# THE EFFECT OF FINANCIAL MANAGEMENT ON THE PERFORMANCE OF PUBLIC HEALTH INSTITUTIONS IN UGANDA

## A CASE STUDY OF MBARARA REFERRAL HOSPITAL

**ATUHWERA BRIDGET**

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## Dedication

I wish to dedicate this work to my family and my supervisor who have always been a great source of inspiration for my future, assuring me each day that the largest task can be accomplished if it is done one step at a time. To all I am indebted.

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I thank the Almighty God for the wisdom and grace he has given me to reach this far with my graduate program for these three years.

Special thanks go to my, Mum (Mrs. Mugisha Juliet), dad (Mr. Mucunguzi Thomas), supervisor Mr. Kakuru Anthony, brothers Tobias, Victor, Innocent, Sisters Maureen, and Magoba, without whose support this research report would have been hard to produce in the scheduled time.

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| | |
|---|---|
| FM: | Financial Management |
| HSPU: | Health System Profile for Uganda |
| IASC: | International Accounting Standards Committee |
| MOH: | Ministry of health |
| MRH: | Mbarara Referral Hospital |
| PHI: | Public Health Institutions |
| UHSA: | Uganda Health System Assessment |

**Abstract**

The Research is basically about the effect of financial management on the performance of public health institutions and the research was conducted on the case study of Mbarara Referral Hospital, Ankole sub-region Mbarara district, and the following were the specific objectives of the study: To determine the effect of financial budgeting on the performance of public health institutions, To find out the effect of financial reporting on the performance of public health institutions and To find out how appropriate cash management affects the performance of public health institutions.

The study used a case study design basing on the use of qualitative and quantitative approaches that were adopted to establish the effect of financial management on the performance of public health institutions. The tool used was a questionnaire to collect data. The researcher used descriptive statistics, generated SPSS to analyze the data.

Findings from the study indicated that the financial management of MRH uses financial budgeting, financial reporting and cash management to determine the performance of Mbarara Referral Hospital. Also it was discovered that public health institutions face some challenges like government's failure to provide adequate health facilities in the lower health units and lack of adequate funds. However, management in PHI's has set different strategies to overcome the challenges faced by PHI's

The conclusions of the study suggested that it is crucial for public health institutions to be run using good financial management practices to achieve its objectives. The research has showed that in order to achieve good patients' experience of care, affordable cost of healthcare services and disparity in performance, the management has to employ suitable financial management practices for the institution. Thus it is crucial for a public health institution to be run using good financial management practices to achieve its objectives.

The study recommended that the MRH management should increase on the numbers of employees in the financial budgeting department because they play a big role in to develop long-term financial goals and strategies of an institution and how they can use the financial budgeting tools which puts the institution at a higher advantage.

# CHAPTER ONE

# GENERAL INTRODUCTION

## 1.0 Introduction

The purpose of this research was to find out the effect of financial management on the performance of public health institutions in Uganda using Mbarara referral hospital as the case study, this chapter includes the background of the study, statement of the problem, the objectives of the study, which will include the general objective and the specific objectives showing the variables both independent and dependent variables contained under the topic, research questions, which will be in line with the specific objectives, scope of the study, under which variables the study will be limited to, areas of consideration and the period the study will be put into consideration, the significance of the study, conceptual frame work, and the definition of the key terms.

## 1.1 Background to the study

Given that there exists a variety of definitions of Financial Management in the literature, this study follows the definition used by several Financial Management studies, defining Financial Management as a means of planning, organizing, directing and controlling the financial activities such as procurement and utilization of funds of the enterprise. It means applying general management principles to financial resources of the enterprise (MSG Experts, 2015). Financial management is generally concerned with procurement, allocation and control of financial resources of an organization. In a business enterprise, effective management of finances aids the achievement of business objectives. Similarly, sound public financial management is critical to the achievement of the aims of the public sector through its role in improving the quality of public service outcomes; operational and strategic decision-making;

long term sustainability of public services; building public trust in the performance of the sector; and ensuring the efficient and effective use of public funds (Shaikh & Naeem, 2012)

The financial management processes of not for profit organizations such as instructions of learning are generally dominated by conditions of resource scarcity. Such organizations have limited opportunities for generating additional income, but are faced with an ever increasing agenda of programme and activities on which such funds could be spent.

The financial management in the early 20th century was characterized by the traditional approach, focusing on the main events of corporate financial life, rather than routine management problems (Archer and D' Ambrosio, 1969, p. 20).In the modern phase, FM plays a much larger role in the overall management of a business. Now, the primary role of financial management is to plan for, acquire, and utilize funds (capital) to maximize the efficiency and value of the enterprise and because of this role, financial management is known also as capital finance.

According to UHSA(2011), in Uganda, health services are provided by the public and private sub-sectors, with each sub-sector contributing about 50 percent of the service delivery outlets (MOH, 2010). The public sector includes national and regional hospitals and a tiered system of health centers and at the higher levels are the regional referral hospitals to Supervise and support health systems at the regional level.

According to Atrill,(2011) business performance focuses on management approaches which look at a business as a whole instead of on a division level. Business performance management entails reviewing the overall business performance and determining how the business can better reach its goals. This requires the alignment of strategic and operational objectives and the business set of activities in order to manage performance seeks to aggregate available information, to ensure that managers are more informed about the firm's position and are able to make better decisions, Bowen (2010).

Today, businesses are under constant pressure to develop, implement and rapidly revise their financial management strategies (Bowen, 2010).To do this, businesses need to develop and implement financial strategies to manage risk and improve financial performance and capabilities as depicted in the resource based theory.

Financial management in public organizations is concerned with ensuring funds are available when needed and that they are obtained and used in the most efficient and effective way to the benefit of the citizens (Waddell, 2000).FM is one of the most important practices that an organization can be skilled in. With the challenges of financial sustainability facing today's public organizations, an understanding of the best financial management practices can help to ensure that these organizations are financially stable as postulated in the theory of budgeting (Dorothy, 2009).

There are certain financial management practices that are essential for a healthy functioning of any public organizations. These include budgeting process and sound ongoing internal controls. Budgeting therefore becomes a critical activity for these organizations (Anthony and Young, 1994).

Organizational performance can be judged by many different constituencies, resulting in many different interpretations of successful performance. Each of these perspectives of organizational performance can be argued to be unique. Further, each organization has a unique set of circumstances, making performance measurement inherently situational (Cameron & Whetton, 2001).

The research focuses on Mbarara Regional Referral Hospital as a case study commonly known as Mbarara hospital which is a government owned referral hospital which started in the 1930s as a nursing school for Ankole region and its status was then elevated in the 1950s to a district hospital for the former Ankole region until it was again elevated to a regional referral facility in the early 1990s.

Currently, the hospital serves a population of over four million people in its catchment area c omprising the districts of Mbarara, Bushenyi, Ntungamo, Kiruhura, Ibanda, Buhweju, Rubirizi, Mitooma and Isingiro. The hospital also receives patients from kabale, ma saka, Fort Portal and neighboring countries like Rwanda and Tanzania.

**1.2 Statement of the problem**

Financial management practices in the health sector are a global concern to human life. Bloom et al (2009) have stated that management in hospitals is very poor compared to that of other institutions; it is even worse in public than private hospitals. The performance of public hospitals in Uganda and indeed the entire health sector is a cause for worry from the perspective of the management knowledge. 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.

Some of the health workers however, attributed the poor performance in health sector to government’s failure to provide adequate health facilities in the lower health units like at health centers IIIs and IVs(Chimp reports, March,25th 2017).But the blame game regarding the state of public hospitals continues as the public also continues to face poor health service. The health status indices of Uganda are still very poor, comparable with the average for Sub-Saharan Africa. The Uganda Demographic Health Survey, 2000 recorded the Infant Mortality Rate at 88 deaths per 1,000 live births, Under-five mortality rate at 152 deaths per 1,000 live births, Total Fertility Rate of 6.9 and the Maternal Mortality Ratio at 505 deaths per 100,000 live births11. (HSPU,2015). However, the financial policies put in place to aid financial management such as recording receipts, auditing, budgeting and expenditure procedures but still this trend of poor performance in health sector leaves room for one to doubt the roles of district and health management teams, finance department and monitoring units in budgeting, financial accountability and financial controls in hospitals and hence the need for the study.

## 1.3 General objective

To find out the effect of financial management on the performance of public health institutions in Uganda.

### 1.3.1 Specific objectives

i. To determine the effect of financial budgeting on the performance of public health institutions.

ii. To find out the effect of financial reporting on the performance of public health institutions.

iii. To find out how cash management affects the performance of public health institutions.

## 1.4 Research questions

i. What is the effect of financial reporting on the performance of sector reform of public health institutions?

ii. What is the effect of financial budgeting on the performance of public health institutions?

iii. What is the effect of cash management affects the performance of public health institutions?

### 1.5 Hypothesis of the study

i. There is a significant relationship between financial budgeting and the performance of public health institutions in Uganda.

ii. There is a significant relationship between financial reporting and the performance of public health institutions in Uganda.

iii. There is a significant relationship between cash management and the performance of public health institutions in Uganda.

