get government funds?

Yes No

6. What are the main books of accounts which are kept in your hospital?

a) Cash book

b) Cash analysis

c) General ledger

Please add others if any. -----

Specify their uses.

7. How many staffs collect cash in your hospital?

8. How is this cash accounted for in the central pool?

8.1 How have your cash out flows affected your performance in the hospital?

.....

9. How often do you deposit cash in the bank?

Weekly Monthly

10. Do you first deposit all the cash in the bank before withdrawal for use?

Yes No

Explain the reasons as to why.

11. Do you have in place any of the following types of financial management control systems?

- a) Receipting of cash and cheque payment
- b) Record keeping and management
- c) Division and segregation of duties
- d) Authorization and approval of transactions
- e) Supervision of transactions and activities

12. What is the importance of financial management in your health institution? Tick the most appropriate ones.

- a) Financial Planning
- b) Acquisition of Funds
- c) Proper Use of Funds
- d) Financial Decision
- e) Improve Profitability
- f) Increase the Value of the Firm
- g) Promoting Savings
- h) All the above

13. Do you prepare financial plans in the hospital?

Yes No

If Yes how often?

- a) Monthly
- b) Semi-annually
- c) Quarterly
- d) Annually

14. What do you think are the major stages in financial planning?

- a) The formulation
- b) The implementation
- c) The evaluation
- d) All the above

15. What are different processes of financial management cycle?

- a) Planning
- b) Resource allocation
- c) Management of operation, monitoring and safeguarding
- d) Evaluation and reporting
- e) All the above

16. Which of the financial planning tools commonly used in your hospital?

- a) Budgets
- b) Forecasts
- c) Financial ratios
- d) All the above

17. Which kind of people do you employ in this hospital?

.....

18. What advice would you give to the hospital management in order to improve its operations?

.....

19. How have you been treated in terms of financial and emotional needs by the hospital?

.....

20. Why did you choose to work for this hospital?

.....

21. To what extent is financial management being practical in your hospital?

- a) Very large extent
- b) Large extent
- c) Some extent

22. Is there any formal budgeting done in the hospital?

Yes No

23. Does your hospital prepare financial statements?

Yes No

If yes how often? -----

24. What are the major financial control tools in your hospital?

- a) Budgetary control
- b) Cash control
- c) Inventory Management

Please add others if any-----

25. Briefly mention some of the financial management problems that your hospital is facing currently? Tick the most appropriate ones

- a) Lack of adequate capital
- b) Poor control of cash flow
- c) Lack of participatory budgeting
- d) Lack of skilled personnel
- e) Lack of cooperation
- f) All the above

Specify others-----

In your opinion how can these problems be solved.

26. Do you think there is any relationship between financial management and performance of a hospital?

Yes No

If yes give reasons for your answer.

27. Does your hospital make decisions based on the available financial reports?

Yes No

28. Do you think the financial management process of your hospital can be improved in any way?

Yes No

If Yes how best-----

29. What are the key elements to the process of financial management in your hospital? Tick the most appropriate ones.

- a) Financial Planning
- b) Financial Control
- c) Financial Decision-making
- d) All the above

30. Do you agree that without financial management performance of the hospital is affected? Please tick the most appropriate option.

- a) Strongly agree b) Agree c) Disagree

Give any other information you deem important in financial management and performance of the hospital.

31. Is there any relationship between financial management and performance of the hospital?

Agree strongly agree disagree strongly disagree

32. What are the components of financial management in your hospital? Tick the most appropriate ones.

- a) Budgeting
- b) Cash management
- c) Inventory management
- d) Financial statements
- e) All the above

33. What are main objectives of financial management in your hospital? Tick the most appropriate ones?

- a) Liquidity
- b) Profitability
- c) Growth
- d) All the above

34. Basing on your observation, do you think the hospital resources are properly utilized in line with the budgeted activities?

Yes

No

If No, what could be the reason?

OTHER STAFF MEMBERS (cleaners, gate keepers, drivers)

35 a) What do you do at Villa Maria hospital?

.....

b) For how long have you worked at Villa Maria Hospital?

.....

c) What challenges do you face at Villa Maria Hospital?

.....

d) What have you done to improve on the above situation in this hospital?

.....