FINANCIAL MANAGEMENT AND THE PERFORMANCE OF PUBLIC HOSPITALS

CASE STUDY: MULAGO HOSPITAL

A RESEARCH DISSERTATION SUBMITTED TO THE FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF A MASTER'S DEGREE IN BUSINESS ADMINISTRATION AND MANAGEMENT OF UGANDA MARTYRS UNIVERSITY

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ABSTRACT

The Research was carried out on Financial Management and the performance of Public Hospitals with the aim of assessing the impact of Financial Planning on the performance of Mulago Hospital, to find out the effect of Management of working Capital on performance of Mulago Hospital and to investigate the effect of Internal Controls on the performance of Mulago Hospital.

The study adopted the quantitative method of the study; it was a case study design focused on investigating Financial Management and Performance of government hospitals in Uganda. Questionnaires were the main data collection tool used while the research was analyzed using tables and SPSS, Regression analysis was used to find the relationship between the two variables.

The researcher found out that financial planning has a strong and positive significant relationship with performance of public hospitals; that is an increase in financial planning would mean an increase in the performance of Mulago hospital. This precisely points out that financial planning is one of the key elements used to measure performance of public hospitals.

There was also a strong positive significant relationship between working capital management and the performance of Mulago hospital. Efficient working capital management has led to improved operating performance of the business concern of the hospital in delivering healthcare services to patients and it has helped to meet the short term liquidity. Hence, study of working capital management is not only an important part of financial management but also impacts on performance of public Hospitals.

From the findings, it is true that internal controls greatly affect the performance of the hospital. This is because the internal controls are measures that comprise of the plan to coordinate methods adopted within a business to safeguard its Assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies and failure to observe the above directly affects performance of the hospital in a negative way and vice versa.

CHAPTER ONE

1.1 INTRODUCTION

Several scholars have lately voiced their concerns about the current state of financial management research and pedagogy. Accordingly, Donaldson (2002) as well as Pfeffer and Fong (2002) stated that there is a lack of impact of research on financial management and performance. Ghosal (2005) is more explicit in saying that "theory has had negative effect on practice of financial management; financial management theories are more causal or functional". The academic fraternity has to critically appraise existing financial management theories and practices to discover those factors and practices that could strengthen and sustain organizational performance in various African contexts. This study is therefore motivated to examine financial management and the performance of public hospitals in Uganda.

This chapter mainly focuses on Financial Management and Performance of Government Hospitals in Uganda. It has information on the background of the study, problem statement, and general objective sand specific objectives respectively. The research questions will follow, then the scope of the study. The terms that will be used will be defined at the end of this chapter right before the conceptual frame work.

1.2: BACKGROUND OF THE STUDY.

Financial management plays a large role in the overall management of a business with a primary to plan for, acquire, and utilize funds (capital) to maximize the efficiency and value of the enterprise. Because of this role, financial management is known also as *capital finance*. The specific goals of financial management depend on the nature of the businessIn larger

organizations, financial management and accounting are separate functions, although the accounting function typically is carried out under the direction of the organization's chief financial officer (CFO)and hence falls under the overall category of "finance." (Kelly 2011). It has been defined differently by different experts in the field.

Gapenski (2010) defines financial management as a means of planning, organizing, directinf and controlling the financial activities such as procurement and utilization of funds of the enterprise. It means applying general management principles to financial resources of the enterprise Block (2009).

According to Glen (2005), financial management refers to the efficient and effective management of money (funds) in such a manner as to accomplish the objectives of the organization. He adds that it is the specialized function directly associated with the top management. The significance of this function is not seen in the 'Line' but also in the capacity of 'Staff' in overall of a company. It includes how to raise the capital and how to allocate capital, i.e. capital budgeting. Not only for long term budgeting, but also how to allocate the short term resources like current liabilities. It also deals with the dividend policies of the shareholders. (Gapenski 2006)

In general, the financial management function includes the following activities:

Evaluation and planning, First and foremost, financial management involves evaluating the financial effectiveness of current operations and planning for the future.

Long-term investment decisions. Although these decisions are more important to senior management, managers at all levels must be concerned with the capital investment decision process. Such decisions focus on the acquisition of new facilities and equipment (fixed assets)

and are the primary means by which businesses implement strategic plans; hence, they play a key role in a business's financial future.

Financing decisions. All organizations must raise funds to buy the assets necessary to support operations. Such decisions involve the choice between the use of internal versus external funds, the use of debt versus equity capital, and the use of long-term versus short-term debt. Although senior managers typically make financing decisions, these choices have ramifications for managers at all levels.

Working capital management. An organization's current, or short-term, assets, such as cash, marketable securities, receivables, and inventories, must be properly managed to ensure operational effectiveness and reduce costs. Generally, managers at all levels are involved, to some extent, in short-term asset management, which is often called working capital management.

Contract management. Health services organizations must negotiate, sign, and monitor contracts with managed care organizations and third-party payers. The financial staff typically has primary responsibility for these tasks, but managers at all levels are involved in these activities and must be aware of their effect on operating decisions.

Financial risk management. Many financial transactions that take place to support the operations of a business can increase a business's risk. Thus, an important financial management activity is to control financial risk.

In times of high profitability and abundant financial resources, the finance function tends to decline in importance. Thus, when most healthcare providers were reimbursed on the basis of costs incurred, the role of finance was minimal. At that time, the most critical finance function was cost accounting because it was more important to account for costs than it was to control them. Today, however, healthcare providers are facing an increasingly hostile financial

environment, and any business that ignores the finance function runs the risk of financial deterioration, which ultimately can lead to bankruptcy and closure. (Kelly 2011)

Glen (2005) adds that a good financial management is expected to translate into improved service delivery, efficiency and effectiveness in any organizational context. Financial Management is interconnected in such a way that it enables efficient functioning of organizations. Management is a wide field with specific disciplines of organizational endeavor and practices varying across firms and industries. Financial Management practices cut across organizational functionality in any discipline. There is inadequate research that has focused specifically on financial management practices that can sustain efficiency and effectiveness in African organizations.

According to Oslon (2012**),** providers in the recent years have been redesigning their finance functions to recognize the changes that have been occurring in the health services industry. Historically, the practice of finance had been driven by the Medicare program, which demanded that providers (primarily hospitals) churn out a multitude of reports to comply with regulations and maximize Medicare revenues. Third-party reimbursement complexities meant that a large amount of time had to be spent on cumbersome accounting, billing, and collection procedures. Thus, instead of focusing on value-adding activities, most finance work focused on bureaucratic functions. Today, to be of maximum value to the enterprise, the finance function must support cost-containment efforts, managed care and other payer contract negotiations, joint venture decisions, and integrated delivery system participation. Finance must help lead organizations into the future rather than merely record what has happened in the past.(Mclaughlin 2012)

According to Winter (2014) Public hospitals, owned by state and local governments play a vital role in the health care safety for individuals who may not have access to healthcare otherwise.

Hill (2009) states that financial management is very important in the case of public hospitals because most of these public hospitals do not pay attention to financial management practices including Planning, working capital management and inventory management. A public hospital may not be keen to make profits in the traditional sense of the term, but surely it needs to cut down its costs and use the funds at its disposal to its optimum capacity there by adopting financial management practices. These latter studies have stressed the importance of human relationships, leadership,motivation and the organization's culture as less formalized, yet no less relevant – aspects offinancial systems. As a result, organizational financial management practices today is notconceived as a closed mechanistic system but rather as a system with social connotations andopen to the influences of the organization members and its environment.

Uganda fully embraced financial management practices in October 1962 when it formulatedthe public finance act (cap. 193) an act to provide for the control and management of thepublic finances of Uganda, for the audit and examination of public accounts and the accountsof certain statutory bodies, and for matters connected therewith.

Kakooza et al (2015) wrote an article showing the awful state of government hospitals across Uganda, while the Ministry of Health insists that the problem is not as bad as it is depicted, the level of service delivery in public hospitals has come under serious public scrutiny espousing the cause for concern about policy, practice and research.

According to the Auditor General's Report (2015), Mulago National Referral Hospital is financed by Grants from Central Government to the tune of UGX.47,200,221,960; Non-tax revenue of UGX.5,955,565,624 was also collected, bringing the total revenue to

UGX.53,155,787,584. The total grants revenue of UGX.47, 200,221,960 constituted 82.4% of its approved budget estimates of UGX.57, 253,962,985.

Kakooza et al (2015) also added that the performance of public hospitals in Uganda and indeed the entire health sector is a cause for worry from the perspective of the financial management knowledge. Bloom et al (2009) have stated that financial management in hospitals is very poor compared to that of other institutions; it is even worse in public than private hospitals. In the few months of the 2012/13 fiscal year, the performance of the health sector in general and hospitals in particular emerged as an issue of national concern. The outcry has been on lack of funds; the mass media relayed realities of appalling facilities, rundown equipment and apathy among health workers. From the view of financial management scholars, the system in these public health institutions must be flawing. The government was put on spotlight as a reason for the declining service delivery with rundown facilities, dilapidated premises, unused equipment, congested wards, slow service processes, lack of adequate staffing coupled with low motivation among the available staff and lack of supervision (Okara, 2012). The Daily Monitor publications ran serialized articles showing the state of government ambulances across the country, most of them rotting in parking yards due to lack of repair, fuel or outright neglect (Daily Monitor, September, 9th, 26th, 29th 2012). The blame game regarding the state of public hospitals continues. While the Ministry of Health insists that the problem is not as bad as it is depicted, the level of service delivery in public hospitals has come under serious public scrutiny espousing the cause for concern about policy, practice and research. There should be glaring gaps in management practices as a possible explanation.

1.3: STATEMENT OF THE PROBLEM

Financial management practices and health service delivery is a global concern to human life. The Government of Uganda has put in place financial management practices to follow while Using government funds to deliver health services. These are stipulated in the Uganda public Finance and accountability Act (2003) which among others includes, Planning, working capital management and inventory management among others. Most government hospitals (Mulago) have adopted and implemented these financial management practices to have better health service delivery in terms of quality, time, cost, sustainability and impact.

Despite the above efforts towards financial management and funding put in place, health Service delivery is still far from being realized as evidenced by persistent drug stock outs, leaking roofs, non-functional theatres, machine breakdowns (cancer machine), increased maternal and child mortalityrates, little latrine coverage and break downs, poor staff housing, absence of essential medical equipment and reduced antenatal and many more. This trend of poor

Performance in public health service delivery leaves room for one to doubt the roles of the government andhealth management teams (ministry of Health), finance department and monitoring units in planning, inventory management and working capital management in health service delivery. This study therefore seeks to investigate financial management and the performance of public hospitals in Uganda.

1.4: GENERAL OBJECTIVE

The general objective of the research is to investigate Financial Management and Performance of government hospitals in Uganda.

1.4.1: Specific objectives

- To assess the impact of Financial Planning on the performance of MulagoHospital.
- To find out the effect of Management of working Capital on performance of Mulago Hospital.
- To investigate the effect of Internal Controls on the performance of Mulago Hospital.

1.4.2: Research questions

- What are the effects of planning on the performance of Mulago Hospital?
- What are the effects of management of working capital on the performance of Mulago Hospital?
- What is the effect of internal controls on the performance of Mulago Hospital?

1.5: SCOPE OF THE STUDY

This refers to the description of the boundary of the study in terms of content, time and geography.

1.5.1: Subject scope

The contents of financial management to be discussed are, Financial planning by looking at budgeting and planning systems, working capital management through cash management and inventory management and finally internal controls like physical safe guards and record bvmaintaining. The study mainly focuses on financial management and the performance of government hospitals so as to get possible solutions to the above mentioned problems.

1.5.2: Geographical scope.

The researcher is focusing on Mulago Hospital because it is the country's national referral hospital and a government hospital within which the researcher is going to carry out the study. The surrounding areas of Mulago like old Mulago and new Mulagoare also going to be focused on since most of the residents in these areas access the hospital services. Better still, most of the

doctors and nurses plus any other employees that work at Mulago Hospital stay within mulago hospital.

1.5.3. Time scope

The study on Financial Management and Performance of public hospitals took place in May 2014 to November 2016 (1 year and 6 months) with Mulago hospital as the researcher's case study.

1.6: Justification of the study

The performance of the health sector in general and hospitals in particular emerged as an issue of national concern. The outcry has been on lack of funds; the mass media relayed realities of appalling facilities, rundown equipment and apathy among health workers. From the view of financial management scholars, the system in these public health institutions must be flawing. The government was put on spotlight as a reason for the declining service delivery with rundown facilities, dilapidated premises, unused equipment, congested wards, slow service processes, lack of adequate staffing coupled with low motivation among the available staff and lack of supervision. Therefore the researcher seeks to go into further research so as to find out if the above claims are attributed to poor financial management of government hospitals or other factors as shall be mentioned in the later chapters of this research.

1.7: Significance of the study

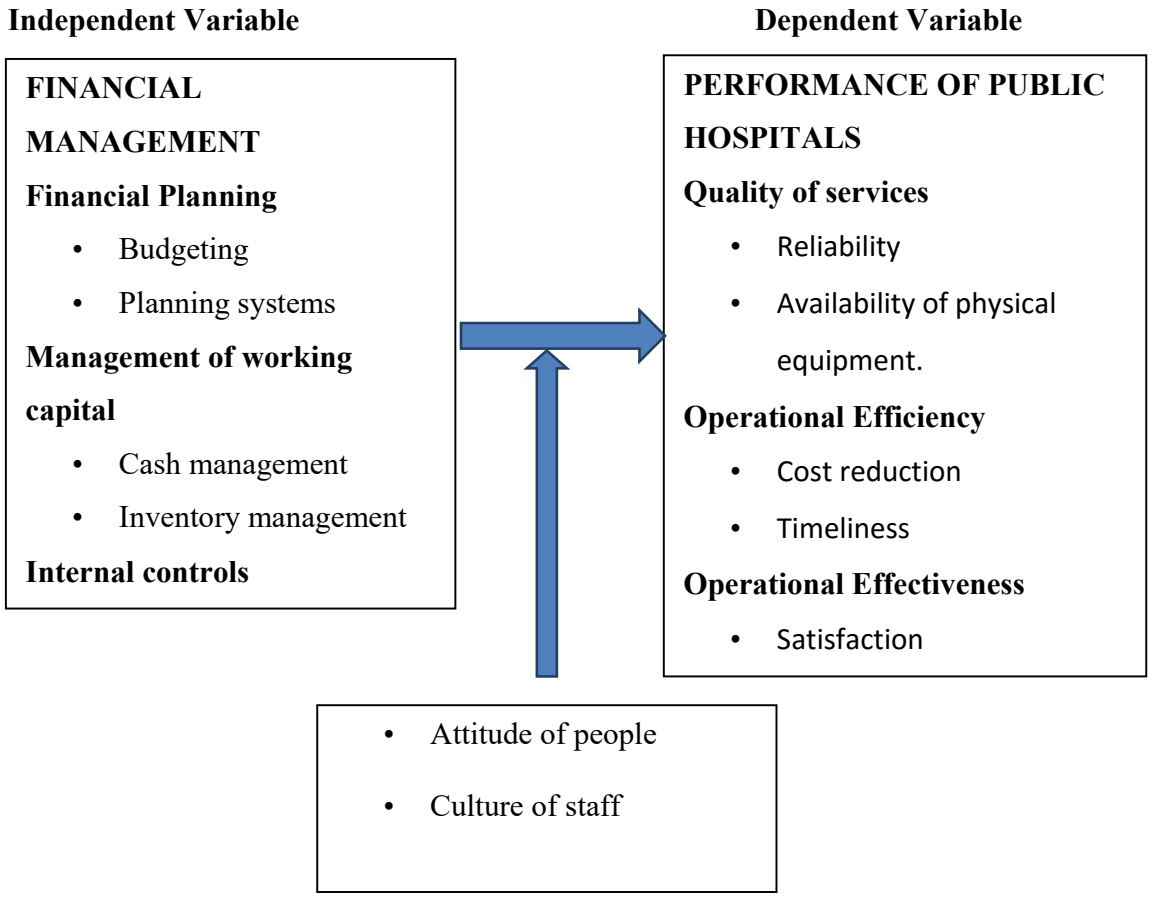
The information captured in this research is aimed to mainly assist management of mulago hospital (case study)in determination of procedures and policies plus ways in which they can best assist in solving the problems faced in providing health care services.