### 1.6 Scope of the study

#### 1.6.1 Geographical scope

This research was conducted using Mbarara Regional Referral Hospital as the case study and it is located along Kabale road plot no. 8-18, Ankole Sub-Region and within the central business of Mbarara district in Uganda and it is approximately 265 kilometres by road, south west of Kampala. It is a referral hospital for the western region and specifically for the districts of Bushenyi, Isingiro, Ntungamo, Mbarara, Ibanda and Kiruhura. Mbarara Hospital is a public hospital, founded by the Uganda MOH, which started in the 1930s as a nursing school for the south western Ankole region and was then elevated in the 1950s to a district hospital for the former Ankole region until it was again elevated to a regional referral facility in the early 1990s. The hospital which is within the university's vicinity also became a teaching hospital for the university to train doctors, nurses, pharmacists and laboratory technologists. Currently, the hospital serves a population of over four million people in its catchment area and also receives patients from Kabale, Masaka, Fortportal and neighbouring countries like Rwanda and Tanzania. The management has just finalized a Master plan that will guide new developments at the hospital over the coming decade. Therefore the research was to base on the information to find out the effect of financial management on the performance of the above mentioned hospital.

### 1.6.2 Content scope

This research focused basically on the objectives of the study and that is financial budgeting and the performance of public health institutions, financial reporting and the performance of public health institutions and to find out the effect of cash management on the performance of public health institutions. Through use of the contribution of different scholars on the financial management in public hospitals and their performance, questionnaires' were designed and administered to respondents, the medical administrators and medical personnel.

### 1.6.3 Time scope

The research considers a period of one year (2016-2017) for my study and the data analysis will include primary and secondary sources.

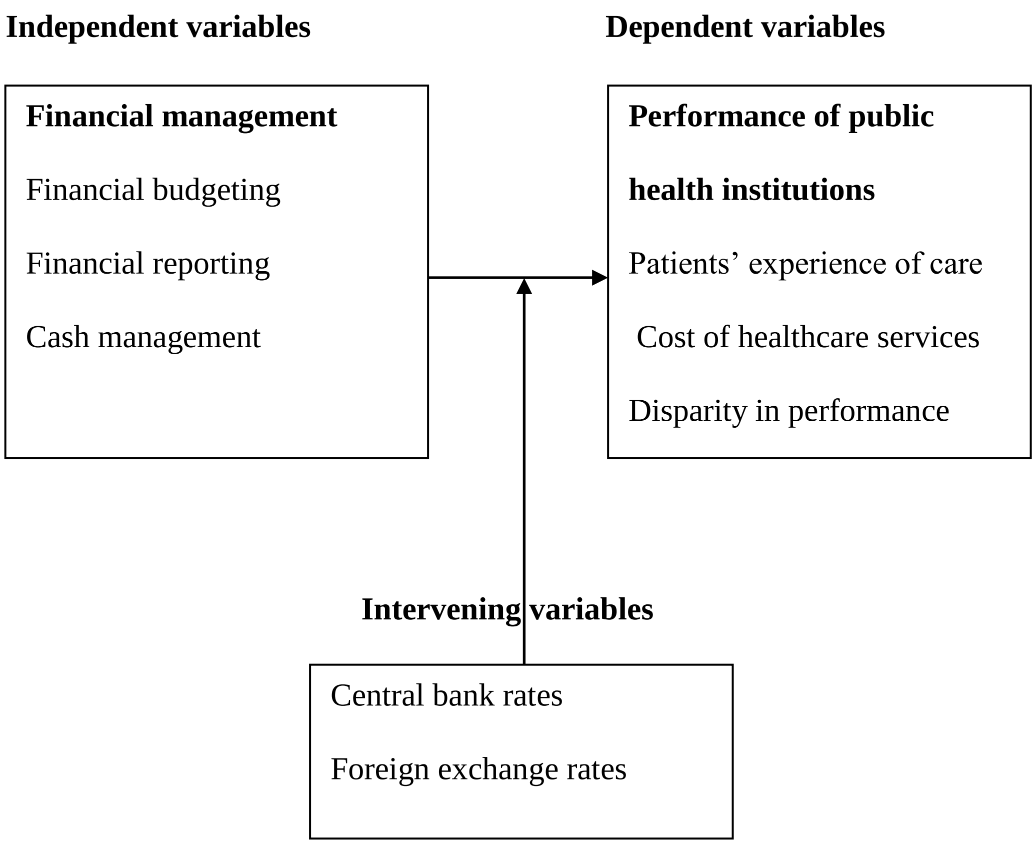
## 1.7 Significance of the study

The study provides insight for financial managers on improving the financial management and performance of public health institutions in Uganda. This study contributes to more understanding of the financial management on the performance of public institutions in Uganda and also public health institutions in Uganda have to review the way they have been managing finance. The study findings present a basis for the regulatory authorities to find a solution to persistent poor performance of public health institutions. The appropriate course of action has to be taken to strengthen financial management in the health sector and thus in general, the study contributes to existing knowledge of financial management on the performance of public health institutions and serves as a basis to provide measures and policy formulation for financial managers to embark upon health specific factors in order to enhance the quality of health services in Uganda.

## 1.8 Conceptual framework

The conceptual framework defines the study basing on the variables that is independent and dependent variables, as well as identifying their dimensions thus it is used in research to outline the possible courses of action or to present a preferred approach to an idea. The effect of financial management on the performance of public health institutions in Uganda is diagrammatically shown in figure 1 below. It links the independent to the dependent variables. As Sammy (2013) emphasizes, a conceptual frame work refers to a group of concepts that are systematically organized in providing a focus, basis and a tool for interpretation and integration of information (Balachander and Soy, 2003). This is usually achieved in clear illustrations.

**Figure 1: Conceptual Framework**




Source: (Paramasivan and Subramanian, 2000)

The conceptual frame work shows the effect of financial management on the performance of public health institutions. It states the independent variable which is financial management with financial budgeting; financial reporting and cash management influence the dimensions of the dependent variable which is the performance of public health institutions with Patients' experience of care, cost of healthcare services and disparity in performance.

Patients' experience of care, cost of healthcare services and disparity in performance are dimensions of the dependent variable and the intervening variable influencing both the dependent and independent variable including the interest rates which can affect the financial budget which may result into an increase of the cost of health care services and also disparity in performance. In public hospitals, management requirements depend on the type of decision that the management director which is the government makes however these may be influenced by some intervening factors like central bank rates, foreign exchange rates and Interest rates. These factors affect the performance of PHI's either positively or negatively.

## 1.9 Definition of key terms

### Financial management

Financial managemen**t** is defined as the efficient use of funds and a method of showing as well as ascertaining the financial position of government or business entity from time to time (OluOjo, 2009).In this study financial management will be measured in terms of the medical administrators and officers who have the power and responsibility to make decisions and oversee the performance of MRH.

### Health institutions

Kauper B.J and Seifer S.D (2006) define health institutions as health systems, health professional schools and academic health centers; serve as instruments of community and economic development. In this case we are going to look at PHI's in Uganda which are owned by the government and supervised by MOH.

**Performance**

Performance refers to the result of activities of an organization over a given period of time. Performance is not defined by the action itself but by judgmental and evaluative processes (Borman, & Schmit, 2007). In this case the performance of public health institutions through the Patients' experience of care cost of healthcare services and disparity in performance.

## 1.10 Conclusion

This chapter provided the background to the study, the problem statement, the general objective, the specific objectives, research questions, significance of the study, scope of the study and the conceptual framework as above, however, chapter two which is literature review looked at related studies on the effect of financial management on the performance of public health institutions in Uganda and what different authors and articles talk about the effect of the effect of financial management on the performance of public health institutions in Uganda.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.0 Introduction

This chapter highlights the reviewed literature as provided by different scholars and researchers about Financial Management. It begins with the definition of the concept of financial management, Financial Budgeting and Performance of Public Health Institutions, Financial Reporting and Performance of Public Health Institutions and cash management and performance of Health Institutions.

## 2.1The concept of financial management

Financial management refers to the process of managing financial resources, including management decisions concerning accounting and financial reporting, forecasting, and budgeting, as well as capital budgeting decisions, which include decisions whether to lease or buy, and whether to issue debt or equity (Lightbody, 2000).

Financial management is defined as the efficient use of funds and a method of showing as well as ascertaining the financial position of government or business entity from time to time (OluOjo, 2009). He further argues that the funds of the local government councils are managed by the key officers of respective councils. Financial management is conceptualized as attempt to use the funds in the most productive manner. In this study, financial management practices is defined as the process of ensuring that financial resources are obtained, used effectively and efficiently in the delivery of health services.

Furthermore Financial Management is a discipline dealing with the financial decisions corporations make, and the tools and analysis used to make the decisions. The discipline as a whole may be divided between long-term and short-term decisions and techniques. Both share the same goal of enhancing a firm's value by ensuring that return on capital exceeds cost of capital, without taking excessive financial risks (Pandey, 2010).

According to this approach financial management can be broken down into three different decisions: Investment decisions, Financing decisions and Dividend decisions (Brealey & Myers, 2007).

According to (Gitman, 2011) financial management refers to the concepts of time, money and risk and how they are interrelated. At the individual level, financial management involves tailoring expenses according to the financial resources of the individual while from the organizational perspective the process of FM is associated with financial planning and financial control. Modern approach of financial management basically provides a conceptual and analytical framework for financial decision making.

Financial management practices directly contribute to the organizational performance of any firm. Bhattacharya, (2006) states that for a business firm to be able to sustain its business operations and meet its goals and objectives it must manage its financial practices effectively and prudently.

Although financial management is a highly effective means of implementing key policies in health services, it tends to get little attention, being seen as a necessary but unglamorous area of management. (Anne and Gruen).

### 2.2 Financial budgeting and performance of public health institutions

Financial Budgeting as a tool in financial management regularly prepares performance plans and budget requests that describe performance goals, measures of output and outcomes in various activities aimed at achieving performance goals. This helps in the sense that annual plans set forth in measurable terms form the levels of performance for each objectives in the budget period (Larson, 1999).

Chartered Institute of Management Accountants,(CIMA) also defined a budget as a quantitative statement for a defined period of time which may include planned revenues, assets, liabilities and cash flows. They serve as a device for coordinating the complex operations of the business, and provide a medium for communicating the financial goals of the firm.

Budgeting in health institutions are used as a planning tool these organizations use a budget as a guiding tool of its activities. According to Goldstein (2005), a budget is used by institutions in setting priorities by allocating scarce resources to those activities that are most important to the organization. The annual budget is commonly referred to as the master budget and has three principle parts namely the operating budget, cash budget and the capital budget.

Premchand (2000), states that a budget is a company policy and determine the manner in whichresources are managed. The financial task in budget implementation includes spending the specified money, maximizing savings and avoiding over expenditures at the end of the financial year which helps to increase performance of the organizations.

Frucot and Shearon (2001) argues that implementation of the budget require an advance program of action evolved within the parameters of the end of the budget and means available. According to Horngren (2003), effective budget implementation is usually assessed by addressing various variances between the actual performance and budgeted performance. Budgets occupy a leading place among the special tools of performance management employed to direct and control the affairs of large and multifarious organizations (Burke and Modarresi, 2000). The budget is an invaluable aid in planning and formulating policy and in keeping check on its execution (Premchand, 2004). It stipulates which activities and programs should be actively pursued, emphasized or ignored in the period under scope, considering the limited financial resources available to the organization.

Budgets are means of forecasting and planning. One of the functions served by most budgets is that of forecasting and planning. Forecasting refers to the prediction of events over which the organization has little or no control of while planning is the attempt to shape the future by altering those uncontrollable factors in the light of available forecasts. Without the annual budgeting process, the pressures of day-today operating problems may tempt managers not to plan for future operations (Drury, 2001).

Peel and Bridge (1998) note that capital budgeting and planning positively impact on the performance health centers engaged in detailed strategic planning are more likely to use formal capital budgeting techniques, including the net present value method, which is consistent with maximization of firm value. Perceived profitability and success in achieving organizational objectives are positively associated with planning detail, suggesting that strategic planning is a key component in improving performance.

### 2.3 Financial reporting and performance of public health institutions

Financial reporting is the process of preparing and distributing financial information to users of such information in various forms. Accounting typically restricts itself to information in a normal set of financial statements, that is, a balance sheet, a statement of income, and a statement of retained earnings (IASC, 1989).Financial planning involves analyzing financial flows of a firm as a whole, forecasting the consequences of various investments, financing and dividend decisions and weighting the effects of various alternatives. Financial planning is the core of financial management. The complex nature of business demands that management should place greater emphasis upon financial planning to secure and employ capital resources in the amount and proportion necessary to increase the efficiency of remaining factors of production. Financial planning is needed both in dynamic and perfect economic conditions. It helps management to avoid waste by furnishing policies and procedures which make possible a closer co-ordination between the various functions of business (Oye, 2006).

Financial planning is an integral part of financial management which deals with the management of a firm's funds with a view to maximizing profit and the wealth of shareholders.

The purpose of financial planning is to determine where the firm has been, where it is now, and where it is going. It also determines deviations from the most likely outcome. Financial planning is concerned with the study of the problems involved in the acquisition and use of funds by a business as well as the function of profit planning for the business organization. Planning can be defined as a managerial tool through which objectives and goals are determined and the future course of action to attain them, while control is a management action to ensure conformity with a plan or budget. Many will produce detailed plans for one year and more general financial plans for three to five years (Koontz, 1988)

Financial planning involves a strategic plan which includes the plan that supports the mission, vision and values of the organization. Operating plans which includes a detailed guidance to help organizations realize its strategic vision. Financial Plan which involve the forecasting of financial statements, the amount of money that supports the plan, forecasting of funds, performance-based management system, and the monitoring of operations after executing the plan to check any nonconformities and take actions towards it (Ehrhardt and Brigham, 2011).

Financial planning of a firm normally originates from the financial position and structure of the firm. Such information is derived from the financial statement which is the yard stick to evaluate and monitor performance. Business executives use financial statements to draft a comprehensive financial plan that will maximize share holders wealth and minimize possible risks that may pre exist.

Financial Statements generally evaluate the financial position and performance of a business. They are produced for external stakeholders like shareholders, government agencies, and lenders among others. These statements are produced to meet the requirements of local government and its authorities for financial reporting (Tufano, 1995)

Although a published annual report may include information about plans, new products, projected capital expenditures, and the like, this is generally presented in such a way that it is definitely separated from the ordinary financial statements. Flint (2002) states that fundamental questions in financial reporting are from which users standpoint have the accounts to be considered and what level of understanding is to be assumed on the part of those who have to form opinions and take decisions.

The most common format of formal financial reporting is a financial statement. Financial statements are prepared in accordance with rigorously applied standards defined by professional accounting bodies developed according to the legal and professional framework of a specific locale. Financial statements or financial reports are formal records of the financial activities of a business, person, or other entity.

Financial statements provide an overview of a business or person's financial condition in both short and long term. All the relevant financial information of a business enterprise presented in a structured manner and in a form easy to understand, is called the financial statements. For public institutions like health centers, these statements are often complex and may include an extensive set of notes to the financial statements and management discussion and analysis (Zadek, 2004). Financial statements are intended to be understandable by readers who have "a reasonable knowledge of business and economic activities and accounting and who are willing to study the information diligently.

Financial analysis is then performed on these statements to provide management with a more detailed understanding of the figures. These statements are also used as part of management's annual report to the stockholders. Employees also need these reports in making collective bargaining agreements (CBA) with the management, in the case of labor unions or for individuals in discussing their compensation, promotion and rankings. (Mautz and Sharaf, 1961).

As pertains to Financial Reporting, recording and organizing the accounting information systems will not meet objectives unless reports from systems are analyzed and used for making managerial decisions to help and increase performance of a firm. Financial statements usually provide the information required for planning and decision making. Information from financial statements can also be used as part of the evaluation, planning and decision making by making historical comparisons (Gitman, 2011).

According to Zadek (2004), managers contracted to make decisions in the large, open corporation and received compensation for services rendered. Thus, the contractual nature of the publicly held corporation provided specialization between owners who specialized in risk bearing and managers who specialized in decision management.

According to Maseko and Manyani (2011), accounting systems provide a source of information to owners and managers of small businesses operating in any industry for use in the measurement of financial performance. It is crucial therefore that the accounting practices of small businesses supply complete and relevant financial information needed to improve economic decisions made by entrepreneurs.

## 2.4 Cash management and performance of public health institutions

Akinbuli (2009) defined cash as liquid money in form of coins, notes and other related means of instant exchange.

Cash management is the practice of planning and controlling cash flows into and out of the business, cash flows within the business, and cash balances held by a business at a point in time (Pandey, 2004).

According to Lee (2001), cash management involves the administration of liquid assets and liabilities, and the raising of funds to finance a business. Efficient cash management involves the determination of the most favorable cash to hold by considering the trade-off between the opportunity cost of holding too much cash and the trading cost of holding too little (Ross et al., 2008 cited in Nyabwanga, et al., 2011).

Sound cash management involves better timing of expenditure decisions, earliercollection and banking of revenue, and more accurate forecasts of cash flows. This helpsminimise the cost of any borrowing that is necessary and facilitates investing surplusfunds to achieve the best performance of the firm (Barret, 1999).

Cash management is essential for every business as it would contribute towards increasing profitability, future planning and sustainability (Patel, 2010). Cash management is essential to every business that desires to meet up with its short-term financial obligations. Akinsulire (2003) asserts that the success of any business venture is predicated on how the management has planned and controlled its cash flows.

According to Olowe (2008), cash management is concerned with the efficient management of cash so as to achieve an optimum level of cash in the firm's working capital. An institution needs to maintain sufficient cash to keep its business running smoothly. Cash shortage will disrupts the firm's operation and can even lead to insolvency. Excessive cash will tie down unnecessarily long-term capital with a result that the return on capital employed will be low.

According to Mclaney (2000), cash is much more than just one element of working capital. As the medium of exchange and store of value, cash provides the linkage between all financial aspects of the firm.

According to Drury (1994), the objective of the cash budget is to ensure that sufficient cash is available at all times to meet the levels of operations that are outlined in the various budgets to improve on the performance of a firm.

Uwalomwa and Egbide (2011) claims that cash management entails taking the needed precautionary measures to ensure that adequate cash levels are maintained in the business so that the operational requirements could be met.

Good cash management is necessary because too much cash is costly, as one is paying interest on cash that is not needed. Too little cash is also costly, because businesses are missing out on discounts or opportunities because of a lack of cash or silently liquidating the business by not promptly replacing inventory due to shortage of cash (McMahon 2006:148).

Cash management has the following purposes: controlling spending in the aggregate, implementing the budget efficiently, minimizing of the cost of government borrowing, and maximizing the opportunity cost of resources (the last two purposes yielding interest). Control of cash is a key element in macroeconomic and budget management (Hill et al., 1992)

# CHAPTER THREE

# RESEARCH METHODOLOGY

## 3.0 Introduction

Methodology refers to a coherent group of methods that complement one another and that have the ability to fit to deliver data and findings that will reflect the research question and suit the researcher's purpose. (Henning, 2004).This chapter contains the description on how the research was conducted. It brings out the design, study population, area of the study, sample size, sample techniques, and methods of data collection, data analysis and presentation, quality control, measurement of variables, ethical consideration and limitations of the study.