Public hospitals will also use the information obtained from this study to determine in depth the various challenges addressed in the findings on financial management and performance in their delivery of healthcare services.

The research pertains recommendations which the Government through the ministry of health can use for policy formulation regarding financial management in Uganda.

The Research contributes to the body of knowledge for the academicians and researchers to use for further research.

1.8: CONCEPTIAL FRAME WORK



Source (Glen 2005, Hirt et al 2009 and Van Horne 2002) as modified by the Researcher.

The conceptual framework depicted above shows financial management independent variable, while performance of public hospitals as a dependent variable. The framework shows the effect of financial management on performance of public hospitals. It goes ahead to show the relationship between financial planning and performance of public hospitals, management of working capital and performance of public hospitals and finally the relationship between internal controls and performance of public hospitals.

Performance is the accomplishment or achievement of a given task as measured against present known standards of accuracy, completeness, cost and speed. Public hospital performance can be measured with different indicators such as quality, operational efficiency and operational effectiveness.

Intervening variables are those used to explain the relationship between the independent and dependent variables. In this case, the study's intervening variables are attitude of the people and culture of the staff. Kelly (2011) defines Attitude as the way of thinking that affects a person's behavior. This shows that sometimes in hospitals, the patients and the staff have the thinking that the performance of a public hospital is expected to be low since the services from them are supposed to be for free.

Culture of staff is another intervening factor in this study. Culture refers to a way of life of a group of people, the behaviors, beliefs, values and symbols that they accept generally without

thinking about them (Hofstede 2003). From this definition of culture one can say that financial management and performance of public hospitals sometimes depends of the culture of the staff. This is because they are used to a certain way of delivering healthcare service depending on their beliefs, values and behaviors. This can be seen right from reception at the hospitals, the way service is delivered, arrangements and many more.

CHAPTER TWO

LITERATURE REVIEW

2. 0: INTRODUCTION

This chapter reviews the theories and literature related to financial management and the performance of public hospitals in Uganda. The chapter is to show information about the effects of Planning, working capital management and internal controls on the performance of public hospitals. It will also go ahead to show literature on performance of public Hospitals.

2.1: THEORATICAL REVIEW.

STWARDSHIP THEORY.

Stewardship theory examines relationships and behaviors often discounted in organizationaleconomic theories, emphasizing collective, pro-organizational, contractual behavior in which a higher value is placed on goal convergence than on agent self-interest. Stewardship theory defines situations in which managers are not motivated by individual goals, but rather are stewards whose motives are aligned with the objectives of their principals and was developed as a management alternative to agency theory (Davis, Donaldson and Schoorman 1997a, 21).

The assumptions of stewardship theory are that long-term contractual relations are developed based on trust, reputation, collective goals, and involvement where alignment is an outcome that results from relational reciprocity. In the case of the government-nonprofit social services contracting relationship, stewardship theory is an appropriate model because nonprofits by virtue of their organizational form, specialized missions focused on poverty reduction and client

stability, governance structures, the resource-interdependent nature of their funding relationship with government, as well as the incomplete nature of social services contracts may well contribute to their being a closer alignment with government's goals.

This may be less true in other policy areas, for markets, and for different types of programs and services, but in the area of social services there is generally acknowledged to be a set of shared goals between the contracting parties. The differences between contracting for social services as opposed to refuse collection provide additional credence to the proposition that the managerial starting point in government-nonprofit social services relationships may in fact be different than in other contract relationships. This relationship merits examination using management theories with different assumptions about managerial behavior, agent motivation, and the variation in which management tools are used for ensuring goal alignment between the parties. Although the public (Salamon 1995) has estimated that nonprofit social service providers receive approximately a third of their revenue from government through grants and contracts.

The author has used the terms steward and stewardship to describe some forms of bureaucratic behavior (Bundt 2000; Dicke 2002), the theory remains acknowledged but largely untested.

In contrast to the ‘‘agent’’ of agency theory, a steward places greater value on collective rather than individual goals, makes decisions he/she perceives to be in the best interests of his/her principals, and views the successes of the organization or contract as accomplishment and incentive for achieving goal alignment, absent any immediate financial payoff or maximizing of individual utility (Davis, Donaldson and Schoorman 1997).

Stewards are motivated by intrinsic rewards, such as trust, reputational enhancement,reciprocity, discretion and autonomy, level of responsibility, job satisfaction, stability and tenure, and mission alignment.

Fundamentally, stewardship theory relies significantly on the principal's and steward's initial trust disposition. As the research of Mayer, Davis, and Schoorman (1995) identifies, trust is the willingness and risk of being vulnerable, on the part of both actors, to the possibility that one actor in the contract may pursue his/her own self-interest to the exclusion of the collectively agreed upon goals of the contract.

A steward places greater value on cooperation, even when his/her goals are not perfectly aligned with the principal, over defection and other expressions of self-serving behavior.

This is because of the steward's perception that the utility gained from contractually aligned behavior is higher than the utility that can be gained through individualistic, self-serving behaviors at the expense of the principal's goals (Davis, Donaldson, and Schoorman 1997).

However, as noted, the initial disposition of both the principal and the contracted steward has to be toward trust and the realization of collective interests. This differs sharply with the initial disposition of the principal in agency theory of distrusting the intentions of the agent. The economic payoff for the principal in a principal-steward contracting relationship may come over time in the form of lower transaction costs associated with contracting out.

2.2. FNANCIAL PLANNING AND THE PERFORMANCE OF PUBLIC HOSPITALS.

The basic tenets of financial planning by hospital and care system, are that the leaders remain the same, but the status quo is no longer the baseline. Evolving reimbursement models, physician alignment, exposure to health insurance exchanges, emerging retail initiative. All of these developments, and more on the horizon, necessitate a continuous strategic financial planning

process that is integrated, disciplined and supported by analytics. So the question is, what is financial planning?

According to Van Horrssen (2010), Financial Planning is the process of estimating the capital required and determining its competition. It is the process of framing financial policies in relation to procurement, investment and administration of funds of an enterprise.

Financial Planning is process of framing objectives, policies, procedures, programs and budgets regarding the financial activities of a concern. This ensures effective and adequate financial and investment policies. The importance can be outlined as-Adequate funds have to be ensured Kelly(2011).

Harvey (2012) adds that it is evaluating the investing and financing options available to a firm. Planning includes attempting to make optimal decisions, projecting the consequences of these decisions for the firm in the form of a financial plan, and then comparing future performance against that plan.Greising (2014) adds that short-term financial planning involves less uncertainty than long-term financial planning because, generally speaking, market trends are more easily predictable in the short term. Likewise, short-term financial plans are more easily amendable in case something goes wrong as a result of the short time frame.

Financial Planning has got many objectives to look forward to and these are:

Determining capital requirements- This will depend upon factors like cost of current and fixed assets, promotional expenses and long- range planning. Capital requirements have to be looked with both aspects: short- term and long- term requirements.

Determining capital structure- The capital structure is the composition of capital, i.e., the relative kind and proportion of capital required in the business. This includes decisions of debt- equity ratio- both short-term and long- term.

Framing financial policies with regards to cash control, lending, borrowings, etc.

A finance manager ensures that the scarce financial resources are maximally utilized in the best possible manner at least cost in order to get maximum returns on investment.

Importance of Financial Planning.

According to Kelly (2011), there are various reasons as to why Financial Planning is importantand they are:

Financial Planning helps in ensuring a reasonable balance between outflow and inflow of funds so that stability is maintained.

Financial Planning ensures that the suppliers of funds are easily investing in companies which exercise financial planning.

Financial Planning helps in making growth and expansion programs which helps in long-run survival of the company.

Financial Planning reduces uncertainties with regards to changing market trends which can be faced easily through enough funds.

Financial Planning helps in reducing the uncertainties which can be a hindrance to growth of the company. This helps in ensuring stability and profitability in concern.

Financial planning challenges and uncertainty continue to pervade the general Hospital performance.While efforts have been put in place to provide clarity and guidance to the healthcare industry regarding regulatory and reimbursement direction, continued political strife and efforts to repeal or significantly modify healthcare reform may introduce more uncertainty

than expected into the healthcare landscape over the next years. One thing is certain however: healthcare is entering a period where operating and capital costs will be critical success factors. In addition, capital financing decisions are likely to play a more central role in strategies over the next years because of the role that financial strategies, analysis, and decisions will play in determining the "winners" and "losers," effective strategic planning will increasingly revolve around an organization's financial.

Financial Planning issues to keep in mind as part of any planning effort (Van Horrssen (2010)

Becoming a Low Cost Provider. Underlying current reimbursement trends by insurers are driving the need to reduce cost in 1) specific service lines, 2) for an episode of care, and 3) across a care continuum. Quality measures are an integral part of these efforts as well. However, as healthcare providers develop their strategic plans, they should recognize the importance of becoming the low cost provider in much the same way that corporate strategic planning incorporated this concept in the 1970s (e.g., Boston Consulting Group, McKinsey, Booz Allen Hamilton). That is, effective financial analysis and modeling are absolute requirements to be successful with a low cost provider strategy.

Early Identification of Financial Constraints and Capability. In the past, financial analysis was often undertaken at the end of strategic planning efforts because of the nature of the strategic options now being considered. Financial resources and constraints should be identified at the beginning of the process. This can help avoid adopting strategies that are not feasible given an organization's financial situation. It can also encourage bolder strategies that fall outside the typical set of strategic alternatives.

Scenario Analysis. Strategic planning is driven by an organization's mission and objectives. This process is inherently iterative as alternative strategic paths are considered and compared because of the financial-centric nature of current strategic choices, effective scenario financial modeling is an important part of the process.

Capital Structure Risk Analysis. Capital structure choices have always been important .However, recent fluctuations in availability and cost of capital have highlighted the importance of strategic and tactical financial decisions. In the current environment, the impact that capital decisions have on embedded fixed costs must be carefully considered since they can either impair or preserve strategic flexibility (Van Horrssen 2010).

Assets as Anchors. Traditional strategic planning in healthcare has often revolved around facility planning and development.This paradigm is not well suited to today's environment and the pressures to contain costs and redefine scope of service. Increased fixed costs resulting from investment in fixed assets can act as an anchor and drag down an institution's strategic abilities, unless they support improved clinical efficiency or other current imperatives (Greising 2014).

Existing Financial Models. Existing financial models used by healthcare providers are not well suited to the new strategic alternatives being considered by many institutions. Nonetheless, there is significant predisposition to force these models into use for current strategic planning efforts. Consideration should be given to starting over with a clean sheet of paper for financial modeling of strategies that do not fall into traditional structures or involve new payment methodologies.

Leadership Financial Literacy. It is more important than ever that board members and executive leadership have a well-developed understanding of the financial issues associated with strategic decisions. In particular, financial risk must be well understood in the context of today (and tomorrow's) environment. The extreme pressure to reduce healthcare expenditures while expanding access is likely to increase the average risk profile and could pose existential threats for some providers.

Strategy, Organization, and Financial Reporting. Effective execution of strategy requires an organizational structure that is consistent with and supports the specific strategy. Trying to change the strategic course without adapting the organization seldom works. The development of reporting measures and methods is an integral part of strategic planning. While long-established financial metrics will still be important, new financial elements are emerging that should be incorporated to track organizational effectiveness. Key financial and operating reporting elements as well as report distribution need to be incorporated in the planning process (Glen 2005).

Integrated Information Technology. New strategies such as bundling, and clinical integration require more comprehensive data gathering, analysis, and reporting systems. IT should be used to track, incentivize, and direct decision-making. Existing financial systems need to be updated to include the requirements for these and other strategies (Kelly 2011).

Behavior Change. In order for any strategy to be effective, behavioral change has to happen. It is possible to become so focused on the design and implementation of some of these new complex strategies that this fundamental requirement is over looked. Thoughtful financial planning and effective reporting provide the necessary foundation to monitor the effectiveness of new strategies and structures.

Today's environment is challenging hospitals and physicians to make fundamental changes in how they are structured and how they deliver care. Meeting these challenges effectively demands strategic planning that is very different than strategic planning in the past. The new strategic planning in healthcare depends on integrating financial planning more closely than ever (Miller 2010).

The American Hospital Association's Hospitals in Pursuit of Excellence team collaborated with Kaufman, Hall & Associates provide step-by-step advice on the financial planning process and how it can help hospitals and care systems to plan for value-based care and payment.What's important now is building financial projections that reflect reality that are not aspirational but operational Greising (2014).

It is important to follow a time-honored, fundamental financial planning principle: Cash flow must be sufficient to meet the strategic capital needs of the organization, within an acceptable risk tolerance. Greising (2014) adds that, in order to provide high-value care in hospitals, an organization must establish parameters of financial performance, balance sources and uses of capital, estimate a future financial trajectory, and assess how changes to key assumptions will affect its financial position.

According to Kelly (2011), Sound projections are integral to developing a realistic financial outlook, including setting goals and performance targets to keep the organization within its "corridor of control" — that is, balancing its strategic requirements and capital capabilities,

while protecting its long-term financial integrity. This balance drives financial support for the organization's strategic direction.

Baseline projections typically reveal sizable performance gaps relative to an organization's strategic capital requirements, according to Gapenski (2010) and Kelly (2011), Working from a realistic baseline plan, leaders must incrementally test the impact of major strategies or changes on the organization's ability to bridge the gap between projected results and targeted performance goals. Strategic cost-management, focused on achieving efficiency, historically has been a mainstay of operational efforts. Gapenski (2011) advises that hospital and care system leaders move beyond strategic cost-management toward strategic cost-transformation. Trustees and senior executives should ask: Are we doing the right things? Providing the right services? Are we using the right venues and the right providers? Can we sustain these over the long haul?

Greising (2014) further suggests that, in order to continue meeting community health care needs, leaders can focus on a potential solution set that includes traditional cost-management initiatives, facilities planning and information technology initiatives, business/service line rationalization and potential partnership synergies.

Robust and disciplined financial planning is critical to providing high-quality, high-value care to patients. Traditional financial and capital planning still make sense in a changing business model, but hospitals and care systems today must be more focused on strategy, Sussman(2013) notes. Trustees and senior executives need to be proactive and adjust the organization's strategies for ongoing success. Sussman (3013) argues that leaders to be far more aware of the external environment and its changes, and then translate that knowledge internally, applying the analytics

and planning, to create a portfolio of initiatives that define the organization's road map for success.