## 3.1 Research design

A research design means a unique technique the researcher uses to collect data that is relevant to what is needed such as case study, action research among others Onen, (20012). In this regards, the study adopted a case study design, basically, a case study is an in depth study of a particular situation rather than a sweeping statistical survey. It is a method used to narrow down a very broad field of research into one easily researchable topic. This was to help the researcher in testing whether scientific theories and models actually work in the real world. Therefore, the researcher used a case study of Mbarara referral hospital, Mbarara district that was to represent all the other public health institutions in Uganda. There were interactions with the staff of Mbarara referral hospital to get the general data that was analyzed for the most relevant raw facts to meet the objectives of the research study.

## 3.2 Area of study

The study was conducted in Mbarara referral hospital. The hospital is in Mbarara District, Ankole sub-region and is located within the central business district of the city. This location is approximately 265 kilometers (165 mi), by road, southwest of Kampala, the capital and largest city of Uganda. This was chosen as a research site because of evidence of different health services delivered to people especially emergences like the road accidents in the western region of Uganda.  Therefore the result was generated to other health institutions in the district.

## 3.3 Research population

The research population is the total number of people, things or events subjected under study either within the community or a country. In research, population refers to the totality of all subjects under investigation (Kakooza.T, 2005). This study was conducted at Mbarara referral hospital and within population particularly the medical administrators as a unit of analysis. The research population considered the medical administrators and medical personnel who included nurses and doctors and these according to the head of the hospital Dr. Upenytho are a total of 140. The researcher used these individuals because they are the most convenient, available and stakeholders in Mbarara referral hospital.

## 3.4 Sampling procedures

### 3.4.1 Sample size and selection

The sample size is the subset of the total study population. According to Dr. Upenytho the head of Mbarara referral hospital the medical administrators and personnel comprise of a total of 140 employees from which the researcher randomly selected103 from all the target population in accordance with Krejice and Morgan table (1970) for determining appropriate sample size for a given population which sample size is big to generate data which the researcher carefully analyzed to get information. These groups were involved because of their key roles in the various capacities.

### 3.4.2 Sample techniques

Sampling is the method of selecting the observations (Bobbie and Mouton, 2001). The main purpose of sampling is to make generalizations to people and events that have not been observed.

Simple random sampling was used to select respondents who are in the population and have a known and equal chance of being selected thus eliminating the bias factor. According to Dofasco *et al*, (2011), simple random sample is a subset of a large population created in such a way that each element of the population has an equal probability of being selected. This method was adopted because it enables selection of informed persons who possess important data that is comprehensive enough to allow gaining a better insight about the problem. In the study, a respondent were contacted in person but randomly as the researcher wantsfirst-hand information from employee's respondents.

## 3.5 Data collection methods

The study incorporated the use of various methods in the collection of data in a bid to come up with sound, concrete and credible research findings. Therefore the researcher used questionnaires as the primary source of data. The tool was preferred because it is the best in determining the affection domain of the respondents.

### 3.5.1 Questionnaires

The main data collection instrument was a questionnaire which was given to the respondents. This gives freedom to provide information without fear and favor. Sarantakos (2005) argues that a questionnaire method used to survey data collection in which information is gathered through oral or written questionnaires.

### 3.5.2 Secondary sources

Documentary analysis provided secondary source of data. The researcher collected different information from the documents such as textbooks, newspapers, journals, Internet, magazines among others. This information was reviewed from places like Internet cafes and libraries.

## 3.6 Quality control methods

These are the methods that helped in ensuring some minimum levels of quality.

### 3.6.1 Reliability

This refers to the ability of the instruments to measure what they were designed to measure. Trial tests for data collection instruments run where a sample of respondents was given the questionnaire. This is to test the effectiveness of the instruments in collecting information and the reliability of the information collected.

### 3.6.2 Validity

Validity is the extent to which research results can be accurately interpreted and generalized to other populations. Therefore, it is the extent to which research instruments measure what they are intended to measure. Attention was paid to the validity of the content of the data collected by the data collection instruments and highlighted the degree to which the instruments are relevant in exploring the variables under investigation.

The reliability and validity of the methods are to determine by use of two methods that is split half and pre-testing method in order to allow the researcher get actual facts to solve the problem of insufficient funds in the hospital. Split half method involved dividing the total number of questionnaires into two halves where the first half of the questionnaires was distributed. They were retrieved from the field and then analyzed. Then there after the second half was distributed as well, retrieved and then analyzed. The pre-test method was used to see how accurate the responses in the questionnaires were.

### 3.7 Data management, processing and analysis

Oslo and Omen (2008) noted that data analysis is the organization, interpretation and presentation of collected data. Therefore this was to involve the researcher in the process of analyzing the data that was collected was supported by the questionnaire format that was used to conduct the study for the questions necessitated. Coding, editing and tabulations were used while conducting the study.

Data which was collected from the field was to be checked and edited for completeness and accuracy. This data was manually coded by translating the responses into numerical terms. This was done to ensure that the various responses that are obtained are carefully classified into meaningful forms so as to bring about good data. Content analysis was applied on open ended questions.

After collecting the data, it was organized, edited, sorted and summarized in order to come up with an objective judgment, data was coded, entered into the computer and some few modifications were made where necessary.

Data analysis was made using computer statistical package that is, SPSS, analytical methods such as frequency tables and percentages in order to show sample characteristics and later, descriptive statistics were used in interpreting the data so as to generate descriptive statistics.

### 3.8 Ethical considerations

Oslo and Omen (2008) noted that despite the high values of knowledge gained through research, knowledge cannot be pursued at the expense of human dignity. Before data collection was done, the researcher got permission to collect data from the appropriate authorities. She first got a letter of introduction from Uganda Martyrs University, Faculty of Science. The researcher then presented the letter to the head of the medical staff of Mbarara Referral hospital to let him inform his members and staff about the study.

The researcher ensured confidentiality and security of the data collected from therespondents. The researcher did not allow the respondents to write their names on the questionnaires to avoid exposing who gave the information.

### 3.9 Limitations of the study

Limitations refer to constrains that the research faced in the field while carrying out the study. There was limited time that was scheduled for the study. The time allocated for the study was not enough for effective collection of the appropriate and reliable data and for the analysis of the data that was collected. It was difficult to set up appointments and get time to give questionnaires to the top management.

Weather calamities were also experienced in the field take for instance during rainy season there were heavy rainfall which let down or delayed the research study.

### 3.10 Conclusion

This chapter looked at the methodology used in the study; the intention was to find out the effect of financial management on the performance of public health institutions in Uganda using Mbarara referral hospital.

# CHAPTER FOUR

# PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

## 4.0 Introduction

This chapter discusses and summarized the result of the semi-structured questionnaire responded by 103 respondents, this data was gathered from the employees of Mbarara referral hospital in relation to the research objectives. It includes the presentation of frequency counts of the back ground information. It is assumed that the attributes of the respondents influence their behavior and answers on the survey questions. The respondents have also been given the assurance that all the data they give is used for the purpose of the research and the identities of the respondents will be confidential. The findings under each objective are presented and this is followed by the discussions of the possible reasons why the results occurred. The findings are then related with the previous researchers and theoretical interpretations made. For easy, understandable and smart reports, bar graphs, pie charts and tables were used to present the research findings.

## 4.1 Demographic characteristics of the respondents

The data in this section is presented using frequency tables and was analyzed using SPSS version 16.0 to show general characteristics of the sample including the age, gender and level of education.

### 4.1.1 Gender of the respondents

The first question of the questionnaire sought the view of the respondents about their gender and the response was as shown in the table below.

**Figure 2: Gender of respondents**

**gender of the respondents**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | male | 61 | 59.2 | 59.2 | 59.2 |
| | female | 42 | 40.8 | 40.8 | 100.0 |
| | Total | 103 | 100.0 | 100.0 | |

Source: field data

Figure 2: From the study findings, majority of the respondents were males with the percentage of 59.2% followed by the females with the percentage of 40.8%.This shows that there are more males than females in the institution.

### 4.1.2 Age of the respondents

Respondents were also asked to disclose their age and the information obtained was analyzed and presented in the table below as shown below.