2.2.1. Budgeting.

Hospital administrators walk a fine line during the hospital budgeting process. They have to create a budget that provides support for hospital staff while also providing the level of care that patients need. The budget also has to adhere to restrictions from the government and other sources of funding. On top of that, changing technology and increasing health-care costs, coupled with government budget restrictions, can make budgeting for hospitals a big challenge.

Greising (2014) suggests that the budgeting process typically begins with a strategy planning session by senior management. The management team then applies the agreed strategic direction to a series of plans that roll up into a master budget. The plans include a sales budget, production budget, direct materials budget, direct labor budget, manufacturing overhead budget, sales and administrative budget, and fixed assets budget. All of these plans roll up into the master budget, which contains a budgeted income statement, balance sheet, and cash forecast. There may also be a financing budget in which is itemized the debt and equity structure needed to ensure that the cash requirements of the budget can be met.**Different scholars have defined budgeting to be:**

Budgeting is referred to as an estimate often itemized of expected income and expense for a given period in the future Gapenski (2006) while Harvey (2012) says that a budget is a set of interlinked plans that quantitatively describe an entity's projected future operations. A budget is used as a yardstick against which to measure actual operating results, for the allocation of funding, and as a plan for future operations.

According to meditek (2015), budgeting can be the process of expressing quantified resource requirements (amount of capital, amount of material, number of people) into phased goals and milestones.

Meditek (2015) argues that budgets are subject to a number of problems, such as the "use it or lose it" mentality, whereby managers spend all funds allocated to their departments on the grounds that those expenditures form the basis for their budgets in the following year; not spending all allocated funds will therefore mean that the budget will likely be reduced in the following year.

There is one bright light for hospital spending: Health ministers and taxpayers make sure that hospitals have one guaranteed form of funding. According to 2013/ 2014 ministry of Health report, about 70% of healthcare funding in Uganda stemmed from public sector sources while 30% came from the private sector. Regional health authority (government) allocates a certain amount of money to a hospital, and the hospital creates a budget based on the amount given.

Van Horrssen (2010) possed a question that read,"How can facility managers and administrators at hospitals make budgets work for them?" and he went on to suggest Hospital Budgeting Considerations and elements in a hospital budget that administrators must closely consider:

Operating Margins

Should margins be small, 20 days or less or larger to allow for emergency expenditures? Large margins can mean money is not actively being used to improve patient care and services. Too slim margins can mean a hospital struggles in the event of emergencies or a sudden influx of

patient numbers. In some cases, you can determine margins by looking at past budgets and expenditures.

Patients

Global budgets give lump-sum payments, so theoretically a hospital would get the same amount of funding regardless of how many patients are treated. Even when hospitals are granted money through global budgets, however, the number of patients still affects costs, expenses and budget needs. Predicting patient numbers by taking a look at the local population and past patient numbers can help decide how many hospital beds and medical services the hospital might need in the upcoming months.

The business side of hospitals

Budgets need to consider money coming in, including fundraising and revenues, as well as the expenses per department, per service and per bed. Just as all businesses look closely at cash flow, hospitals, too, have to consider money coming in and going out.

The mission, most hospitals have mission statements. A budget should align well with this mission statement and help the hospital meet its mandate.

History, this year's budget will likely not look like the budget from last year, but last year can be a good starting point. Where did the budget save money last year? Where did the budget fail? Look closely at the failures to avoid making the same mistakes again. If some medical equipment was not replaced for budgetary reasons, but the older equipment caused an increase in

malfunctions, misdiagnosis and other problems, that budget decision may have cost the hospital thousands of dollars in retesting and additional staff hours in addition to potentially causing a risk to patients. It's important to have that information in hand when designing this year's spending plan.

The costs of doing nothing, hospital administrators will generally pay a lot of attention to big-ticket items, such as expanding a department or building a new operating room. But the costs of not doing anything can also have a huge impact on the budget. For example, deciding not to expand the number of staff — even though demand for services grows — can result in upset patients, reduced care, frustrated staff and increased expenses.

Technology, hospitals are always investing in new medical equipment and technology, which can represent a significant expense on budgets. When creating a budget for medical supplies and equipment, it's important to consider total costs, including maintenance, installation, training and related costs. Equipment, however, is an opportunity to potentially save money. Hospitals can choose to buy new equipment, but in many cases can save money by leasing medical equipment or buying remanufactured or used equipment.

Revenue-producing departments, although hospitals are not-for-profit entities in Canada, some departments are revenue-producing since not all services in a hospital are covered by provincial health plans. Optional surgeries and treatments, such as cosmetic procedures performed in a health center are revenue-producing. Many hospitals also take part in fundraising activities or use gift shops and other on-site services to generate some revenue. Hospitals might also get revenues

from uninsured patients not covered by any health plan. Budgets must consider these forms of cash flow.

Physician salaries and supports, this is becoming one of the fastest-growing segments of healthcare spending. As physicians are added to a hospital, and as the hospital works to attract specialists and retain medical professionals, physician reimbursement will likely continue to represent one of the largest segments of most hospital budgets. Pensions, benefits and salaries of hospital staff can represent one of the largest items of spending on any hospital budget.

Changes, major overhauls, such as changing a hospital's mission or trying to add a new wing, can unbalance a budget. You might need to add a separate part of the budget if your hospital is transitioning to a children's hospital, teaching hospital or adding a department.

Inflation, health care costs are always going up, as health care professionals and politicians often point out. When looking at fixed costs especially, it's important to keep rising expenses in mind to ensure a spending plan reflects current prices.

Services, hospitals might need to cut services or options to meet budget targets. In these situations, it's useful to ask "Is this needed?" Rather than trimming 20% from all or two departments, for example, hospital administrators might ask whether taking out a service entirely might be a better solution.

Outside sources of support, hospitals can sometimes refer patients to clinics or other sources of health care, reducing the need for in-hospital services. Many hospitals also partner with non-profit organizations, government programs and communities to improve overall health in a community. In some cases, these programs are aimed at improving patient outcomes and the number of patient hospital admissions, which in turn can affect hospital expenses. For example, a hospital may take part in a stop-smoking program in the community. This can mean an immediate expense but over time can reduce the number of patients admitted due to smoking-related conditions. Outside participation needs to be considered in any budget, as it can add to costs today but potentially reduce costs in the future.

Once you write the budget, the harder work begins: presenting the budget and getting everyone in the hospital community to support and follow the spending plan Glen (2002).

Kelly (2011) adds that a budget is an active document, and it's a very important one. Regional health authorities Funding can be based on past budgets of a hospital when determining funding levels. In fact, health authorities do not consider demand or patient numbers when making funding decisions, in most cases.

According to Louis (2006), presenting hospital budgeting plans is also important for departmental reasons. Departments may feel they deserve more of the budget than they're given. Heads of departments can also be put in a difficult position by budgetary changes. If a surgical department is told their budget has decreased by 10%, the head of that department might have to make some difficult decisions about where that money will be taken from, whether a reduction in

compensation or staffing, or a cut in medical supplies and equipment. Open communication and support can help departments make any needed transition.

Gapenski (2010) agrees with Louis (2006) saying that In fact, presenting the budget in a way that encourages communication is important. When speaking about the budget, it's important to stress the financial goals and successes of specific departments. Quantifying how a budget will help a department meet its efforts can go a long way towards resolving any differences of opinion about the budget itself. If the hospital community recognizes that budget changes or a current budget will help them do their job or will help produce good results, they might be more accepting of the plan. Plan for this conversation and have the numbers to back up the budget. Be prepared to listen to concerns, too, and find solutions when possible.

A good spending plan should use the language that departments, managers and hospital administrators need to see. This might mean including a section in the budget to show how the spending plan will help patients, reduce costs or both. It may mean adding a section about other hospitals and their successes, with an explanation of how the current budget will help the hospital achieve similar good results Rivenson et al (2000).

Meditek (2015) suggested the following as ways on how to abide by a Hospital's Budget;
Hospital budget planning is one thing, but all administrators know that the real test comes after the budget is approved. Even the best budget is not very helpful if a hospital routinely goes over costs. There are a few ways to improve the chances that a budget will not only get approved, but also followed:

Practice the best hospital budgeting systems possible. Good budgeting for hospitals means treating the budget as a workable plan. The plan should recognize the concerns and needs of hospital staff and specialists as well as patients.

Stick to a holistic approach. Rather than creating separate budgets for each department, it can be useful to consider overall costs first and then consider costs by department. This can make it easier to see how the hospital is spending money overall. It can also help have a “bottom line” to refer to when additional requests for funding are made.

Look beyond the budget. Just as administrators can take a holistic treatment approach, it can be useful for them to treat the hospital budgeting process and their position overall holistically. Successful hospital CFOs and administrators are often a success precisely because they look past the boundaries of their job. In addition to budgeting for hospitals, they might take the time to get to know hospital staff, speak to patients and take part in recruiting or fundraising drives. Understanding more about the hospital community overall helps the administration understand current financial needs. Administrators who really understand their hospital have insight into what changes need to be made to the budget (Greising 2014).

Approach most expenses as fixed costs. Even variable costs can be essentially treated as fixed costs by setting a cap on spending or determining how much is spent on a variable expense, on average. This makes it easier to plan long term and stay within the budget (Meditek 2015).

Quantify the results. It's almost impossible to tell how well a hospital is doing financially without frequent checks. What is the success rate for patients? How much is spent per hospital bed? Per patient? Per day? What departments are generating the most results or yielding the best fundraising traction? How many departments stick to their budget? Why are some departments unable to follow their spending plan? Looking closely and asking lots of questions is as much a part of the job as creating a glossy printed budget. Maybe asking questions is even more important than crunching the numbers. Questions can help pinpoint problems with the current budget, which can affect conversations with healthcare authorities as well as future budgets.

Reduce theft, loss and other budget-killers. Loss and theft of medical equipment can result in losses of millions each year, on average. An asset-tracking system can reduce loss and theft while helping hospital staff locate equipment quickly. Reducing losses and inefficiencies means administrators have more money to put towards important expenses (Rivenson et al 2000).

2.2.2. Planning Systems.

No universal, off-the-shelf planning system exists for the simple and obvious reason that companies differ in size, diversity of operations, the way they are organized, and managers' style and philosophy. Different authors have defined planning systems and these include;

A planning system is a decision-support system that allows the financial planner or manager to examine and evaluate many alternatives before making final decisions which employs the use of a model, usually a matrix of data elements which is constructed as a series of equations Harvey (2012).

According to Lorange and Vancil (2001), A planning system is nothing more than a structured (that is, designed) process that organizes and coordinates the activities of the managers who do the planning. An effective planning system requires “situational design”; it must take into account the particular company’s situation, especially along the dimensions of size and diversity.

Dan Power (2014) adds that a proper planning system can be of importance to hospitals and organizations in the following ways;

Planning systems introduce new sets of decision forces in hospital management.

"One of the great advantages of planning system is that it simulates the future on paper. If the simulation does not result in the desired picture the exercise can be erased and started all over again. Simulation choices are reversible; not so brick and mortar decisions made without careful examination of future circumstances."

Planning systems look at a company as a system composed of many subsystems. It permits the top management of the company to look at the enterprise as a whole and the interrelationship of parts, rather than deal with each separate departments alone and without reference to the others” Levine (2005)

Petersen (1997) agrees with Dan Power (2014) that Planning systems push for objectives in an organization, it will not get very far if at some point specific objectives are not set for such things as sales, profits, and market share. There is no doubt that individuals in organizations will generally strive hard to achieve clear objectives that are set for their organizations. They will

strive harder if they themselves have had a hand in setting the objectives. Quite obviously, long-range objectives are more likely to be met if plans are carefully prepared to reach them."

Planning systems createa framework for decision making, one of the more important attributes of an effective planning program is that it gives guidance to managers throughout a business in making decisions that are in line with the aims and strategies of upper management levels.

Planning systems facilitate performance measurement; management has available standards of both a quantitative and a qualitative nature in a strategic plan. The performance of a business should not be measured solely in quantitative financial terms, as so many companies try to do. Certainly, financial results are of great importance in gauging success or failure, but no quantitative characteristics of a business are also of high importance. Creativity, innovation, imagination, motivation, and knowledge, for example, may be reflected in financial results. But if they are not fostered, measured, and appraised by top management, a current financial success can easily disappear. A well-conceived planning system can make it possible for managers at all levels to appraise these attributes in managers under their authority Watson (2007).

Create a channels of communication, a well-organized planning system is an extremely useful communications network. The planning process is a means for communications among all levels of management about objectives, strategies, and detailed operational plans, as noted previously. As plans approach completion, common understanding is generated among all levels of management about opportunities and problems important to individual managers and to the company. The choices made in the planning process are discussed in a common language and the

issues are understood (or should be) by all those participating in decisionmaking. Once plans are completed and written there should be a permanent and clear record of decisions made, who is going to implement them, and how they should be carried out Hirt (2002).

Creates sense of participation and helps train future general managers, a number of companies have understood that the strategic planning system is a management training process. Improved employee motivation and morale should accompany planning systems Dan Power(2014).

2.3. THE ROLE OF WORKING CAPITAL MANAGEMENT ON THE PERFORMANCE OF PUBLIC HOSPITALS.

Management of working capital is one of the important parts of the financial management. It is concerned with short-term finance of the business concern which is a closely related trade between profitability and liquidity. Efficient working capital management leads to improved operating performance of the business concern and it helps to meet the short term liquidity. Hence, study of working capital management is not only an important part of financial management but also are overall management of the business concern.

Working Capital can be defined as the difference between current assets and current liabilities, this thus means that net current assets or net current liabilities (if current liabilities exceed current assets). It is the investment a company makes in assets which are in continual use and are turned over many times in a year Glen (2005) According to Weston and Brigham, “Working capital generally stands for excess of current assets over current liabilities. Working capital management therefore refers to all aspects of the administration of both current assets and current liabilities”.

Paramasivan (2008) further defines Working capital management as an act of planning, organizing and controlling the components of working capital like cash, bank balance inventory, receivables, payables, overdraft and short-term loans.

According to Smith K.V**,** "Working capital management is concerned with the problems that arise in attempting to manage the current asset, current liabilities and the interrelationship that exist between them".

Working capital management is a managerial accounting strategy focusing on maintaining efficient levels of both components of working capital, current assets and current liabilities, in respect to each other. Working capital management ensures a company has sufficient cash flow in order to meet its short-term debt obligations and operating expenses. Steven (2015)

Block et al (2009) add that Working capital management is a tactical focus on maintaining a sufficient amount of working capital to support a business, while minimizing the investment in this area. The core goal in working capital management is to ensure that there is always sufficient cash on hand to pay for liabilities as they come due for payment. (Hirt 2002) argues that there can be a high cost associated with the funding of working capital, there is an offsetting pressure to keep funding levels low. This latter goal is achieved by closely monitoring the turnover levels for accounts receivable, inventory, and accounts payable, and taking action when the turnover levels vary from expectations. An additional tool used to monitor working capital levels is the short-term and medium-term cash forecast, which tells management when unusually high or low cash levels are expected Block et al (2009).

According to Van Horne (2002), Positive working capital generally indicates that a company is able to pay off its short-term liabilities almost immediately. Negative working capital generally indicates a company is unable to do so. This is why analysts are sensitive to decreases in working capital; they suggest a company is becoming overleveraged, is struggling to maintain or grow sales, is paying bills too quickly, or is collecting receivables too slowly. Increases in working capital, on the other hand, suggest the opposite. There are several ways to evaluate a company's working capital further, including calculating the inventory-turnover ratio, the receivables ratio, days payable, the current ratio, and the quick ratio.One of the most significant uses of working capital is inventory. Glen (2005) argues that the longer inventory sits on the shelf or in the warehouse, the longer the company's working capital is tied up, when not managed carefully, businesses can grow themselves out of cash by needing more working capital to fulfill expansion plans than they can generate in their current state. This usually occurs when a company has used cash to pay for everything, rather than seeking financing that would smooth out the payments and make cash available for other uses. As a result, working capital shortages cause many businesses to fail even though they may actually turn a profit. The most efficient companies invest wisely to avoid these situations Hirt (2002).

Analysts commonly point out that the level and timing of a company's cash flows are what really determine whether a company is able to pay its liabilities when due. The working-capital formula assumes that a company really would liquidate its current assets to pay current liabilities, which is not always realistic considering some cash is always needed to meet payroll obligations and maintain operations. Further, the working-capital formula assumes that accounts receivable are readily available for collection, which may not be the case for many companies.

According to Paramasivan(2008), it was noted that it is also important to understand that the timing of asset purchases, payment and collection policies, the likelihood that a company will write off some past-due receivables, and even capital-raising efforts can generate different working capital needs for similar companies. Equally important is that working capital needs vary from industry to industry, especially considering how different industries depend on expensive equipment, use different revenue accounting methods, and approach other industry-specific matters. Finding ways to smooth out cash payments in order to keep working capital stable is particularly difficult for manufacturers and other companies that require a lot of up-front costs. For these reasons, comparison of working capital is generally most meaningful among companies within the same industry, and the definition of a "high" or "low" ratio should be made within this context.

2.3.1. Inventory Management

According to Rivenson et al (2000) ,With the ever increasing expenditure in healthcare sector, there is need to curb this challenge while ensuring that available resources are used to provide essentials medications to the ever increasing population. Pharmacy department is one of the most consumers of the hospital budget and one of the few areas where a large amount of money is spent on buying medicines and drugs. It is therefore important that hospitals ensure smooth supply of the required stock to ensure uninterrupted supply. This calls for the effective and efficient inventory management of pharmacy stock by keeping a close supervision on important drugs, prevention of pilferage, and priority setting in purchase and distribution of drugs.

According to Miller (2010), inventory management involves all activities put in place to ensure that customer have the needed product or service. It coordinates the purchasing, manufacturing and distribution functions to meet the marketing needs and organizational needs of availing the product to the customers. Inventory management is primarily involved with specifying the size and placement of stocked goods. Inventory management is required at different locations within a facility or within multiple locations of a supply network to protect the regular and planned course of production against the random disturbance of running out of materials. The scope of inventory management also involves managing the replenishment lead time, replenishment of goods, returns and defective goods and demand forecasting, carrying costs of inventory, asset management, physical inventory, available physical space, demand forecasting, inventory valuation, inventory visibility, future inventory price forecasting and quality management. With a balanced of these requirements, it is possible to reach an optimal inventory level, which is an on-going process as the business needs shift and react to the wider environmentOgbo et al, (2014)

Inventories constitute the most significant part of current assets of the business concern. It is also essential for smooth running of the business activities.

A proper planning of purchasing of raw material, handling, storing and recording is to be considered as a part of inventory management.

Inventory management means, management of raw materials and related items. Inventory management considers what to purchase, how to purchase, how much to purchase, from where to purchase, where to store and when to use for productionParamasivan (2008).

Block and Hirt (2002) state the following as the main objectives of inventory management;
To ensure efficient and smooth production process, to maintain optimum inventory for profit maximization purposes, to meet the seasonal demand of the products, to avoid price increase in future, to ensure the level and site of inventories required, to plan when to purchase and where to purchase and to avoid both over stock and under stock of inventory.

Wachowicz (2001) classified inventories into five major categories;

Raw Material, it is basic and important part of inventories. These are goods which have not yet been committed to production in a manufacturing business concern or service production in service business concern, ***Work in Progress***, these include those materials which have been committed to production process but have not yet been completed, ***Consumables***, these are the materials which are needed to smooth running of the manufacturing process, ***Finished Goods***, these are the final output of the production process of the business concern. It is ready for consumer's consumption, ***Spares*****,** it is also a part of inventories, which includes small spares and parts(Block 2002).

Paramasivan (2008) says Inventory occupies 30–80% of the total current assets of the business concern. It is also very essential part not only in the field of Financial Management but also it is closely associated with production management. Hence, in any working capital decision regarding the inventories, it will affect both financial and production function of the concern. Hence, efficient management of inventories is an essential part of any kind of manufacturing process concern.

2.3.2. Cash Management

Cash is one of the important and key parts of the current assets.Wahowicz (2001)defines cash as the money which a business concern can disburse immediately without any restriction. The term cash includes coins, currency, cheques held by the business concern and balance in its bank accounts. Management of cash consists of cash inflow and outflows, cash flow within the concern and cash balance held by the concern etc.

Van Horne (2002) defines cash management as area that involves managing the monies of a firm to maximize cash availability and interest income on any idle funds. At one end, the function starts when the customer writes a cheque to pay the firm on its accounts receivable. The function ends when a supplier, an employee or the government realizes collected funds from the firm on an account payable or accrual. All these activities fall within the realm of cash management. Glen(2005) and Van Horne (2002) agree that the various collection and disbursement methods by which a firm can improve its cash management efficiency constitute two sides of the same coin. They exercise a joint impact on the overall efficiency of cash management. The idea is to collect accounts receivable as soon as possible, but pay accounts payable as late as is consistent with maintaining the Firm's credit standing with the suppliers.

Block et al (2009) view the following as the Motives for Holding Cash

- Transaction motive, it is a motive for holding cash or near cash to meet routine cash requirements to finance transaction in the normal course of business. Cash is needed to make purchases of raw materials, pay expenses, taxes, dividends etc.
- Precautionary motive it is the motive for holding cash or near cash as a cushion to meet

unexpected contingencies. Cash is needed to meet the unexpected situation like, floods, strikes, and machine breakdowns etc., the more predictable the inflows and out flows of cash for a firm, the less cash that needs to be held for precautionary needs.

- Speculative motive to take advantage of the temporary opportunities such as sudden decline in the price of raw material

Block et al (2009) further observe the following as Cash Management Techniques;

1. Speedy Cash Collections, business concern must concentrate in the field of Speedy Cash Collections from customers. For that, the concern prepares systematic plan and refined techniques. These techniques aim at, the customer who should be encouraged to pay as quickly as possible and the payment from customer without delay. Speedy Cash Collection business concern applies some of the important techniques as follows:

a) Prompt Payment by Customers

Business concern should encourage the customer to pay promptly with the help of offering discounts, special offer etc. It helps to reduce the delaying payment of customers and the firm can avoid delays from the customers. The firms may use some of the techniques for prompt payments like billing devices, self-address cover with stamp etc.

Early Conversion of Payments into Cash

Business concern should take careful action regarding the quick conversion of thepayment into cash. For this purpose, the firms may use some of the techniques like postalfloat, processing float, bank float and deposit float (Block et al 2009).

Concentration Banking

It is a collection procedure in which payments are made to regionally dispersed collection centers, and deposited in local banks for quick clearing. It is a system of decentralized billing and multiple collection points.

Lock Box System

It is a collection procedure in which payers send their payment or cheques to a nearby post box that is cleared by the firm's bank. Several times that the bank deposit the chequein the firms account. Under the lock box system, business concerns hire a post office lockbox at important collection centers where the customers remit payments. The local banksare authorized to open the box and pick up the remittances received from the customers. As a result, there is some extra savings in mailing time compared to concentration bank.

Slowing Disbursement, an effective cash management is not only in the part of speedy collection of its cash and receivables but also it should concentrate to slowing their disbursement of cash to the customers or suppliers. Slowing disbursement of cash is not the meaning of delaying the payment or avoiding the payment. Slowing disbursement of cash is possible with the helpof the following methods:

Avoiding the early payment of cash

The firm should pay its payable only on the last day of the payment. If the firmavoids early payment of cash, the firm can retain the cash with it and that canbe used for other purpose.

Centralized disbursement system

Decentralized collection system will provide the speedy cash collections. Hence centralized disbursement of cash system takes time for collection.

2.4. INTERNAL CONTROLS AND THE PERFORMANCE OF PUBLIC HOSPITALS.

Internal control systems is a topical issue following global fraudulent financial reporting and accounting scandals in both developed and developing countries. This requires a critical evaluation of internal control systems and their impact on organizational performance. The prior studies evaluated tend to focus on aspects of controls that relates to performance reporting, organization structure, behavior and external auditors' work with no focus on performance of Hospitals. It is on this basis therefore that this study sought to examine the impact of internal control on the financial performance of public hospitals in Uganda Muio (2012).

Internal control is defined as a process effected by an organization structure, work and authority flows, people and management information systems, designed to help the organization accomplish specific goals or objectives (Anderson 2008).

Internal control comprises of the plan of and organization and all of the coordinate methods adopted within a business to safeguard its Assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. This definition recognizes that the system of internal control is trend beyond those matters which relates directly to the functions of accurate department (Brockport 2007).

Internal control is the integration of activities, plans, attitudes, policies and efforts of the people of an organization working together to provide reasonable assurance that the organization will achieve its objective and mission. Methods put in place by a company to ensure the integrity of financial and accounting information, meet operational and profitability targets and transmit management policies throughout the organization.

Anderson (2008) adds that at the organizational level internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations. At the specific transaction level, internal controls refer to the actions taken to achieve specific objectives. Internal control procedures reduce process evaluation leading to more predictable outcomes.

Internal controls have existed from ancient times. In Hellenistic Egypt, there was a dual administration, with one set of bureaucrats charge with collecting taxes and another with supervising them (VanCreveld 2000).

In the republic of China, the control Yuan is one of the five branches of government, charge as investigatory agency that monitors the other branches of government.

Oreilly et al (1998) describes internal control as comprises five interrelated components that are necessary for the objectives to be achieved, they are control environment, risk assessments, control activities information and communication and monitoring.

Everyone in an organization has responsibility for internal control to some extent. Virtually all employees produce information used in the internal control systems or take other actions needed to affect control. Also all personnel's should be responsible for communicating for upwards problems in operations, non-compliance with the code of conduct or other policy violations or illegal actions. Each major entity in cooperate governance has a particular role to play for instance the chief executive officer (CEO) of the organization has the overall responsibility for designing and effecting internal control. He fulfills these duties by providing leadership and

directions to Senior Management and reviewing the way they are controlling the business effectively Stewart (2014).

Internal control implies that, the organization generates reliable financial reporting and substantially complies with the laws and regulations that apply to it. However, whether an organization achieves operational and strategic objectives may depend on the factors outside the enterprise such as competitions or technological innovations.

These factors are outside the scope of internal control, therefore effective internal control provides only timely information or feedback on progress towards the achievement of operational and strategic objectives but cannot guarantee their success Stewart (2014).

According to Burn (2012), abandoned property presents a strong temptation for embezzlement and fraud. Because the lost owner is unlikely to monitor the funds, adequate internal controls are needed to safeguard the unclaimed property prior to reporting. Businesses sometimes shortcut the needed internal controls because the unclaimed property amounts are considered immaterial or they believe their normal internal controls are adequate. When the owner is missing, normal controls may not be enough to prevent embezzlement and fraud.

Glen (2005) points the following as ways to avoid possible embezzlement or fraud: Move stale-dated checks and aged customer credits to an unclaimed property liability account, Create procedures to provide management control over transactions entering and exiting theunclaimed property liability account(s), Have a second person independently reconcile the account on a regular basis and test the validity of refunds from the account if necessary, Have two employees approve refunds or other transactions from unclaimed accounts, Separate the duties of tracking

and reporting unclaimed property from issuing refunds and Ask your accountant or internal auditor to help design your internal control plan.

Gavrea (2011 sided with Glen (2005) by suggesting that periodic internal control reviews need to be considered for purposes of; Verifying the amounts held in your unclaimed property liability account back to the source records and Tracing other aged accounts not associated with your liability account forward from source records to disposition. For example: Was the account refunded, was it reported on your unclaimed property report?

Each organization should assess its own risk and resources, and plan accordingly. Companies who suffer embezzlement often underestimated the risk, or shortcut adequate internal controls, in the name of efficiency.

Different writers have come with different types of internal control systems. Milichamp (2002) puts the types of internal controls as; Safeguarding assets, Separation of duties, supervision, Verification, Approval and authorization, Documentation, Safeguarding Assets, and Reporting. However, many other authors such as DrLousteau (2006), the state university of New York and Napoli (2005) have agreed that the types of internal control are directive controls, preventive controls, compensating controls, detective controls, and corrective actions. These types of internal controls are explained below;

Directive controls

These relate to policies put in place by top management to promote compliance with independence rules. To ensure compliance with directive controls, a clear, consistent message from management that policies and procedures are important must permeate the organization. They provide evidence that a loss has occurred but do not prevent a loss from occurring.

Examples of detective controls are reviews, analyses, variance analyses, reconciliation, physical inventories, and audits. However, detective controls play critical role providing evidence that the preventive controls are functioning and preventing losses. Control activities include approvals, authorizations, verifications, reconciliation, and reviews of performance, security of assets, segregation of duties, and controls over information systems. (Dittenhofer 2001).

Preventive Controls

These relate to measures taken by a firm to deter noncompliance with policies and procedures. They are proactive controls that help to prevent a loss. Examples of preventive controls are separation of duties, proper authorization, adequate documentation and physical control over assets Lousteau (2006).

Compensating Controls

Compensating controls are intended to make up for a lack of controls elsewhere in the system. For example, firms with an electronic database could maintain a hard copy of the client list in the office library. Such a list would compensate for downtime in electronic systems and difficulties in locating client names in an electronic system. While the list would have to be reprinted fromtime to time to add new clients would mitigate some of the obsolescence that exists with hard copies.

Detective controls

These are aimed at uncovering problems after they have occurred. Although necessary in a good internal control system, detection of an independence violation after the fact is less desirable than prevention in the first place. Detective controls rarely work well as a deterrent in the absence of severe penalties Lousteau (2006).

2.4.1: Record Keeping

According to Dowding (2001), Record keeping is an important aspect of healthcare practice and perioperative practice is no exception to this rule. For some time now, recording every activity or intervention that a patient receives has assisted with enhancing perioperative practice; equally, it has played a key part in resolving legal and professional incidents that have occurred.

Records have been defined as‘a document or other thing that preserves information’ (Collins English Dictionary2003). Record keeping has been stated as‘part of the professional duty of care owedby nurses to the patient’ (Dimond 2008).

Dougherty et al (2004) add that maintaining accurate records is fundamental for accountability and professional responsibility. There is an increased awareness of the importance of record keeping in the health sector due to the many public disclosures, enquiries and media reports. This has highlighted the need for nurses to reflect and critically evaluate their own practice and those of their employing body in relation to record management. Each healthcare facility may have different formats and systems of record keeping but that does not mean that they should totally ignore the practice.