**Figure 3: Age of respondents**

**age of the respondents**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | 21-30 years | 12 | 11.7 | 11.7 | 11.7 |
| | 31-40 years | 54 | 52.4 | 52.4 | 64.1 |
| | 41-50 years | 27 | 26.2 | 26.2 | 90.3 |
| | 51years and above | 10 | 9.7 | 9.7 | 100.0 |
| | Total | 103 | 100.0 | 100.0 | |

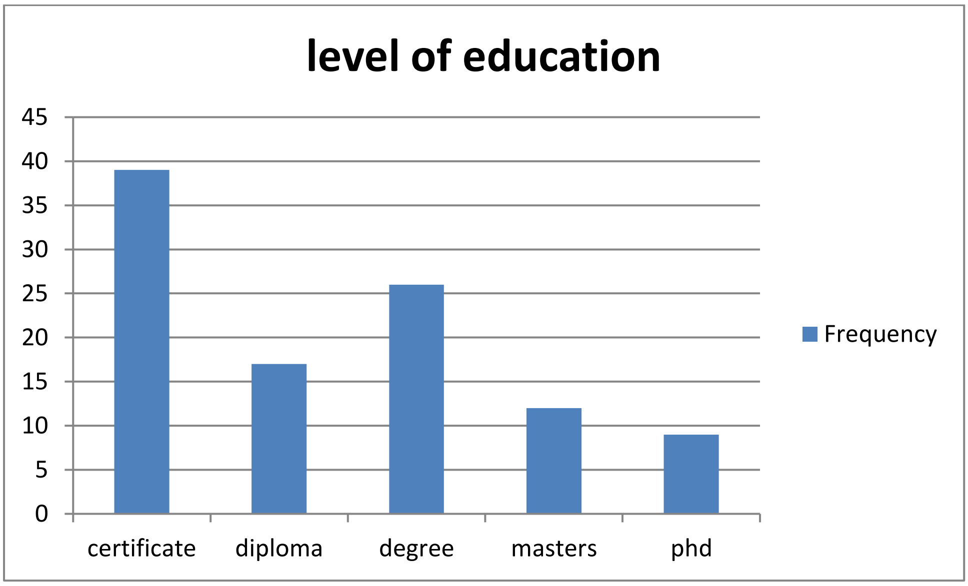
Source: field data

Figure 3shows that majority of the respondents are aged 31-40years with a percentage of 54%, these were followed by those aged between 41-50 years who had a percentage of 26.2% ,then 21-30 years and finally the minority who are above 51 years and above with a percentage of 9.7%. The apparent diversity of the maturity of the respondents reflects several implications in the study's findings. In relation of the age bracket of the respondents, the researcher could presume that in the said percentage, a considerable number of the respondents were above the youth bracket.

### 4.1.3 Academic qualification of the respondents

In the study, the education background of the respondents was analyzed and the intention was to find out which group dominates Mbarara Referral Hospital and the following were the results of the findings.

**Figure 4: Level of education**




Source: field data

Figure 4: Likewise, the number of respondents who had attained a certificate was 39, 17 respondents had attained a diploma, 26 respondents had attained a bachelor's degree, 12 respondents had a Master's degree and 9 respondents had a PHD. The survey indicates that most of the respondents who engaged in the study hold at least a certificate. This indicates that the institution employees more of the workers with a certificate more than any other level of education because normally this group of people is energetic and have more passion for work. This data illustrate the maturity of the respondents particularly in terms of experience. However, the management should be advised to employ more of the workers with the bachelor's degree and other higher levels of education in order to increase efficiency in the running of the activities of the institution.

### 4.2 Financial budgeting

To clearly establish the effect of financial budgeting on the performance of public health institutions in Uganda, the researcher asked the respondents some questions to find out the relevance of financial budgeting in the public hospitals and how it is employed. The findings are presented in the table below.

**Table 1: Showing the descriptive statistics of financial budgeting on the performance of public health institutions in Uganda ranging from 5 to 1 (where 5 = strongly agree, 4 = agree, 3 = not sure, 2 = disagree, 1 = strongly disagree)**

| Statement. | Strongly disagree | Disagree | Not sure | Agree | Strongly agree | Mean |
|---|---|---|---|---|---|---|
| we develop budget timetables and identify responsibilities for budget preparation | 18 (17.5%) | 12 (11.7%) | 13 (12.6%) | 40 (38.8%) | 20 (19.4%) | 3.3107 |
| Budget committee should be independent, financially literate, adequately resourced and properly compensated. | 17 (16.5%) | 19 (18.4%) | 11 (10.7%) | 18 (17.5%) | 38 (36.9%) | 3.3981 |
| MRH uses budgets as guiding tools of their activities | 20 (19.4%) | 21 (20.4%) | 8 (7.8%) | 28 (27.2%) | 26 (25.2%) | 3.1845 |
| The budget committee evaluates budget bids, including alignment with the hospital's priorities | 14 (13.6%) | 23 (22.3%) | 11 (10.7%) | 23 (22.3%) | 32 (31.1%) | 3.3495 |
| budgeting ensures that each department operates effectively and the hospital remains solvent | 8 (7.8%) | 19 (18.4%) | 14 (13.6%) | 31 (30.1%) | 31 (30.1%) | 3.5631 |
| A budget specifies which activities and programs should be actively pursued, emphasized or ignored in the period under scope. | 19 (18.4%) | 6 (5.8%) | 12 (11.7%) | 19 (18.4%) | 47 (45.6%) | 3.6699 |
| MRH management provides adequate supervision of the budget | 22 (21.4%) | 6 (5.8%) | 11 (10.7%) | 35 (34.0%) | 29 (28.2%) | 3.4175 |
| The budget is derived incrementally from previous budgets. | 7 (6.8%) | 15 (14.6%) | 15 (14.6%) | 41 39.8%) | 25 (24.3%) | 3.6019 |

Source: field data, 2017

From table 1, 40(38.8%) of the respondents agreed that develop budget timetables and identify responsibilities for budget, 20(19.4%) strongly agreed, 18(17.5%) strongly disagreed 12(11.7%) disagreed, 13(12.6%) were not sure, and12 (11.7%) disagreed. Therefore, most of the respondents agreed that they develop budget timetables and identify responsibilities for budget shown by a mean 3.3107 which imply that developing budget timetables is important for better financial performance of the public health institutions because it helps in planning and developing long term strategies for the respective public health institutions. This is in line with (James Gow, 2014) who says that developing a budget timetable is a more dynamic process, and helps to avoid last-minute discovery of a financial crisis and hence ability to develop long-term financial goals and strategies of the institution.

From table 1, 38(36.9%) of the respondents strongly agreed the budget committee should be independent, financially literate, adequately resourced and properly compensated, 19(18.4%) disagreed, 18(17.5%) agreed ,17(16.5%) strongly disagreed,, 17(16.5%) strongly disagreed and11(10.7%) were not sure  Therefore, most of the respondents strongly agreed that the budget committee should be independent, financially literate, adequately resourced and properly compensated shown by a mean 3.3981which implies that by introducing the importance of independence into an institutions' culture it emphasize the required quality and performance standards and hence the significant efforts are promoted to ensure that work is autonomous, objective, and without bias. This is in line with (Bob Archer, 2016) who says that to protect an organization's independence, introducing the importance of independence into its culture is important by emphasizing the required quality and performance standards. Effectiveness is managed matching budgeting criteria or standards to the operations.

From table 1, 28(27.2%) of the respondents agreed that MRH uses budgets as guiding tools of their activities,26(25.2%) strongly agreed,21(20.4%) disagreed 20(19.4%) strongly disagreed and 8 (7.8%)were not sure. Therefore, most of the respondents agreed that MRH uses budgets as guiding tools of their activities shown by a mean3.1845 which implies that using budgets as a guiding tool is essential for improving the performance of the public health institutions as it allows you to create a focus for the direction of your operations and provides targets that will help your operations to grow. This is in line with (Rebecca Simson, 2011) who says that using budgeting as a guiding tool for the activities allows you to create a focus for the direction it also give you the opportunity to stand back and review your performance and the factors affecting your operations with a greater ability to make continuous improvements and anticipate problems and hence a sound financial performance.

From table 1, 32(31.1%) of the respondents strongly agreed the budget committee evaluates budget bids, including alignment with the hospital's priorities, 23(22.3%) agreed, 23(22.3%) Disagreed, 14(13.6%) strongly disagreed and 11(10.7%) were not sure, and. Therefore, most of the respondents strongly agreed that the budget committee evaluates budget bids, including alignment with the hospital's priorities shown by a mean 3.3495 which implies that the budget committee should evaluate budget bids including alignment with business priorities as this helps in giving suggestions and modifications in budgets in accordance with organizational objectives. This is in line with (Alter, 2015) who says that budget committee is one which prepares the budget and is fully responsible for the implementation of budgets and also exercises control to co-ordinate the work of line managers to execute the budget.

From table 1, 31 (30.1%) of the respondents strongly agreed that each department operates effectively and the hospital remains solvent, 31 (30.1%) agreed 19 (18.4%) disagreed,14 (13.6%) were not sure and 8(7.8%) strongly disagreed. Therefore, most of the respondents strongly agreed each department operates effectively and the hospital remains solvent that budgeting ensures that shown by a mean 3.5631wich implies that departments in the hospital should operate effectively and remain solvent because this helps the organization to manage daily obligations as it is able to make projections and plan ahead. This is in line with (Schmukler, 2014) who say that organizations with a solvent system and low corporate leverage ratios will be able to some extent to raise interest rates to contain speculative attacks on the exchange rate and organizations with large foreign exchange reserves and access to contingent liquidity facilities will be able to inject liquidity in the system, avoiding credit squeeze and bank runs.

From table 1, 47(45.6%) of the respondents strongly agreed that a budget specifies which activities and programs should be actively pursued, emphasized or ignored in the period under scope,19(18.4%) agreed,19 (18.4%) strongly disagreed, 12(11.7%) were not sure and 6(5.8%) disagreed and therefore, most of the respondents strongly agreed that a budget specifies which activities and programs should be actively pursued, emphasized or ignored in the period under scope shown by a mean 3.6699 which implies that budget should specify which activities and programs should be actively pursued, emphasized or ignored in the period under scope as this helps to be realistic about what you can afford to do or what you can't afford to do. This is in line with (Managing your finances , 2015) who says that unless you know how much money you will need to carry out your plans, and where you expect to get that money from, you may end up halfway through the year with no money to go any further and so preparing a budget forces you to plan your spending and your fund-raising and to be realistic about what you can afford to do.