A successful business rests on sound recordkeeping practices and solid cash flow. Without good records it is impossible to determine the financial condition or profitability of a business. Similarly, in order to survive an organization must achieve a positive cash flow in the long term. This will provide a financial guide for basic information; hence organizations need to establish good recordkeeping practices in order to minimize cash flow problems and performance of these businesses Fraser (1998).

According to Dowding (2001), Record keeping is an important part of proper Hospital financial management. With good records you can assess the hospital's performance and understand how and where changes can be made to improve its profitability and performance. The essence of good record keeping is writing down what happens in the hospital departments every day. Among other things, this process includes what is happening with the stock that is maintained and the money that is being handled.

Like other institutions, hospitals produce financial records, which in a paper-based system generally comprise series of accounts such as ledgers and cash books together with supporting documents (invoices, delivery notes, purchase orders, receipts) and payroll records. Hospitals are likely to be required to produce estimates of income and expenditure, to provide annual account statements and to record all financial transactions for the purposes of accountability and for internal and external auditOrmiston (1998).

In hospitals responsible for their own personnel functions, files for current and former staff are kept. There may be separate series for administrative, medical and nursing staff. It may also be necessary to keep separate records relating to recruitment, staffing structures, remuneration schemes and so on. Some hospitals also keep details of individual staff on index cards, in registers, on microfilm or fiche, or in electronic databases. Financial records should be managed according to principles and practices outlined by the state for the different public hospitalsSneyd (2001).

2.4.2: Physical Safeguards

Physical safeguards are those policies and procedures that provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements Sneyd (2001).

Such internal control can be judged effective if the board of directors and management have reasonable assurance that unauthorized acquisition, use ordisposition of the entity's assets that could have a material effect on the financial statements is being prevented or detected on a timelybasis. For example, a company has safeguarding controls over inventory tags(preventive controls) and also performs periodic physical inventory counts (detective control) timely in relation to its quarterly and annual financial reporting dates. Although the physical inventory count does not safeguard the inventory from theft or loss, it prevents a material misstatement to the financial statements if performed effectively andtimely.Therefore, given that the definitions of material weakness and significant deficiency relate to the likelihood of misstatement of the financial statements, the failureof a preventive control such as inventory tags will not result in a significant deficiency ormaterial weakness if the detective control (physical inventory) prevents a misstatement ofthe financial statements.

The COSO Addendum also indicates that to the extent that suchlosses might occur, controls over financial reporting are effective if they provide reasonable assurance that those losses are properly reflected in the financial statements, thereby alerting financial statement users to consider the need for action.

Material weaknesses relating to controls over the safeguarding of assets wouldonly exist when the company does not have effective controls (considering bothsafeguarding and other controls) to prevent or detect a material misstatement of thefinancial statements.

Furthermore, management's plans that could potentially affect financial reporting in future periods are not controls. For example, a company's business continuity or contingency planning has no effect on the company's current abilities to initiate, authorize, record, process, or report financial data. Therefore, a company's business continuity or contingency planning is not part of internal control over financial reporting.

2.5 PERFORMANCE OF PUBLIC HOSPITALS.

Continuous performance is the objective of any hospital (organization) because only through performance, organizations are able to grow and progress. Knowing the determinants of organizational performance is important especially in the context of the current economic crises because it enables the identification of those factors that should be treated with an increased interest in order to improve hospital performance.

Gavrea (2011) argues that performance may be understood differently depending on the person involved in the assessment of the organizational performance (e.g.performance can be understood differently from a person within theorganization compared to one from outside).To define the concept of performance is necessary to know its elements characteristic to each area of responsibility.Different scholars have defined performance as;

Performance is a set of financial and nonfinancial indicators which offer information on the degree of achievement of objectives and results of an entityLebans (2006).

Armstrong (2009) defines performance as the behavior that is expected to contribute to organizational structure. He adds that performance management is a strategic and integrated approach to increasing the effectiveness the performance of organizations by improving the performance of the people who work in them. Performance begins when the job is defined as needed and expectations are clearly communicated to the worker and it ends when the worker leaves the organization. In order to practice effective performance, the management of a firm must provide adequate feedback.

Wayne (2003) defines Performance as the process of creating a work environment in which people are enabled to perform to the best of their capabilities. It is said that performance focused organizations ensure structured, coherent focus on performance at all levels as integral part of the way in which they do their day to day business.

Marshal (2000) adds that punished behavior is not forgotten but then suppressed temporary which can have a negative effect on the performance of the workers. This means that at some point when the worker is disappointed he will make a reference to the past punishment put on him and this keeps his performance at a retarding status all of the time until he leaves the organization. Therefore it is important to facilitate performance by identifying the obstacles to performance and providing resources to accomplish objectives.

Performance planning is another important aspect involved in management of performance in an organization; this was suggested by Armstrong (2009). He defined it as the part of performance management which involves agreement between the manager and individual on what he later

needs to do in order to achieve the objectives, raise standards, improve performance and develop the required competences. It also establishes priorities, the key aspects to the job which attention has to be given. The aim is to ensure that the meaning of the objectives, performance standards and competences as they apply to every day work is understood. Agreement is also reached at this stage on how performance will be measured and evidence requirements should be fully identified and fully agreed upon now because they will be used by individuals as well as managers to monitor and demonstrate achievements Anderson (2003).

2.5.1. Quality

Research has shown significant avoidable patient injury occurring in hospitals, increasing the risk of adverse outcomes and higher cost. Poor health service quality wastes resources that could be used to treat more patients, and the public is becoming more critical of the quality of hospital care. Ensuring safety for patients and personnel and improving quality are national objectives for health systems in both developed and developing countries, in response to research highlighting poor quality, increasing patient expectations, media coverage, and a belief that there are effective methods to improve quality and safety. What is quality?

Anderson (2003) defines quality by saying that; in manufacturing, a measure of excellence or a state of being free from defects, deficiencies and significant variations. It is brought about by strict and consistent commitment to certain standards that achieve uniformity of a product in order to satisfy specific customer or user requirements whereas Hirt (2002) defines quality as the totality of features and characteristics of a product or service that bears its ability to satisfy stated or implied needs.

Health care organizations are increasingly expected by governments and funders to introduce quality systems and strategies. Some health care managers and practitioners also believe that action can and should be taken irrespective of external pressures. There are multiple approaches to ensuring safety and improving quality. Some think money should be invested in more personnel, others think that doing more of the same would not improve quality Meyer et al (2004).

So then the question; what is a quality strategy arises? A quality strategy differs from a quality tool in being an overall approach an organization takes over a period of time, rather than a specific method for a particular purpose. Thus, a program for external inspection of hospitals is a strategy. A particular method for carrying out inspections is referred to by quality specialists as a tool.

In evaluating strategies, it is necessary to identify alternatives and judge their effects, using evidence and clear criteria. Evidence in relation to the following criteria were sought to assess quality strategies: ease and cost of implementation, impact on health personnel, patient outcomes and cost savings Vigen et al (2010).

Meyer et al (2004) suggest the following as factors that strongly support high-quality care and successful programs in hospitals; developing the right culture for quality to flourish, attracting and

retaining the right people to promote quality, devising and updating the right in-house processes for quality improvement and giving staff the right tools to do the job.

Also at play are external influences, such as local market competition, and public or private health quality initiatives and standards.

- Instill a Supportive Culture and Policies

Top-performing hospitals have a striking degree of motivation and commitment to ensuring high-quality care. They are not just going through the motions or conducting activities because they are under outside pressure to do so. This commitment is reflected in and nurtured by: active leadership and personal involvement on the part of the CEO, other top managers, and the Board of Trustees; an explicit quality-related mission and aggressive quality-related targets; standing and ad-hoc quality committees; regular reporting of performance indicators with accountability for improved results; and the promotion of a safe environment for reporting errors.

- Attract and Retain the Right People

High-quality physicians, nurses, administrators, and ancillary staff are critical to producing high-quality outcomes and effective quality improvement. Top-performing hospitals stressed the need for selective hiring, credentialing, and re-credentialing. Successful recruitment and retention of nursing staff was tied to an absolute respect for and empowerment of nurses—who must be treated as full partners in patient care and given opportunities for advancement. All are expected to be good team players, able to participate in multi-disciplinary teams for patient care management.

- Develop Effective In-house Processes

The best hospitals not only collect data on outcomes and cost, but also pull apart the numbers on surgeries, tests, and other procedures to identify each step in the process where less-than-optimal

medicine is practiced. Departments are adequately staffed, have credibility with physicians, and are trained to facilitate the problem-solving process.

Deficiencies in outcomes are not hidden or ignored, but instead are used to inspire an integrative process of discovery followed by corrective actions and accountability. Effective problem-solving leads to the development of evidence-based protocols and critical paths, and enhanced efficiencies such as reduced turn-around time for test results and reduced errors related to standardization of supplies and procedures.

- Another important process involved team-based care management.

A key to success involves making sure physicians and other caregivers accept the case manager's or team leader's role in coordinating and facilitating care. One hospital studied promotes such acceptance through a physician-based model where physicians are assigned case managers who work with all of their patients.

- Provide the Right Tools to Do the Job

The best hospitals also give their physicians, nurses, and other staff the tools and support they need to practice high-quality medicine on a daily basis and to identify and investigate quality problems when they do surface. This includes investments in Information Technology (IT) as well as Performance Improvement departments with qualified staff who abstract medical records and analyze data. It also includes access to guidelines and protocols, and support to physicians in developing a consensus around their own evidence-based best practices so they have tools they are actually willing to use. Other tools involve external training, peer networking, and conferences.

Information and data tools play a critical role.

2.5.2 Operational Efficiency.

Healthcare cost increases continue to outpace the rise in wages, inflation, and economic growth. One approach to containing the growth of health care costs is to improve the efficiency of the health care delivery system. This approach would allow finite health care resources to be used in ways that best support high quality healthcare.

Recent work examining variations in Medicare spending and quality shows that higher cost providers do not necessarily provide higher quality care, illustrating the potential for improvement Fisher et al (2003). Improving efficiency in the Nation's health care system is an important component of Department of Health and Human Services efforts to support a better health care system. Different scholars have defined operational efficiency as;

Chandra (2002) defines operational efficiency as the capability of an enterprise to deliver products or services to its customers in the most cost-effective manner possible while still ensuring the high quality of its products, service and support. He adds that operational efficiency is often achieved by streamlining a company's core processes in order to more effectively respond to continually changing market forces in a cost effective manner. Anderson (2003) adds that in order to attain operational efficiency a company needs to minimize redundancy and waste while leveraging the resources that contribute most to its success and utilizing the best of its workforce, technology and business processes. The reduced internal costs that result from operational efficiency enable a company to achieve higher profit margins or be more successful in highly competitive markets.

Dunn (2011) suggests the following as the ways of Improving Hospital Operational Efficiency;

1. Gain executive support for improving patient flow. The hospitals that are able to most successfully improve patient flow have support for doing so from the top. If it's seen as important by the executive-level, then patient flow is everybody's business.

2. Engrain the importance of patients flow in the hospital's culture. To this end, having executive buy-in is a starting point, but making flow a part of a hospital's overall culture also requires keeping the issue at top of mind. This can be achieved by creating a patient flow committee that first determines the baseline for the hospital on various measures of patient flow and then meets regularly to track improvements or identify any variance. Common measures include: time from when a patient presents to bed assignment, bed turnover time and how many times a bed is turned per year.

3. Include patient flow measures in organizational and employee benchmarks. Nearly all hospitals regularly track performance against a category of goals, such and quality, financials and patient safety, and often, these same goals trickle down to executive and individual employee performance measures. Hospitals should include patient flow as an additional category of measurement since it has such a significant impact on a hospital's performance.

"First and foremost, attention must be paid to knowing what the triggers are for success and failure and building them into executive and employee expectations and goals," he says. For example, a hospital would establish an expectation that admitting a patient into an assigned and clean bed will take place within 1 hour. Then, management could track how each employee performed against that benchmark. For instance, certain employees would be evaluated on how

long it took to assign the bed, and others would be evaluated on how long it took to clean the bed or ready and transport the patient to the assigned bed.

4. Where possible, automate patient flow processes. For example, a nurse typically is charged with alerting environmental staff about an open bed that needs cleaning by manually entering the bed's status into some type of computer software system. Top-performing hospitals set expectations for how quickly a nurse will do that (often within minutes), but the most advanced hospitals automate that process and will soon use real time locating system technology to automatically trigger the "entry" that a patient vacated a bed. The entry then automatically notifies personnel it is ready to be assigned to another waiting patient.

In conclusion, Through both human and technological process improvements, hospitals can significantly improve patient flow, which then impacts overall organizational efficiency as well as the bottom line.

2.5.3. Operational Effectiveness

An organization that enjoys operational effectiveness is one that finds ways and means to perform its business faster and better at a lower cost than other similar organizations. Another way to state this is that operational effectiveness will optimize the customer satisfaction at the lowest possible cost to the organization Glen (2005).

According to Michael Porter, operational effectiveness refers to that domain of organizational activity that is about having functions that work well. These functions must fit together and work in conjunction with each other to implement strategy. Operational effectiveness involves any

number of practices that enable an organization to; better utilize its resources, better implement its processes, and achieve its mission and goals. In other words, operational effectiveness is about continuously improving functional performance. In order to accomplish this, managers lead and control the functional activities within the organization, measure and improve the processes for which they are responsible, and then close the loop by leveraging those improvements for enhanced functional effectiveness.

Block et al (2009) defines operational effectiveness as the degree to which an organization's resources and processes are managed, organized, coordinated, and deployed in ways to achieve the organization's goals, intended outcomes, and performance objectives. Operational effectiveness requires the business unit to identify resource- and process-related critical success factors or key performance indicators that are important in contributing to its organizational and functional success.

Consequently, Block et al (2009)'s definition of operational effectiveness corresponds to Porter's idea of the term in that it relates to effective functional performance and to effective utilization of resources and implementation of processes.

Furthermore, as Porter notes, since operational effectiveness complements and informs strategy and is necessary for organizational success, Block et al (2009)'s accreditation criteria also require the organization to integrate its assessment process, including the assessment of operational effectiveness, into its strategic planning process for the future.

Any established set of business practices that enable an organization to optimize how it functions how quickly and successfully it does what it intends to do especially in comparison to competitors, is known as Operational Effectiveness, a term originated by Michael E. Porter at Harvard School of Business.

Hackman (1976) suggests the following as Pillars of operational effectiveness and they include infrastructure (how resources are organized and allocated), processes, performance and care delivery standards, regulatory compliance safeguards, performance trackers and metrics, change management, and performance improvement systems. The question, then, is how to organize these components (and others) systematically so that they serve as a firm foundation and a compass? We stand on firm ground; we know where we're going; we know how to get there.

Michael Porter's operational effectiveness cycle involves; Lead and control functional performance, Measure and improve processes, Leverage and automate processes and continuously improve functional performance

In practice in the health care setting, these translate to; Manage, control and evolve individual and departmental performance: develop and instill repeatable processes, Measure, track and improve processes, Optimize use of technology (and other resources) to enhance effectiveness and efficiency of people and processes and Continuous improvement

How the Cycle Works (Michael Porter)

There are established performance processes, standards and expectations, and metrics for departments, as well as for the individuals contributing to each department. Individuals are held accountable to those standards.

Operational processes are in play that support and facilitate human performance and reduce risk of error. These processes have associated metrics that indicate how successful a given process is, how successful the human using that process is, and where there are opportunities for improvement (Hackman 1976).