From table 1, 35(34.0%) agreed of the respondents that MRH management provides adequate supervision of the budget,29(28.2%) strongly agreed,22(21.4%) strongly disagreed, 11(10.7%) were not sure and 6(5.8%) disagreed and therefore, most of the respondents agreed that MRH management provides adequate supervision of the budget shown by a mean 3.4175 which implies that management should provide adequate supervision of the budget as helps in analyzing financial performance, identifying ways to use resources efficiently, and finding creative means to use resources in order to generate additional resources. This is in line with (Anon, 2016) who says that financial management goes beyond traditional bookkeeping and accounting as it is about analyzing financial performance, identifying ways to use resources efficiently, and finding creative means to use resources in order to generate additional resources using activities that include matching available resources to planned activities, ensuring effective teamwork, interdependent activities and systems, and good communication or information flow between financial and program staff among others.

From table 1,41(39.8%) of the respondents agreed that the budget is derived incrementally from previous budgets, 25(24.3%) strongly agreed,15(14.6%) disagreed, 15(14.6%) were not sure and7(6.8%) strongly disagreed and therefore, most of the respondents agreed that the budget is derived incrementally from previous budgets shown by a mean3.6019 which implies that the public health facilities should derive their budget incrementally from previous budgets as this helps as it is easy to prepare and is therefore quick since it is easy to prepare, it is also easily allocated to more junior members of staff. This is in line with (ACCA, 2017) who says that in incremental budgeting, the impact of change can be seen quickly for example, the increase of $138k in staff costs for the aforesaid school can quickly be traced back to the employment of two new staff members and a 5% pay increase because everything else in the staff salaries budget remained unchanged.

## 4.3 Financial reporting

To clearly establish the effect of financial reporting on the performance of public health institutions in Uganda, the researcher asked the respondents some questions to find out the relevance of financial reporting in the public hospitals and how it is employed. The findings are presented in the table below.

**Table 2: Showing the descriptive statistics of financial reporting on the performance of public health institutions in Uganda ranging from 5 to 1 (where 5 = strongly agree, 4 = agree, 3 = not sure, 2 = disagree, 1 = strongly disagree)**

| Statement. | Strongly disagree | Disagree | Not sure | Agree | Strongly agree | Mean |
|---|---|---|---|---|---|---|
| The financial statements of the MRH are prepared in line with the financial accounting standards | 10 (9.7%) | 19 (18.4%) | 7 (6.8%) | 36 (35.0%) | 31 (30.1%) | 3.5728 |
| the financial statements meet the requirements of local government and its authorities for financial reporting | 15 (14.6%) | 12 (11.7%) | 15 (14.6%) | 34 (33.0%) | 27 (26.2%) | 3.4466 |
| All financial transactions of MRH are properly documented and recorded | 2 (1.9%) | 20 (19.4%) | 15 (14.6%) | 39 (37.9%) | 27 (26.2%) | 3.6699 |
| Financial statements provide an overview of the hospitals' financial position in both short and long term | 10 (9.7%) | 10 (9.7%) | 20 (19.4%) | 33 (32.0%) | 30 (29.1%) | 3.6117 |
| bank reconciliation statements of MRH are prepared monthly | 10 (9.7%) | 24 (23.3% | 13 (12.6%) | 32 (31.1%) | 24 (23.3%) | 3.3495 |
| The financial statements are published regularly | 20 (19.4%) | 18 (17.5%) | 7 (6.8%) | 16 (15.5%) | 42 (40.8%) | 3.4078 |
| Financial statements generally evaluate the financial position and performance of the hospital | 8 (7.8%) | 15 (14.6%) | 14 (13.6%) | 9 (8.7%) | 57 (54.4%) | 4.3786 |
| there is adequate supervision of accountants in MRH | 20 (19.4%) | 19 (18.4%) | 6 (5.8%) | 19 (18.4%) | 39 (37.9%) | 3.3689 |

Source: field data, 2017

From table 2, 36(35.0%) of the respondents agreed that the financial statements of MRH are prepared in line with the financial accounting standards, 31(30.1%) strongly agreed19 (18.4%) disagreed, 10(9.7%) strongly disagreed and 7(6.8%) were not sure. Therefore, most of the respondents agreed that the financial statements of MRH are prepared in line with the financial accounting standards shown by a mean 3.5728. This implies that the financial statements prepared in line with the financial accounting standards enable effective performance of public health institutions and these provide the most relevant information in the most practical way. In line with this, (Gresham, 2014) says that Standards work to help entities provide the most relevant information in the most reasonable way possible and in this way, an organization guided by accounting standards will generate the kind of financial information that observers are most interested in examining and thus standards make it more difficult for organizations to misdirect observers and to fool them with data that does not have sufficient relevancy.

From table 2, 34(33.0%) of the respondents agreed that the financial statements meet the requirements of local government and its authorities for financial reporting,27(26.2%) strongly agreed,15(14.6%) were not sure,15(14.6%)strongly disagreed and12 (11.7%) disagreed. Therefore, most of the respondents agreed that the financial statements meet the requirements of local government and its authorities for financial reporting shown by a mean 3.4466 which implies that financial statements should meet the requirements of local government and its authorities for financial reporting as this helps to get the full support of the local authorities and hence improving the financial performance of the institutions. This is in line with (Anon, 2013) who says that the objectives of accounting regulation are to provide accurate records for ratemaking, clearly identify assets and asset values, assess operator earnings, separating utility from non-utility activities, benchmarking, monitoring performance on investment and other license requirements, and transparency for investors.

From table 2, 39(37.9%) of the respondents agreed all financial transactions of MRH are properly documented and recorded, 27(26.2%) strongly agreed, 20(19.4%) disagreed, 15(14.6%) were not sure, and2 (1.9%) strongly disagreed. Therefore, most of the respondents agreed that all financial transactions of MRH are properly documented and recorded shown by a mean 3.6699 which implies that all financial statements should be properly documented and recorded as this allows you to identify all of your assets, expenses, income, and liabilities and hence a proper over sight of your business. This is in line with (Roper, 2015) who says that good documentation of the financial statements allows the institutions to identify all of your assets, expenses, income, and liabilities which lets them see the strengths and weaknesses of their operations, which will enable the institutions to make better financial decisions. Accurate accounts give real-time data for better reporting and forecasting. Goals and objectives that are created with accurate information are more easily.

From table 2, 33(32.0%) of the respondents agreed financial statements provide an overview of the hospitals' financial position in both short and long term, 30(29.1%) strongly agreed,20(19.4%) were not sure 10(9.7%) strongly disagreed and 10(9.7%) disagreed. Therefore, most of the respondents agreed that financial statements provide an overview of the hospitals' financial position in both short and long term shown by a mean 3.6117 which implies that financial statements provide an over view of the financial position of the health facilities in both short and long term and hence may show how much monetary worth the institution has on a given day, which helps determine if the institution's financial reliability. This is in line with (Jay, 2012) who says that the institution's financial conditions are of a major concern to investors and donors. As capital providers, investors and creditors rely on the institution's financial conditions for both the safety and accountability of their investments. More specifically, investors and donors need to know where their money went and where it is now. The financial statements address such issues by providing detailed information about a company's asset investments.

From table 2, 32(31.1%) of the respondents agreed that bank reconciliation statements of MRH are prepared monthly,24(23.3%) strongly agreed, 24(23.3%) disagreed, 13(12.6%)were not sure and10 (9.7%) strongly disagreed. Therefore, most of the respondents agreed that bank reconciliation statements of MRH are prepared monthly shown by a mean 3.3495 which implies monthly preparation of bank reconciliation statements in health institutions helps in monitoring its cash flows. In line with this, AIU (2017) adds that monthly preparation of bank reconciliation assists in the regular monitoring of cash flows of a business and also helps in the identification of errors in the accounting records of the company or the bank.

From table 2, 42(40.8%) of the respondents strongly agreed that the financial statements are published regularly, 20(19.4%)strongly disagreed,18(17.5%)disagreed, 16(15.5%)agreed and 7(6.8%)were not sure. Therefore, most of the respondents strongly agreed that the financial statements are published regularly shown by a mean 3.4078 which implies that financial statements are published regularly to enable high performance of public health institutions because they are useful for making decisions regarding expansion and financing. In is line with Gartenstein.D,(2009) says that company's financial statements provide vital information about its financial health and these statements are compiled based on day-to-day bookkeeping that tracks funds flowing in and out of the business and also useful for making decisions regarding expansion and financing.

From table 2, 57(54.4%) of the respondents strongly agreed that financial statements generally evaluate the financial position and performance of the hospital, 15(14.6%) disagreed, 14 (13.6%) were not sure, 9(8.7%) agreed and 8 (7.8%) strongly disagreed. Therefore, most of the respondents strongly agreed that financial statements generally evaluate the financial position and performance of the hospital shown by a mean 4.3786 which implies that financial statements evaluate the financial position and performance of the institutions because an institutional’s financial conditions are of a major concern to investors and creditors.  In line with this, Way.J (2010) adds that financial statements are a important to a company’s managers because by publishing financial statements, management can communicate with interested outside parties about its accomplishment running the company.

From table 2, 39 (37.9%) of the respondents strongly agreed that there is adequate supervision of accountants in MRH, 20 (19.4%) strongly disagreed, 19(18.4%) disagreed, 19 (18.4%) agreed and6 (5.8%)were not sure. Therefore, most of the respondents strongly agreed there is adequate supervision of accountants in MRH shown by a mean 3.3689 which implies that adequate supervision of accountants increases the performance of public health institutions because supervision gives the right direction to people under supervision to enable them to take initiative and responsibilities to go ahead on their own. In line with this Mills (1997) asserted that supervision has direct effect on staff performance in that supervisors assign task and clear responsibilities of performing those tasks and they in turn expects accuracy and punctuality from assignees.