Trackers are available that accumulate the success vs. failure data, and are used to communicate information through designated channels to the appropriate agent of change.

Technology is leveraged to enable the user to be efficient and effective, i.e. Inventory management, payroll system. In practice, leveraging of resources also includes effective reliance on resources such as consulting services, vendors, legal and HR advisors, and real estate facilitators.

Data is gleaned from the above three pieces, and is gathered, communicated, and analyzed, i.e. turned into information or knowledge. Knowledge is then used to initiate change in process, performance standards, or technology that will result in improved performance and results. This organizational knowledge empowers us to know precisely whom or what to fix and why.

The cycle repeats again, and continues indefinitely – hence continuous improvement. This piece, the continuous improvement, is essential not only to effective business operations but also to quality of care. Without continuous improvement, quality of care stagnates.

Key Factors in Developing Operational Effectiveness by Miller (2010)

Well considered, valid and actionable Mission, Vision, Values statement.

Strategies, Policies and Procedures, Processes, Performance Standards, and Required Behaviors are aligned with the Mission, Vision and Values of the organization.

Strategic Communication, information is gathered and shared effectively and with the intent of changing employee's behaviors. Communication must not end with the sharing of information; rather, that is only the beginning of strategic communication.

Role Clarity: employees know and understand their role and its responsibilities, and the behaviors and competencies required to successfully play the role Metrics to measure how well behaviors and processes translate to results.

Corrective Action Plan process: the plan must translate to a changed process and/or behavior, subsequent to which a metric will indicate an improved result.

Learning: Training and Development program; Performance Management program; Coaching

Employee Engagement program: an engaged colleague is one whose intents and behaviors are aligned with the company's Mission, Vision and Values, and who is eager to change skills and behaviors as the organization evolves.

In conclusion, Operational Effectiveness impacts in such a way that strong operational systems that empower team performance set the stage for people, technology and processes to collaborate and deliver ever more finely tuned behaviors, that propel effectiveness and efficiency, desirable service delivery and care quality at decreased costs. This success scenario fuels colleague and customer engagement, teamwork, customer satisfaction, and profitability.

CHAPTER THREE

METHODOLOGY

3.0: INTRODUCTION

In this chapter the researcher basically covered the research methods that were used in carrying out the research. It shows the research design, study population, study sample, data collection methods, data collection instruments, data validity and reliability and then data analysis and the tools used in data analysis.

3.1: RESEARCH DESIGN

According to Burns and Grove (2003), research design is referred toas the scheme, outline or plan that is used to generate answers to research problem. They add that it can also be the format in which the researcher collected data. This includes both data that is expressed in written form and numerical form so as to bring out a very clear understanding on financial management and the performance of Government hospitals.The researcher used case study format (design) in the study while using cross sectional data because they way easy to interpret and they gave a clear understanding for obtaining relevant data.

3.2: STUDY POPULATION

It refers to the group of individual objects or items with the characters of research interests from which samples are taken for measurement James (1997). The staff of MulagoHospital was the researcher's target population. The study population was comprised of the administrators and the employees of the hospital who happen to be the accounts department, doctors and the nurses and the internship students at the hospitals' premises. The administrators of the hospital were chosen

because it is the administration responsible for the day to day operations that impact on the performance of the Hospital, the accounts department was chosen because it is directly responsible for financial management of the hospital. The study population comprised of 80 respondents from Mulago hospital. The researcher used simple sampling method so as to avoid bias. The population helped the researcher in primary data collection.

3.3: STUDY SAMPLE

This refers to the selected number of people with the characteristics of research interest to represent the overall population Amin(2005). The researcher used a simple random sampling method to gather information from the 80 people because they are the researcher's target population and the formula used was sampling formula by Kish (1965**)** **n= N**

1+ N (e) 2

Where **n** = sample size **e** = level of significance (0.05)2

N which is the population size

n= 80

1+80 (0.0025)

n=66.66

Therefore from the above calculation, it can be seen that the researcher had a sample size of 66respondents.

3.4: DATA COLLECTION METHODS AND INSTRUMENTS

Data collection methods refer to the different ways in which the researcher collected data and data collection instruments refer to the tools the researcher used to conduct his research Burns and Grove (2003). The researcher used primary data collection methods which refer to the act of

gathering original or firsthand information about the study. This was done through the use of questionnaires. The researcher also used secondary data sourced from documented statements and reports on financial management of government hospitals.

Primary data was obtained from respondents by the researcher through administered questionnaires. Secondary data was obtained from documented statements. As regards secondary data, annual reports and other published material was used and these included financial reports from ministry of finance and reports by the office of the auditor general of government and any other documents that were seen to be relevant to the study.

3.4.1: Questionnaires.

In this study the researcher developed a set of items in forms of closed and open ended questions so as to gather adequate and reliable information and the instrument used was the questionnaire guide. Open ended questionnaires refer to those that give a provision for the respondent to fill in his ideas about a particular question asked while closed ended questionnaires refer to those that give a respondent an option to agree or disagree with a particular question Amin (2005).

The questionnaires constituted of the feelings, views, opinions and perceptions of the respondents about financial management and performance of Government hospitals. The researcher used questionnaires because it is one of the easiest ways of collecting data.

3.5: DATA VALIDITY

According to Amin (2005), data validity refers to the correctness and accuracy of data collected using the instruments like the questionnaire, interview guide. It can also be the extent to which

the research results can be accurately interpreted to the people that will read the findings (James 1997) meaning that data is free of incorrectiveness. Data validity was measured by the coefficient of validity index (CVI).

$$CVI = \frac{\text{Items rated relevant}}{\text{Total number of items.}} \times 100$$

The use of the mentioned coefficient enabled the researcher to accurately interpret the identified data that was relevant to the study.

3.6: DATA RELIABILITY

Refers to the consistency, stability, and repeatability of data since it determines how much the researcher relies on the results. Therefore it is the degree to which an instrument measures the same way each time is used under the same conditions with the same subjects, if the results are the same then the data collection instruments are said to be reliable (Morgan and Waring 2004).

A questionnaire was constructed and given to fellow students and the researcher's supervisor for more advice. It was also presented to five respondents, three from hospitals and two to ministry of health officials to see if it generated the required information. The necessary corrections, adjustments and modifications from the above parties were then made.

The questionnaires were printed in English for user understandability since the respondents were educated people and expected to know English language. The researcher employed one research

assistant to assist in the distribution of questionnaires for data collection. This assisted the researcher to ensure that information was got from the right source and that it was the required information.

Cronbach alpha (Cronbach, 1951) reliability coefficient of 0.6 points and above was used to measure the internal consistency or average correlation of items in a survey instrument to gauge its reliability. The closer the score was to one, the more reliable the generated scale was.

Table 1 Validity and reliability of the instrument

Study variables	**Reliability coefficient Cronbach's Alpha**	**CVI**
Planning	0.62	.647
Working Capital Management	0.64	.724
Internal Controls	0.70	.724
Performance of Government Hospitals	0.61	.657

Source: Primary Data

The content validity index will be computed and all items that score above 0.7 as shown in the table 1 above. The acceptable reliability results will be those of 0.6 points and above as shown in table 1 above

3.7: DATA PROCESSING

Data from the field was sorted, coded and organized in tables to reveal the percentage scores of the different study attributes.

Editing: The researcher edited the data collected for accuracy and completeness.

Coding: The researcher coded the pre-coded question so that all answers obtained from different respondents were classified into meaningful categories.

Frequency tabulation: This involved placing the number of responses that fell into a particular category and recording those using tallies so as to come with a statistical table. This was an easy way of organizing raw data for easy interpretation.

The data was first sorted and grouped. Both quantitative and qualitative techniques were used during the study so as to allow the researcher to have adequate source of information so as to find answers to the problem that was investigated on. The researcher put together the findings in his own words for the qualitative information that was gathered.

3.8: DATA ANALYSIS

Data analysis is a process of gathering, modeling and transforming data with the goal of highlighting useful information, suggesting conclusions and supporting decision making (Cooper and Schindler, 2003). The data was analyzed using the statistical package for social science (SPSS) that has data handling and statistical analysis capability that analyzed data statistics and generated descriptive statistics. Descriptive statistics help to establish patterns, trends and relationships that make it easier to understand and interpret the implications of the study.

Pearson's correlation analysis model and regression analysis were undertakento analyze the relationship between Financial Management and the performance of Government Hospitals.

This model represented the dependent variable being Performance of Public Hospitals as a function of one independent variable being Financial Management, subject to a random, disturbance or error, which was assumed to have a constant value of zero (Cottrell, 2003).

Y=a +b1x1+ b2x2 + b3x3 + -------- bnxn

Where Y= Government Hospitals performance as measured by Quality of services, effectiveness and Satisfaction.

a= regression constant

b1 –Financial Management as measured by planning, management of working capital and internal controls.

*b*2 –Quality of services as measured by empathy and reliability in public hospitals.

*b*3 – Operational efficiency as measured by Cost reduction and timeliness in public Hospitals

b4 = Operational effectiveness as measured by satisfaction and problem resolution in public hospitals.

The analysis for the variables was done to show the mean, median and the standard deviations. The results were presented in tables and charts.

3.9: ETHICAL CONSIDERATION

The respondents were assured that the Study was purely for academic purposes and that the information that was collected was confidential and was to be analyzed for this research. An introductory letter from the Dean of the Faculty of Business Administration and Management was presented to the respondents as evidence that the research was purely for academic purposes. For members who assisted in distributing questionnaires, caution was made not to induce or put any respondent under any form of pressure to become part of this research. The researcher further assured them that no information revealing the identity of any individual was to be included in the final report or in any other communication prepared in the course of the Study, unless the individual concerned had consented in writing to its inclusion.

3.10: LIMITATIONS OF THE STUDY

A number of strategies were put into place to eliminate some expected limitations for example the use of simple and clear questions to avoid misinterpretation. However, despite the researcher's efforts to prevent these, a number of problems were experienced while collecting data and these included the following;

- Most scholars work is time bound. The preset time to carry out the field work Study was not sufficient due to other intervening factors. The researcher employed a field assistant to assist with questionnaire distribution and primary data collection.
- The researcher had financial constraints in terms of transport, printing and photocopying of the questionnaires, their distributions to the respondents and access to the library. However the researcher budgeted and used the little available resources.
- It was difficult for the researcher to collect relevant data as most of the respondents were not willing to answer. On several occasions the respondentsshunned away from giving

appropriate information. Some respondents expected pay for providing the appropriate information; in fact many deliberately refused to return the questionnaires. However the researcher employed a research assistant who helped to mobilize members and acquired the information that was needed.

- It took the researcher a very long time (2months) to collect data from the field since some of the respondents are part time doctors and so come once in a week to the hospital and other respondents rarely came to the hospital since there is no form of follow up at some of the hospitals on the attendance of the employees.

CHAPTER FOUR

PRESENTATION OF RESULTS AND DISCUSSION OF FINDINGS

4.0 Introduction

The chapter covers the presentation of results and interpretation of findings in relation to the study objectives. Questionnaires were used to collect the data. The findings are summarized in form of tables, charts (showing percentages and frequencies) and qualitatively stated. In addition, statistical analysis of correlation and regression analysis were undertaken.

4.1 Sample characteristics

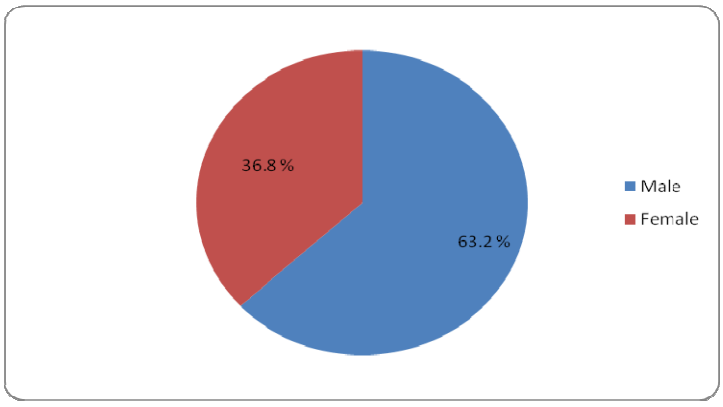
Sample characteristics contain the response rate, education levels, age group, duration of service in the organization, and the occupation of the respondents.

4.1.1. Response rate

With a sample of 66 only 57 questionnaires were returned representing a response rate of 86.4%. *According to Amin (2005), for a valid research to be conducted, a minimum of 30 to 50 participants is required for the study.* Therefore it implied that the response rate of 86.4%. % was sufficient for the study

4.1.2 Gender of the respondents

Figure one: Gender of the respondent



Source; Primary Data (2016)

The results in figure one showed 63.2% respondents (46) were male compared to 36.58% who were female respondents (30). This implies that more males at Mulago Referral Hospital responded to the survey compared to the females.

4.1.3 Duration of an employee of Mulago Referral Hospital

Table 4.1: Duration of an employee of Mulago Referral Hospital

Duration of an employee of Mulago Referral Hospital (years)	Frequency	Percent
1-5	11	19.3
6-10	22	38.6
11-15	13	22.8
16 and above	10	17.5
Total	**57**	**100.0**

Source; Primary Data (2016)

Table 4.1 presents the various Duration of an employee of Mulago Referral Hospital who participated in the questionnaire. The results in the table reveal that respondents who have spent 6 to 10 years formed the majority with 22, representing 38.6%, 13 have spent 11 to 15 years representing 22.8%, 11 have spent 1 to 5 years with 19.3%, and 10 have spent 16 years and above representing 17.5%. These results show that those who have spent 6 to 10 years are the majority implying that they are well versed with financial management and performance of public hospitals.

4.1.4: Position held in Mulago Referral Hospital

Table 4.2: Position held in Mulago Referral Hospital

Position held in Mulago Referral Hospital	Frequency	Percent
Top Management	15	26.3
Head of Department	11	19.3
Medical personnel	14	24.6
Support staff	16	28.1
Total	**57**	**100.0**

Source; Primary Data (2016)

Results from table 4.2 indicate that top management included 15 respondents which 26.3%, 11 respondents who are head of department with 19.3%, medical personnel with 14 respondents which 24.6%, and support staff who are 16 respondents with 28.1% respectively. This implies that the heads of department and the top management together with medical personnel are fully involved in financial planning and performance of public hospital.

4.1.5: The highest level of education you have attained

Table 4.3: The highest level of education you have attained

Education qualifications	Frequency	Percent
Diploma	13	22.8
Degree	24	42.1
Master's	15	26.3
PHD	05	8.8
Total	**57**	**100.0**

Source: Primary Data (2016)

Results in Table 4.3 show that thirteen respondents had a diploma which is rated 22.8%, twenty four respondents had a bachelor's degree which was rated at 42.1%, fifteen respondents had Master's degree which was rated at 26.3%; five respondents had PHD which was rated at 8.8%. This implies that the staffs of Mulago Hospital are knowledgeable about financial management and performance of public hospitals.

4.2. PRESENTATION AND ANALYSIS OF FINDINGS FROM THE STUDY OBJECTIVES.

Descriptive statistics were used to examine and establish the relationship between financial planning, working capital management and internal controls in Public hospitals and their performance. The findings were analyzed and interpreted basing on the attached Likert Scale such that a mean close to 5 represents strong agreement, 4-agreement, 3- Not sure, 2-disagreement and 1-strong disagreement.

4.2.1 Descriptive Statistics for Financial Planning in public hospitals

Table 4.4: Mean and Standard Deviation of Financial Planning in public hospitals Where Min is minimum, Max is maximum, M is mean and SD is standard Deviation

Item	N	Min	Max	M	SD
You involved in the budgeting process of the hospital.	57	2	5	4.16	.621
The hospital has budget goals that are often achieved.	57	1	5	3.28	1.386
There is a budget plan with which performance of the hospital can be compared.	57	1	5	3.67	1.139
Thefollowing finance the budget of the hospital, (government, grants from donors and internally generated funds)	56	1	5	3.45	1.220
The hospital has a planning system that actually gets implemented and audited or evaluated to measure performance of the hospital.	57	1	5	3.91	.969
The planning system is in line with the strategic plan of the hospital	57	2	5	3.75	.786
The implemented planning system matches with the practice in the hospital.	57	1	5	3.56	1.018
The implemented plan matches with the needs of various departments	57	1	5	3.96	.963
The implemented plan concurs with the plan of the ministry of health	57	1	5	3.18	1.241

Source; Primary Data (2016)

Results from table 4.4 indicated that the respondents are involved in the budgeting process of the hospital and it has budget goals that are often achieved. This was shown whereby the

respondents agreed to the view with the mean value of 4.16 and mean value of 3.28 showing the respondents were not sure. The standard deviation of 0.621 and 1.386 shows the deviation of the responses from the mean. This implies that the people are involved in the budgeting process of the hospital and they are neither not sure where the budget goals are often achieved. This was in agreement with Paramasivan (2008) who says that budgeting is an important aspect that involves planning, organizing and controlling the components of working capital like cash.

The results in table 4.4, there is there a budget plan with which performance of the hospital can be compared and the following finance the budget of the hospital, (government, grants from donors and internally generated funds). This is shown by the mean value of 3.67 and the standard deviation of 1.139 where the respondents agreed to the idea and the mean value of 3.45 and standard deviation of 1.220 where the respondents were tending to the agreed position

This implies that there is a budget plan of which performance of the hospital can be compared and the following finance the budget of the hospital such as government, grants and internally generated funds. This was in line with Sterck and Scheers (2006), budgeting has resulted in a greater emphasis on planning were all the stakeholders are involved in management and budgeting

Table 4.4 results continued to indicate that the respondents agreed with the mean value of 3.91 and the standard deviation of .969 that the hospital has a planning system that actually gets implemented and audited or evaluated to measure performance of the hospital.

This implies that the hospital has a planning system that actually gets implemented and audited to measure performance of the hospital.

In addition to the above the results of table 4.4 showed that the respondents agreed that the planning system is in line with the strategic plan of the hospital with the mean value of 3.75 and standard deviation of 0.786. And that the implemented planning system matches with the practice in the hospital where the respondents agreed with the mean value of 3.56 and standard deviation of 1.018. This implies that the planning system is in line with the strategic plan of the hospital and that the implemented planning system matches with the practice in the hospital respectively.

Furthermore table 4.4 findings showed that the implemented plan matches with the needs of various departments where respondents agreed with the mean value of 3.96 and standard deviation of 0.963. The implemented plan concurs with the plan of the ministry of health whereby respondents were not sure with the mean value of 3.18 and the standard deviation of 1.241 shows the responses of the participants being dispersed. This implies that though the implement plan matches with the needs of various departments, it does not necessary mean that the implemented plan concurs with the plan of the ministry of health.

4.2.2 Descriptive Statistics for Working Capital management in public hospitals

Table 4.5: Mean and Standard Deviation of Working Capital management in public hospitals

Where Min is minimum, Max is maximum, M is mean and SD is standard Deviation

Item	N	Min	Max	M	SD
Cash payments are generally made only after specific control procedures have been followed.	57	3	5	4.12	.466
Proper segregation exists between those employees who have access to patient funds (cash)and those employees who have access to non-patient funds (such as payroll accounts)	57	1	5	3.65	.991
Independent internal verifications such as Comparing checks to invoices; reconcile bank statement monthly are practiced.	57	1	5	3.51	1.182
The hospital has a clear policy on receivables and there is a personnel in charge of these receivables.	57	1	5	3.70	1.101
There is timeliness on receivables and in your opinion, failure to recover debts has a bearing on the hospital's working capital management.	57	1	5	3.49	1.269
Machines, medicines, bandages, topical ointments, gases, disposable and reusable medical instruments, such as syringes and needles are kept under the strict control of a few designated employees.	57	1	5	3.42	1.209
Inventories are recorded in book keeping or other accounting records on a monthly basis.	57	1	5	3.98	.991
Receiving reports or notifications are made upon the arrival of new medicines or other inventory items in the hospital.	57	3	5	4.32	.572
Periodic inventories are maintained and they are annually reconciled to actual amounts by means of a Complete physical inventory.	57	2	5	4.23	.824
Results from the annual reconciliations and audit reports on the inventories are used to solve inventory management challenges faced at the hospital.	57	2	5	4.37	.794

Source; Primary Data (2016)

Table 4.5 results indicated that the areas in working capital management are where the Cash payments are generally made only after specific control procedures have been followed and Proper segregation exists between those employees who have access to patient funds (cash) and those employees who have access to non-patient funds (such as payroll accounts) Cash payments are generally made only after specific control procedures have been followed. This is showed where by the respondents agreed with the mean values of 4.12 and 3.65 and the standard deviations of 0.466 and 0.991. This implies that Cash payments are generally made only after specific control procedures have been followed and that Proper segregation exists between those employees who have access to patient funds (cash)and those employees who have access to non-patient funds (such as payroll accounts). This was in agreement with Block et al (2009) who add that Working capital managementis a tactical focus on maintaining a sufficient amount of working capital to support a business, while minimizing the investment in this area.

In line with the above; table 4.5 results continued to show that respondents agreed that Independent internal verifications such as Comparing checks to invoices; reconcile bank statement monthly are practiced with the mean value of 3.51 and the standard deviation of 1.182 respectively. This implies that independent verifications such as Comparing checks to invoices; reconcile bank statement monthly are practiced as part of working capital management.

The hospital has a clear policy on receivables and there is personnel in charge of receivables whereby 3.70 mean value showing that the respondents agreed and the standard deviation of 1.101 respectively that it is part of working capital management. This implies that working capital management to be carried out well in an organisation, there is need for proper cash

management. This was in line with Hirt (2002**)** Since there can be a high cost associated with the funding of working capital, there is an offsetting pressure to keep funding levels low. This latter goal is achieved by closely monitoring the turnover levels for accounts receivable, inventory, and accounts payable and taking action when the turnover levels vary from expectations.

Furthermore, table 4.5 results indicated that there is timeliness on receivables and in your opinion, failure to recover debts has a bearing on the hospital's working capital management, this is showed by the mean value of 3.49 where the respondents were not sure and the standard deviation of 1.269 showing a deviation from the mean. Machines, medicines, bandages, topical ointments, gases, disposable and reusable medical instruments, such as syringes and needles are kept under the strict control of a few designated employees where the respondents were not sure with the mean value of 3.42 and standard deviation of 1.209 respectively. This implies that there is either timeliness on receivables and in your opinion, failure to recover debts has a bearing on either the hospital's working capital management or nothing and also Machines, medicines, bandages, topical ointments, gases, disposable and reusable medical instruments, such as syringes and needles are kept under the strict control of a few designated employees.

Table 4.5 indicated that as part of working capital management, the Inventories are recorded in book keeping or other accounting records on a monthly basis this is indicated whereby respondents agreed with the mean value of 3.98 and the standard deviation of 0.991. and that there is Receiving reports or notifications are made upon the arrival of new medicines or other inventory items in the hospital where the respondents agreed with the mean value of 4.32 and the standard deviation of 0.572 respectively. This implies Inventories are recorded in book keeping

or other accounting records on a monthly basis and receiving reports or notifications are made upon the arrival of new medicines or other inventory items in the hospital are important aspects of working capital management.

This was in line with Block et al (2009) that it is an additional tool used to monitor working capital levels is the short-term and medium-term cash forecast, which tells management when unusually high or low cash levels are expected.

Finally table 4.5 shows thatPeriodic inventories are maintained and they are annually reconciled to actual amounts by means of a Complete physical inventory where the respondents agreed with the mean value if 4.23 and the standard deviation of 0.824 Results from the annual reconciliations and audit reports on the inventories are used to solve inventory management challenges faced at the hospital where the respondents agreed with a mean value of 4.37 and the standard deviation of 0.794 respectively. This implies that it is there important aspects of working capital management in a hospital. This findings were in line with Glen (2005) argues that the longer inventory sits on the shelf or in the warehouse, the longer the company's working capital is tied up, when not managed carefully, businesses can grow themselves out of cash by needing more working capital to fulfill expansion plans than they can generate in their current state.

4.2.3 Descriptive Statistics for internal controls in public hospitals

Table 4.6: Mean and Standard Deviation of internal controls in public hospitals Where Min is minimum, Max is maximum, M is mean and SD is standard Deviation

Item	N	Min	Max	M	SD
The hospital have any physical safeguard practices in place such as Safes, vaults, Locked warehouses and records and Computer facilities with pass key access.	56	1	5	3.75	.769
The physical safeguards used by the hospital are effective	57	1	5	4.09	.606
Internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations.	57	1	5	2.96	1.349
All personnel's are responsible for communicating for upwards problems in operations, non-compliance with the code of conduct or other policy violations or illegal actions.	56	1	5	3.45	1.220
The hospital puts the types of internal controls as; Safeguarding assets, Separation of duties, supervision, Verification, Documentation, Safeguarding Assets, & Reporting.	57	1	5	3.14	1.288
The Hospital keeps record and the endorsed recordkeeping strategy cover all units and activities undertaken by the hospital	57	1	5	3.09	1.138
There are regular reporting arrangements in place to update the hospital's management of recordkeeping issues or progress	57	1	5	3.47	1.054
The hospital's recordkeeping systems is both digital and paper-based	57	2	5	4.25	.892
The Hospital Authority conducts an assessment, review or audit of its recordkeeping program (i.e. practices, procedures, and systems) quarterly and annually	57	1	5	4.11	.976
Are the regular reporting arrangements in place to update the hospital's management of recordkeeping issues or progress	57	2	5	4.04	.844

Source: Primary Data (2016)

Analysis of table 4.6 results indicated that has part of the internal controls, The hospital have any physical safeguard practices in place such as Safes, vaults, Locked warehouses and records and Computer facilities with pass key access this was showed by the mean value of 3.75 and the standard deviation of 0.769 and that the physical safeguards used by the hospital are effective

with the mean value of 4.06 and the standard deviation of 0.606 where the respondents agreed to the view. This implies that the any physical safeguard practices in place such as Safes, vaults, Locked warehouses and records and Computer facilities with pass key access are effective. This was concurred with Brockport (2007) that the system of internal control is trend beyond those matters which relates directly to the functions of accurate department

According to the results provided in Table 4.6, the respondents disagreed that with a mean value of 2.96 that the Internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations., the standard deviation of 1.349showed that the respondents deviated from the disagreed position. This implies that the internal control objectives don't relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations. This was not in concurrence with Anderson (2008) adds that at the organizational level internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations

In addition to the above table 4.6 results showed that all personnel's are responsible for communicating for upwards problems in operations, non-compliance with the code of conduct or other policy violations or illegal actions where the respondents were not sure with the mean value of 3.45 and the standard deviation of 1.220 respectively. This implies that all personnel's are either responsible for communicating for upwards problems in operations, non-compliance with the code of conduct or other policy violations or illegal actions or not.

Table 4.6 indicated that respondents were not sure that the hospital puts the hospital puts the types of internal controls as; Safeguarding assets, Separation of duties, supervision, Verification, Documentation, Safeguarding Assets, and Reporting this was showed by the mean value of 3.14 and the standard deviation of 1.288 and the Hospital keeps record and the endorsed recordkeeping strategy cover all units and activities undertaken by the hospital where the respondents were not sure with the mean value of 3.09 and the standard deviation of 1.138 as element of internal controls. This implies that the hospital either puts the hospital puts the types of internal controls as; Safeguarding assets, Separation of duties, supervision, Verification, Documentation, Safeguarding Assets, and Reporting or not.

In addition to the above; findings in table 4.7 showed that There are regular reporting arrangements in place to update the hospital's management of recordkeeping issues or progress with the mean value of 3.47 and standard deviation of 1.054 where the respondents were not sure to the view. This implies that the regular reporting arrangements in place to update the hospital's management of recordkeeping issues or progress are either in existence or not as element of internal control.

This was in agreement with Stewart (2014)the internal control provides only timely information or feedback on progress towards the achievement of operational and strategic objectives but cannot guarantee their success.

Table 4.6 results showed that the hospital's recordkeeping systems are both digital and paper-based whereby the respondents agreed with the mean value of 4.25 and standard deviation of

0.892 respectively. This implies that the hospital's recordkeeping system is both digital and paper-based as element of internal control.

Finally table 4.6 results showed that the respondents agreed with the mean value of 4.11 and the standard deviation of 0.976 respectively that the Hospital Authority conducts an assessment, review or audit of its recordkeeping program (i.e. practices, procedures, and systems) quarterly and annually. This implies the Hospital Authority conducts an assessment, review or audit of its recordkeeping program (i.e. practices, procedures, and systems) quarterly and annually.

There are regular reporting arrangements in place to update the hospital's management of recordkeeping issues or progress where the respondents agreed with the mean value of 4.04 and the standard deviation of 0.844 respectively. This implies that there are regular reporting arrangements in place to update the hospital's management of recordkeeping issues or progress.

4.2.4 Descriptive Statistics for performance of public hospitals

Table 4.7: Mean and Standard Deviation of performance of public hospitals
Where Min is minimum, Max is maximum, M is mean and SD is standard Deviation

Item	N	Min	Max	M	SD
The services are always reliable in that the clients always give us feedback.	57	1	5	4.28	.726
There is care as our staff are providing services to the citizens e.g patients	57	4	5	4.26	.444
The staff understand the community in service provision	57	1	5	3.00	1.180
The staff are dependable when delivering services to the clients e.g the patients	56	2	5	4.29	.680
The consistency among the services provided to our clients the patients	57	1	5	3.19	1.420
There is cost reduction in all the activities we do as the hospital	56	1	5	4.07	.970
We always ensure timeliness in all the activities we do as the hospital	57	1	5	3.68	1.055
We always ensure Satisfaction to our clients(patients) in whatever we do as a hospital	57	1	5	4.14	.743
The has Problem resolution process and it is clearly written in the hospital strategic plan	56	1	5	3.82	.993

Source; Primary Data (2016)

Table 4.7 results indicated thatthe services are always reliable in that the clients always give us feedback where the respondents agreed with the mean value of 4.28 and standard deviation of 0.726 respectively. The continued to say that there is care as our staff are providing services to the citizens e.g patients where the respondents agreed with the mean value of 4.26 and the standard deviation 0f 0.444 respectively. This implies that the services are reliable.

Table 4.7results showed that the respondents were not sure with the mean value of 3.00 and standard deviation of 1.180 showing the dispersion in the responses, that the staffs are dependable when delivering services to the clients e.g the patients with the mean value 4.29 and 0.680 standard deviation and there is consistency among the services provided to our clients the patients where the respondents were not sure with the mean value of3.19 and the standard deviation of 1.420 respectively. This implies that the staff either understand the community in service provision or not and that the staff are dependable when delivering services to the clients e.g the patients and there is consistency among the services provided to our clients the patients.