### 4.4 Cash management

To clearly establish the effect of cash management on the performance of public health institutions in Uganda, the researcher asked the respondents some questions to find out the relevance of cash management in the public hospitals and how it is employed. The findings are presented in the table below.

**Table 3: Showing the descriptive statistics of cash management on the performance of public health institutions in Uganda ranging from 5 to 1 (where 5 = strongly agree, 4 = agree, 3 = not sure, 2 = disagree, 1 = strongly disagree)**

| Statement. | Strongly disagree (%) | Disagree (%) | Not sure (%) | Agree (%) | Strongly agree (%) | Mean |
|---|---|---|---|---|---|---|
| Proper cash management enables fast payment of bills in accounts in MRH | 9 (8.7%) | 21 (20.4%) | 15 (14.6%) | 24 (23.3%) | 34 (33.0%) | 3.5146 |
| Cash management facilitates cash payment of supplies on daily basis | 5 (4.9%) | 22 (21.4%) | 8 (7.8%) | 31 (30.1%) | 37 (35.9%) | 3.7087 |
| Cash management helps to prepare the balance sheet at the end of the accounting period | 22 (21.4%) | 13 (12.6%) | 13 (12.6%) | 26 (25.2%) | 29 (28.2%) | 3.2621 |
| Cash budgets control the hospital's spending habits | 18 (17.5%) | 16 (15.5%) | 14 (13.6%) | 25 (24.3%) | 30 (29.1%) | 3.3204 |
| Optimal cash balances are maintained by the hospital at all times | 11 (10.7%) | 15 (14.6%) | 13 (12.6%) | 34 (33.0%) | 30 (29.1%) | 3.5534 |
| Ensures there is sufficient cash flow to meet daily needs | 9 (8.7%) | 9 (8.7%) | 16 (15.5%) | 36 (35.0%) | 33 (32.0%) | 3.7282 |
| Prepares cash flow forecasts to identify future surpluses and deficits | 10 (9.7%) | 19 (18.4%) | 27 (26.2%) | 14 (13.6%) | 33 (32.0%) | 3.3981 |

Source: field data, 2017

From table 3, 34 (33.0%) of the respondents strongly agreed proper cash management enables fast payment of bills in accounts in MRH, 24(23.3%) agreed, 21 (20.4%) disagreed, 15(14.6%) were not sure, and9 (8.7%) strongly disagreed. Therefore, most of the respondents strongly agreed that proper cash management enables fast payment of bills in accounts in MRH shown by a mean 3.5146 which implies that proper cash management enables fast payment of bills in accounts in public health institutions and thus creating a positive impact on their cash flow and daily sales outstanding. In line with this, Proper cash management permits the owner to adequately meet cash demands of the business, avoid retaining unnecessarily large cash balances and stretch the profit generating power of each dollar the business owns (Zimmer et al, 2008). Deloitte (2015) says that fast payments enable better cash management and help businesses better manage day-to-day operations by improving liquidity.

From table 3, 37(35.9%) of the respondents strongly agreed that cash management facilitates cash payment of supplies on daily basis, 31(30.1%) agreed, 22(21.4%) disagreed, 8 (7.8%) were not sure, and5 (4.9%) strongly disagreed. Therefore, most of the respondents strongly agreed that cash management facilitates cash payment of supplies on daily basis shown by a mean 3.7087. This implies that cash management facilitates cash payment of supplies on daily basis in order to enable a high level performance for public hospitals because this helps minimize the cost of any borrowing that is necessary and facilitates investing surplus funds to achieve the best performance of the firm (Barret, 1999.)

From table 3, 9(28.2%) of the respondents strongly agreed that cash management helps to prepare the balance sheet at the end of the accounting period, 26 (25.2%) agreed, 22(21.4%) strongly disagreed, 13 (12.6%) disagreed, 13 (12.6%) were not sure, and. Therefore, most of the respondents strongly agreed that cash management helps to prepare the balance sheet at the end of the accounting period shown by a mean 3.2621 which implies that cash management helps to prepare the balance sheet at the end of the accounting period in public health institutions because the a balance sheet helps business managers get a handle on the financial strength and capabilities of the business. In line with this, Cash management is essential for every business as it would contribute towards increasing profitability, future planning and sustainability (Patel, 2010).

From table 3, 30 (29.1%)of the respondents strongly agreed that cash budgets control the hospital's spending habits,25( 24.3%)agreed,18(17.5%)strongly disagreed,16( 15.5%)disagreed and 14 (13.6%)were not sure. Therefore, most of the respondents strongly agreed that cash budgets control the hospital's spending habits shown by a mean 3.3204 which implies that cash budgets control the spending habits of public health institutions. In line with this, Drury (1994), the objective of the cash budget is to ensure that sufficient cash is available at all times to meet the levels of operations that are outlined in the various budgets to improve on the performance of a firm and (Yoder.W,2013) adds that understanding the cash budget helps the nurse managers discern when constraints on spending are necessary even when the expenditures are budgeted.

From table 3, 34(33.0%) of the respondents agreed that optimal cash balances are maintained by the hospital at all times, 30(29.1%) strongly agreed, 15(14.6%) disagreed, 13(12.6%) were not sure, and11 (10.7%) strongly disagreed. Therefore, most of the respondents agreed that optimal cash balances are maintained by the hospital at all times shown by a mean 3.5534.This implies that optimal cash balances to meet commitments. In line with this, Brealey and Myers (2005) say that financial funds held in cash (optimal cash balances) are to meet commitments in view of the time lag between the outflow and inflow of cash.

From table3, 36(35.0%) of the respondents agreed that ensures there is sufficient cash flow to meet daily needs, 33( 32.0%)strongly agreed,16(15.5%)were not sure, 9(8.7%)disagreed and 29(8.7%)strongly disagreed. Therefore, most of the respondents agreed that ensures there is sufficient cash flow to meet daily needs shown by a mean 3.7282.this implies that sufficient cash flow meets daily needs of public health institutions since cash is the lifeblood of any organization. In line with this Thangavelu.P(2015) adds that cash is the lifeblood of a business and a business needs to generate enough cash from its activities so that it can meet its expenses and have enough left over to repay investors and grow the business, its cash flow provides an idea about its real health.

From table 3,33 (32.0%)of the respondents strongly agreed that MRH prepares cash flow forecasts to identify future surpluses and deficits, 27(26.2%)strongly disagreed,19 (18.4%) disagreed, 14 (13.6%) agreed and10 (9.7%) were not sure .Therefore, most of the respondents strongly agreed that MRH prepares cash flow forecasts to identify future surpluses and deficits shown by a mean 3.3981.this implies that cash flow forecasts help to identify future surpluses and deficits which ensures that the company has sufficient liquidity so that it can meet all known obligations and to allow it to continue to function. In line with this, (Carl, 2009) says that by predicting deficits and surpluses the business can improve investment returns, negotiate better borrowing terms and conditions and minimize external borrowing, optimizing the use of cash and of borrowing facilities and avoiding shocks.

## 4.5 Conclusion

In this chapter, the researcher presented and discussed the findings of the study which were obtained basing on the research objectives and research questions specified in chapter one. In the researcher's opinion, the research findings were consistent with the literature review (chapter two), in the next chapter (chapter five) the researcher presents a summary of findings, conclusions, recommendations, and suggestions for further research.

# CHAPTER FIVE

## SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

### 5.0 Introduction

This chapter summarizes the findings of the study about the effect of financial management on the performance of public health institutions in Uganda. This is divided into five subsections and these include; the introduction, summary of the research findings, conclusion, recommendations and areas further study.

### 5.1 Summary of findings

The following are the summarized findings of the study. These are presented basing on the three objectives of the study; to determine the effect of financial budgeting on the performance of public health institutions, to find out the effect of financial reporting on the performance of public health institutions and to find out how cash management affects the performance of public health institutions.

#### 5.1.1 Bio data of respondents

Basing on the results in chapter four, the majority of respondents were male with 59.2% which shows that there are mostly males than females in the institution. Likewise, majority of the respondents had attained a certificate and therefore, the management should employ more of the workers with higher levels of education in order to increase efficiency in the running of the activities of the facility. Most of the respondents 54 were in the age bracket of 31-40 years which is an indicator that most of the respondents were energetic and able bodied since they are all mature and with high determination.

### 5.1.2 Financial budgeting

According to the study carried out, it was found out that Financial Budgeting has a positive effect on the performance of the public health institutions. It was found out that Financial Budgeting was good as it helps to avoid last-minute discovery of a financial crisis and hence ability to develop long-term financial goals and strategies of an institution and allows you to create a focus for the direction it also give you the opportunity to stand back and review your performance and the factors affecting your operations with a greater ability to make continuous improvements and anticipate problems and hence a sound financial performance showed by 54(52.4%)of the respondents who agreed to the statement that Mbarara Referral Hospital uses budgets as guiding tools of their activities and hence planning for spending and fund-raising become realistic.