The respondents continued to say in table 4.7 that there is cost reduction in all the activities they do as the hospital which is indicated by the mean value of 4.07 and the standard deviation of 0.970 and that they always ensure timeliness in all the activities we do as the hospital where the respondents agreed with the mean value of 3.68 and the standard deviation of 1.055 respectively as part of operational efficiency do as to aid performance of the hospital.

Finally table 4.7 results indicated that always ensure Satisfaction to our clients(patients) in whatever we do as a hospital and that they have Problem resolution process and it is clearly written in the hospital strategic plan. This is showed by the mean value of 4.14 and the standard deviation of 0.743 where the respondents agreed and also the mean value of 3.82 and the

standard deviation of 0.993 respectively. This implies that there is operational effectiveness as part of performance of public hospitals.

4.3. Correlation Analysis

The relationship between financial management and performance of public hospitals was explained using financial planning, working capital management, internal controls as elements for the independent variable whereas Quality of services, operational efficiency, and operational effectivenesswere for dependent variable.

The results are tabulated below:

Table 4.8: Pearson's Correlation Analysis

Item		**1**	**2**	**3**	**4**
Financial planning	Pearson Correlation	1			
	Sig. (2-tailed)				
Working capital management	Pearson Correlation	.647**	1		
	Sig. (2-tailed)	.000			
Internal controls	Pearson Correlation	.577**	.724**	1	
	Sig. (2-tailed)	.000	.000		
Performance of public hospital s	Pearson Correlation	.657**	.546**	.724**	1
	Sig. (2-tailed)	.000	.000	.000	
**. Correlation is significant at the 0.01 level (2-tailed).					

Source: Primary Data (2016)

In Table 4.8, it can be clearly seen that there is a strong and positive significant relationship between financial planning and the performance of public hospitals (P=.657**; r=0.01). This

shows that financial planning is one of the key basics used to measure financial management in public hospitals. This is in line with Paramasivan (2008) that it is an important part of financial management since it involves budgeting and planning systems.

Additionally, the results in Table 4.8 showed a strong and positive significant relationship between working capital management and performance of public hospitals (P=.546**; r>0.01). This implies that working capital management is an important aspect in ensuring the financial management in public hospitals. This was in agreement Steven (2015) that Working capital management is a managerial accounting strategy focusing on maintaining efficient levels of both components of working capital, current assets and current liabilities, in respect to each other. Working capital management ensures a company has sufficient cash flow in order to meet its short-term debt obligations and operating expenses.

The findings in table 4.8 additionally revealed a strong and positive relationship between internal controls and performance of public hospitals (P=.724**; r>0.01). This concurred with Brockport (2007) that Internal control comprises of the plan of an organization and all of the coordinate methods adopted within a business to safeguard its Assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. This definition recognizes that the system of internal control is trend beyond those matters which relates directly to the functions of accurate department

4.4. Regression Analysis

A regression analysis was run to establish the predictive qualities of dependent variable (performance of public hospitals) in relation to the independent variable (financial management). The results are indicated below in table 4.12.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
3	.787[c]	.619	.597	.34785
c. Predictors: (Constant), FP, WC, IC				

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
3	(Constant)	1.04	0.38		2.74	0.008
	Financial planning	0.338	0.094	0.411	3.611	0.001
	Working capital management	-0.169	0.151	-0.151	-1.118	0.268
	Internal controls	0.616	0.13	0.596	4.74	0
a. Dependent Variable: Performance of public hospitals						

Source; Primary Data (2016)

Model Adjusted R2= .597 .597*100= 59.7%

$Y=a+b_1x_1+b_2x_2+b_3x_3+$…….e

Performance of public hospitals = 1.04+ 0.338X_1 +-0.169X_2+ 0.616X_{3+}……..e

The model summary table above revealed that correlation coefficient®, using predicator credit access, is 0.787and the R^2 (0.597). This implies that 59.7% (0.597*100) variations in performance of public hospitals are explained by financial management while the remaining 40.3% is explained by other factors.

This implies that financial management is a critical factor in explaining performance of public hospitals, but there are also other factors which influence performance of public hospitals.

From the findings shown in Table 4.9, there was a strong positive relationship between the study variables as shown by R=. 787.

From the above regression equation it was revealed that holding financial planning, working capital management, and internal controls constant zero, financial planning and performance of public hospitals would be 1.04. This is interpreted as a unit increase in financial planning would lead to increase in financial management and performance of public hospitals by a factor of 0.338. Moreover, a unit increase in working capital management would lead to a decrease in financial management and performance of public hospital by a factor of -0.169. Also, a unit increase in internal controls would lead to increase in financial management and performance of public hospital by a factor of 0.616.

Conclusion

Chapter four covered the presentation of results and interpretation of findings in relation to the study objectives. The findings were summarized in form of tables, figures and charts (showing percentages and frequencies) and qualitatively statement. In addition, statistical analysis namely correlation and regression analysis were undertaken to find out the relationship between financial management and performance of public hospitals.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0. Introduction

This chapter is a presentation of the summary of each objective of the study being financial management and the performance of government hospitals, the general conclusion from the study, the recommendation suggested or brought forward by the researcher and the areas for further research as identified by the researcher from the research findings on the study and other relevant literature deemed vital for use in future to improve the study.

5.1. Summary of the findings

5.1.1 The effects of financial planning on the performance of Mulago Hospital.

The first objective was to examine the effect of financial planning on the performance of Mulago Hospital. Financial planning has a strong and positive significant relationship with performance of public hospitals that is an increase in financial planning would mean an increase in the performance of Mulago hospital. This precisely points out that financial planning is one of the key elements used to measure performance of public hospitals.

5.1.2. The effects of management of working capital on the performance of Mulago Hospital.

There is a strong positive significant relationship between working capital management and the performance of Mulago hospital. Efficient working capital management has led to improved operating performance of the business concern of the hospital in delivering healthcare services to patients and it has helped to meet the short term liquidity. Hence, study of working capital management is not only an important part of financial management but also impacts onperformance of public Hospitals.

5.1.3. The effects of internal controls on the Performance of Mulago Hospital.

The study had one of the objectives as, “To investigate the effect of internal controls on the performance of Mulago Hospital.” From the findings, it is true that internal controls greatlyaffect the performance of the hospital. This is because the internal controls are measures that comprise of the plan to coordinate methods adopted within a business to safeguard its Assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies and failure to observe the above directly affects performance of the hospital in a negative way and vice versa.

5.2. General Conclusions

Based on the findings of the study, it is concluded that financial management has a great impact performance of public hospitals in Uganda with mulago hospital being the case study of the researcher. This has been supported by the study findings of substantive effects of financial planning on performance of public hospitals as shown above in areas the hospitals are involved in the budgeting process, have budget goals that are often achieved, and the planning system that actually gets implemented and audited or evaluated to measure performance of the hospital in line with performance of public hospitals.

The effect of management of working capital on the performance of Mulago Hospital was explained whereby Cash payments are generally made only after specific control procedures have been followed, Proper segregation exists between those employees who have access to patient funds, Independent internal verifications such as Comparing checks to invoices; reconcile bank statement monthly are practiced, it has a clear policy on receivables and there is a personnel in charge of these receivables and so on in line with operational efficiency as a way of enhancing performance.

Finally the study findings revealed that there is the effect of internal controls and performance of public hospitals The hospital have any physical safeguard practices in place such as Safes, vaults, Locked warehouses and records and Computer facilities with pass key access, Internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations, All personnel's are responsible for communicating for upwards problems in operations, non-compliance with the code of conduct or other policy violations or illegal actions and the Hospital keeps record and the endorsed recordkeeping strategy cover all units and activities in areas of operational effectiveness as a way of enhancing performance.

5.3. Recommendations

Since there is a positive relationship between financial management and performance of public hospitals,Mulago Hospital should ensure proper financial management so as to lift its performance.

As far as financial planning is concerned the findings revealed that the respondents are not sure that the hospital has budget goals that are often achieved, thus the researcher recommends that there is need to ensure that the budget goals are achieved.

In line with working capital management the findings revealed; Machines, medicines, bandages, topical ointments, gases, disposable and reusable medical instruments, such as syringes and needles are kept under the strict control of a few designated employees were not sure. Hence the researcher recommends that the equipment and materials are kept under the strict control of a few designated employees

In view of internal control the findings revealed that the respondents disagreed that internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations hence the researcher recommends that the internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations

5.4. Suggestions for Further Research

The researcher cannot claim to have exhausted all the aspects and details surrounding financial management and the performance of government hospitals in Uganda and therefore she sees the need for further research in thethe following areas for further research:

The independent variable in this study explained only 59.7% of variables for performance of public hospitals, other studies therefore should be carried out to explain other variables not included in this study.

The effect of internal controls on the public hospitals since it came out strongly in the research.

There is need to carry out the effects of financial planning and performance of public hospitals since it came out strongly in the research.

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APPENDIX I

QUESTIONNAIRE

I am AjobePhiona, a postgraduate student of Uganda Martyrs University and as a partial fulfillment for the award of a Master's degree in Business Administration and Management, I am required to carry out research and this questionnaire will help me to conduct a Survey on "Financial Management and Performance of Government Hospitals"

You have been randomly selected for this study. I request to ask you some questions about Mulago Hospital. The questions will take about 20 minutes.

The information given will be treated with utmost confidentiality and solely for academic purposes only.

Guidelines.

- You are to answer the questions on a single sitting.
- You are to give your opinion about a question asked in writing or circle the best option from the listed ones.
- Answer all questions by filling in the provided space as instructed.

Section I: GENERAL INFORMATION

1. What is your gender?

Male (1)	
Female (2)	

2. How long have you been an employee of Mulago Referral Hospital?

1– 5 yrs (2)	
6 – 10 yrs (3)	
11 – 15 yrs (4)	
Above 16 yrs (5)	

3. Which position do you hold in Mulago Referral Hospital?

Top management (1)	
Heads of Department (2)	
Medical personnel (3)	
Support staff (4)	

4. What is the highest level of education you have attained?

Diploma (1)	
Degree (2)	
Masters (3)	
PhD(4)	

Please indicate the extent to which you agree with the statements below: SD- Strongly Disagree (1), D- Disagree (2), N- Not Sure (3), A- Agree (4), SA- Strongly Agree (5).

Section II: Financial Planning

Please indicate the extent to which you agree or disagree with the statements below

Key: 1=SD-strongly disagree; 2=D-disagree; 3=NS- not sure; 4=A-agree and 5=SA-strongly agree

Items	**SD**	**D**	**N**	**A**	**SA**
You involved in the budgeting process of the hospital.	1	2	3	4	5
The hospital has budget goals that are often achieved.	1	2	3	4	5
The expenses and costs are under budgeted control? In other words, there is there a budget plan with which performance of the hospital can be compared.	1	2	3	4	5
The following finance the budget of the hospital, (government, grants from donors and internally generated funds)	1	2	3	4	5
The hospital has a planning system that actually gets implemented and audited or evaluated to measure performance of the hospital.	1	2	3	4	5
The planning system is in line with the strategic plan of the hospital	1	2	3	4	5
The implemented planning system matches with the practice in the hospital.	1	2	3	4	5
The implemented plan matches with the needs of various departments	1	2	3	4	5
The implemented plan concurs with the plan of the ministry of	1	2	3	4	5

Items	SD	D	N	A	SA
health					
The planning system aids the performance of the hospital	1	2	3	4	5

Section III: Management Of Working Capital

Please indicate the extent to which you agree or disagree with the statements below

Key: 1=SD-strongly disagree; 2=D-disagree; 3=NS- not sure; 4=A-agree and 5=SA-strongly agree

Items	SD	D	N	A	SA
Cash payments are generally made only after specific control procedures have been followed.	1	2	3	4	5
Proper segregation exists between those employees who have access to patient funds (cash)and those employees who have access to non-patient funds (such as payroll accounts)	1	2	3	4	5
Independent internal verifications such as Comparing checks to invoices; reconcile bank statement monthly are practiced.	1	2	3	4	5
The hospital has a clear policy on receivables and there is a personnel in charge of these receivables.	1	2	3	4	5
There is timeliness on receivables and in your opinion, failure to recover debts has a bearing on the hospital's working capital management.	1	2	3	4	5
Machines, medicines, bandages, topical ointments, gases, disposable and reusable medical instruments, such as	1	2	3	4	5

syringes and needles are kept under the strict control of a few designated employees.					
Inventories are recorded in book keeping or other accounting records on a monthly basis.	1	2	3	4	5
Receiving reports or notifications are made upon the arrival of new medicines or other inventory items in the hospital.					
Periodic inventories are maintained and they are annually reconciled to actual amounts by means of a Complete physical inventory.					
Results from the annual reconciliations and audit reports on the inventories are used to solve inventory management challenges faced at the hospital.					

Section IV: INTERNAL CONTROLS

Please indicate the extent to which you agree or disagree with the statements below

Key: 1=SD-strongly disagree; 2=D-disagree; 3=NS- not sure; 4=A-agree and 5=SA-strongly agree

Items	**SD**	**D**	**N**	**A**	**SA**
The hospital have any physical safeguard practices in place such as Safes, vaults, Locked warehouses and records and Computer facilities with pass key access.	1	2	3	4	5
The physical safeguards used by the hospital are effective	1	2	3	4	5

Internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations.	1	2	3	4	5
All personnel's are responsible for communicating for upwards problems in operations, non-compliance with the code of conduct or other policy violations or illegal actions.	1	2	3	4	5
The hospital puts the types of internal controls as; Safeguarding assets, Separation of duties, supervision, Verification, Documentation, Safeguarding Assets, and Reporting.	1	2	3	4	5
The Hospital keeps record and the endorsed recordkeeping strategy cover all units and activities undertaken by the hospital					
There are regular reporting arrangements in place to update the hospital's management of recordkeeping issues or progress	1	2	3	4	5
The hospital's recordkeeping systems is both digital and paper-based					
The Hospital Authority conducts an assessment, review or audit of its recordkeeping program (i.e. practices, procedures, and systems) quarterly and annually					
Are the regular reporting arrangements in place to update the hospital's management of recordkeeping issues or progress	1	2	3	4	5

Section V: PERFORMANCE OF PUBLIC HOSPITALS

Please indicate the extent to which you agree or disagree with the statements below

Key: 1=SD-strongly disagree; 2=D-disagree; 3=NS- not sure; 4=A-agree and 5=SA-strongly agree

Items	**SD**	**D**	**NS**	**A**	**SA**
The services are always reliable in that the clients always give us feedback	1	2	3	4	5
There is care as our staff are providing services to the citizens e.g patients	1	2	3	4	5
The staff understand the community in service provision	1	2	3	4	5
The staff are dependable when delivering services to the clients e.g the patients	1	2	3	4	5
The consistency among the services provided to our clients the patients	1	2	3	4	5
There is cost reduction in all the activities we do as the hospital	1	2	3	4	5
We always ensure timeliness in all the activities we do as the hospital	1	2	3	4	5
We always ensure Satisfaction to our clients(patients) in whatever we do as a hospital	1	2	3	4	5
The has Problem resolution process and it is clearly written in the hospital strategic plan	1	2	3	4	5

THANK YOU