### 5.1.3 Financial reporting

According to the study carried out, it was found out that financial reporting has a positive effect on the performance of the public health institutions. It was found out that Financial reporting was favorable as the accounting standards work to help entities provide the most relevant information in the most reasonable way as the accounting regulation are to provide accurate records for ratemaking, clearly identify assets and asset values, assess earnings, operatorearnings,separatingutilityfromnon-utilityactivities, benchmarking, monitoring performance on investment and other license requirements, and transparency for investors with good documentation of the financial statements allows the institutions to identify all of your assets, expenses, income, and liabilities which lets them see the strengths and weaknesses of their operations, which will enable the institutions to make better financial decisions. More so the financial statements address issues by providing detailed information about a company's asset investments and these financial statements are compiled based on day-to-day bookkeeping that tracks funds flowing in and out of the business useful for making decisions regarding expansion and financing. Financial statements are important to management for communicating with interested outside parties about its accomplishment running the company and helps supervisors assign task and clear responsibilities of performing those tasks and they in turn expect accuracy and punctuality from assignees and hence an effective performance showed by financial reporting showed by 56(54.4%)of the respondents who agreed to the statement that bank reconciliation statements of Mbarara Referral Hospital are prepared monthly and hence helps in the identification of errors in the accounting records of the institution.

### 5.1.4 Cash management

According to the study carried out, it was found out that Cash Management has a positive effect on the performance of the public health institutions. It was found out that cash management was fine as Proper cash management permits the institution to adequately meet cash demands of the business, avoid retaining unnecessarily large cash balances and minimize the cost of any borrowing that is necessary and facilitates investing surplus funds to achieve the best performance of the firm which would contribute towards increasing profitability, future planning and sustainability. Also cash management ensures that sufficient cash is available at all times to meet the levels of operations that are outlined in the various budgets and that financial funds held in cash (optimal cash balances) are to meet commitments in view of the time lag between the outflow and inflow of cash since cash is the lifeblood of a business and more so predicting deficits and surpluses the business leads to optimizing the use of cash and of borrowing facilities and avoiding shocks and hence an effective cash management showed by 55(53..4%)of the respondents who agreed to the statement that cash budgets control the Mbarara Referral Hospital's spending habits and hence levels of operations are outlined in the various budgets to improve on the performance of a institution.

### 5.2 Conclusion of the study

The study was intended to find out the effect of financial management on the performance of public health institutions. A sound financial management is essential to any public health institution if the health institution is to achieve an effective performance objectives and providing quality health services because choosing the correct financial management practice ensures good patients' experience of care, affordable cost of healthcare services and profitable returns for the members and choosing the wrong financial management practice it creates tensions between employees and managers, allows inefficient work practices to flourish and increases cost of healthcare services.Mbarara Referral Hospital case study has highlighted how the financial management is essential towards the achievement of better performance of any public health institutions. The research has showed that in order to achieve good patients' experience of care, affordable cost of healthcare services and disparity in performance, the management has to employ suitable financial management practices for the institution Thus it is crucial for a public health institution to be run using good financial management practices to achieve its objectives. This proves that the performance of public health institutions is directly related to the financial management practices.

### 5.3 Recommendations

With reference to the findings and analysis, this research has made the following recommendations:

For the case of gender, MRH managers should be considerate when it comes togender balance because women sometimes tend to be understood easily than men due to their nature of motherhood and this is because from the research it was found out that MRH employs more males than females.

Management of MRH should be in position to assist future researchers to get clear information. They should devise means of providing confidential information to researchers to enhance researchers to get complete data.

MRH management should increase on the numbers of employees in the financial budgeting department because they play a big role in to develop long-term financial goals and strategies of an institution and how they can use the financial budgeting tools which put the institution at a higher advantage.

The management in MRH should consider coming up with more measures that are motivating in order to retain its dedicated and experienced staff as well as attracting new and highly skilled employees.

In conclusion therefore, this chapter was a summary of findings, conclusions and recommendations as presented by the researcher from the finding and the data analyzed in chapter four. Therefore, this chapter is to motivate and direct people for further research in the same or related field.

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**Appendices**

**Appendix I: Questionnaire**

**UGANDA MARTYRS UNIVERSITY**

**THE EFFECT OF FINANCIAL MANAGEMENT ON THE PERFORMANCE OF PUBLIC HEALTH INSTITUTIONS.**

**A CASE STUDY OF MBARARA REFERRAL HOSPITAL.**

Dear respondent,

I ‘am a Bachelors of Science in financial mathematics(BFM)student of Uganda Martyrs University, Nkozi carrying out research about “The effect of financial management on the performance of public health institutions” (A Case study of Mbarara referral hospital).You have been chosen among others as the respondents. Please you are kindly being asked to respond to this questionnaire frankly as possible as you can. There is no right or wrong answer. You are being assured that whatever information that you will give in response to this questionnaire will be treated as highly confidential so as to preserve your anonymity.

The questionnaire is divided into four (4) sections. Questions may be answered by ticking

[√] the response that best suits your opinion.

**SECTION A: Background information**

This section seeks to elicit the basic personal information of the respondents. And the importance is to know the number of respondents and other related issues.

**1. Gender:**

a) Male ☐ b) Female ☐

**2. Respondent's age**

a) 21-30 years ☐ b) 31-40 years ☐

c) 41-50 years ☐ d) 51 years and above ☐

**3. Level of education**

a) Certificate ☐ b) Diploma ☐

c) Degree ☐ d) masters ☐

e) PhD ☐

f) Others specify …………………………………………………………..

***For responses in SECTION B, C, and D Please tick one of the alternatives given in the appropriate box*** in the column bearing the number on the scale that most closely represents your opinion based on your own views. The scale gives you opportunity to rate or respond using the ***1=strongly Disagree (SD), 2=Disagree (D), 3=Not Sure (NS), 4=Agree (A), 5=Strongly Agree (SA)***and also **MRH** is Mbarara Referral Hospital.

**SECTION B: Financial budgeting**

| | | **SD** | **D** | **NS** | **A** | **SA** |
|---|---|---|---|---|---|---|
| **Qtn No** | **Statements** | **1** | **2** | **3** | **4** | **5** |
| 1 | We develop budget timetables and identifyresponsibilities for budget preparation. | | | | | |
| 2 | Budget committee should be independent, financially literate,adequately resourced and properly compensated. | | | | | |
| 3 | MRH uses budgets as guiding tools of their activities. | | | | | |
| 4 | TheBudget committeeevaluatesbudget bids, including alignment with the hospital'spriorities. | | | | | |
| 5 | Budgeting ensures that each department operates effectively and the hospital remains solvent. | | | | | |
| 6 | A budgetspecifies which activities and programs should be actively pursued, emphasized or ignored in the period under scope. | | | | | |
| 7 | MRH management provides adequate supervision of the budget. | | | | | |
| 8 | The budget is derived incrementally from previous budgets. | | | | | |

**SECTION C. Financial reporting**

| | | SD | D | NS | A | SA |
|---|---|---|---|---|---|---|
| **Qtn No** | **Statement** | **1** | **2** | **3** | **4** | **5** |
| 10 | The financial statements of the MRH are prepared in line with the financial accounting standards | | | | | |
| 11 | The financial statements meet the requirements of local government and its authorities for financial reporting. | | | | | |
| 12 | All financial transactions of MRH are properly documented and recorded. | | | | | |
| 13 | Financial statements provide an overview of the hospitals' financial position in both short and long term. | | | | | |
| 14 | Bank reconciliation statements of MRH are prepared monthly. | | | | | |
| 15 | The financial statements are published regularly. | | | | | |
| 16 | Financial Statements evaluate the financial position and performance of a business. | | | | | |
| 17 | There is adequate supervision of accountants in MRH. | | | | | |

**SECTION D. Cash management.**

| | | SD | D | NS | A | SA |
|---|---|---|---|---|---|---|
| **Qtn No** | **Statements** | **1** | **2** | **3** | **4** | **5** |
| 19 | Proper cash management enables fast payment of bills in accounts in MRH. | | | | | |
| 20 | Cash management facilitates cash payment of supplies on daily basis. | | | | | |
| 21 | Cash management helps toprepare the balance sheet at the end of the accounting period. | | | | | |
| 22 | Cash budgets control the hospital's spending habits | | | | | |
| 23 | Optimal cash balances are maintained by the hospital at all times. | | | | | |
| 24 | Ensures there is sufficient cash flow to meet daily needs. | | | | | |
| 25 | Prepares cash flow forecasts to identify future surpluses and deficits. | | | | | |

## Appendix II: Introductory Letter

Uganda Martyrs University

making a difference

OFFICE OF THE DEAN FACULTY OF SCIENCE
Email: deanscience@umu.ac.ug

Date....23/05/2017..................

To....MBARARA.....REFERRAL....HOSPITAL

..............................................................

..............................................................

Dear Sir/Madam,

**Re: Assistance for Research**

Greetings from Uganda Martyrs University.

This is to introduce to you ....Ms. Atuhwera....Bridget...................... **Registration Number;**.......2014-B061-10003.........................., a third year student pursuing a Bachelor of Science degree in ..Financial....Mathematics.............. of this University. She is carrying out a research on the topic "......The....effect...of...financial...management...on...the... ..performance....of....public...health....institutions.in....Uganda........... ..........................................................................................," as part of the curriculum requirements for the award of Bachelor of Science Degree of this University.

I, kindly, request you to render her such assistance as may be necessary for the research.

Thanking you in anticipation.

UGANDA MARTYRS UNIVERSITY
23 MAY 2017
FACULTY OF SCIENCE
OFFICE OF THE DEAN
SIGN:..............................

Yours sincerely,

Richard Awichi (PhD)
**Dean**

Uganda Martyrs University P. O. Box 5498 - Kampala - Uganda
Tel: (+256)038-410611 Fax: (+256)038-410100 E-mail: umu@umu.ac.ug