UNIVERSITY OF RWANDA

COLLEGE OF BUSINESS AND ECONOMICS

THE EFFECTS OF STAFF COMPETENCY, ORGANIZATIONAL SIZE AND REVENUE ON FINANCIAL MANAGEMENT IN RELIGIOUS BODIES OPERATING IN RWANDA

The Case of ADEPR Church

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DECLARATION

I, MUTUYEMARIYA Christine, hereby declare that this thesis is my original work and has never been submitted to any other University for the award of Masters in Business Administration (MBA) degree or any other degree.

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MUTUYEMARIYA Christine

July, 2014

Thesis Supervisor:

…………………………………………….

Dr. MUSEKURA Celestin

DEDICATION

To my Mummy, husband, son and daughters, with love

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First and foremost, thanks from the bottom of my heart go to the **Almighty God** for having kept me alive till the successful completion of this MBA program. A range of people who directly or indirectly participated towards completion of this work deserve a lot of thanks;

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LIST OF ABBREVIATIONS

ADEPR : Association des eglises pantecote au Rwanda

MBA : Master of Business Administration

MINALOC : Ministry of local government

SPSS : Statistical package for social sciences

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ABSTRACT

Organizations whether secular or religious, ever face the problem of resource scarcity. For this reason, resource management systems have been developed to help organizations to better use the available scarce resources. Financial management is one such system among others and perhaps the most prominent given the high liquidity of the financial assets especially money. Religious organizations differ in a number of ways from the secular organizations, and more so the corporate organizations, For example, membership is 'free' and voluntary. The need for transparency and accountability in religious organizations, though expected, is not clearly embedded as it is in the secular organizations. Recent academic literature as well media reports has exposed cases of financial mismanagement in various churches in world. In Rwanda, this problem has many a times been a cause for bitter rivalry among members of the same church. Unfortunately, not many studies have been carried out to systematically generate information about the real root causes and nature of financial mismanagement in such bodies. Financial management literature presumes that, staff competency is necessary condition for prudent financial management. Size of organizations in various dimensions including turnover and number of employees, are also said to be correlated with the quality of financial management.

This study, attempted to find out how such variables affect financial management at ADPER church. Using primary data collected from church staff tasked with financial issues, the study found that, both staff competency and church size (member size) are significantly correlated with the quality financial reporting at ADEPR. The two variables together explain about 47 percent of the variation in level of financial reporting. Tentatively, the study therefore recommends that the church employs qualified and competent staff to who can handle their financial matters effectively. But that alone is not enough; openness of the consumers of the financial management's reports and 'punishment' for any mismanagement should be affected. The study also recommends further research in a number of aspects for instance by expanding the scope to include other churches and also to use more concrete data (secondary data) and just options.

CHAPTER ONE

INTRODUCTION

1.0 Background of the Study

Churches make up a significant proportion of organizational activity in many countries, and tend to control a sizeable portion of human and financial resources of society (Laughlin, 1988). A Church is a body of Christians usually established as non profit organization (Oxford, 2010). The church has been the major provider of social capital and focal point of social activities (Suter, 2002). Churches are desirous to have experienced and knowledgeable staff to manage its resources including finances (Schnelder, 1989).

The financial management processes of organizations including religious organizations are generally dominated by conditions of resource scarcity. Religious organizations in particular have limited opportunities for generating additional income, but are faced with an ever increasing agenda of programmes and activities on which such funds needs be spent (Drucker, 2000). Successful management of scarce resources in organizations is largely dependent on staff with appropriate competencies (Jonson, 1982; Rosenberg and Tomkins, 1983). Normally, religious organizations are expected to embrace transparent and accountable financial management and reporting practices in line with religious teachings of truthfulness and honesty among others. In practice however, cases of financial malpractices abound in religious organizations including churches in Rwanda (Rwanda Governance Board: 2013)

Ensuring accountability in religious organizations is not as easy as it is in secular organizations although it should not be difficult either. The problem arises from the differences in the nature of the purposes for which these organizations are formed. The main goal of religious organizations is of course not profit but spiritual service. Membership is voluntary and free. Demanding for accountability in such organizations is therefore an exception rather than the norm. But a legitimate case exists for them to be accountable to their members and also the public in general. In many countries, Rwanda included, religious organizations are beneficiaries of one form of tax exemption or another. Indirectly therefore, the public subsidizes them and so have an interest in demanding proper utilization of the resources at the disposal of these organizations.

According to Dobkin (2002), today's religious organizations are likely to be required to show financial transparency and accountability as is usually the case with secular organizations.

Extensive studies on various aspects of finance in religious organizations abound. Some of these studies examine finance and risk management practices (Abdul Rashid & Abdul Rahman, 2009). Other studies have looked at internal control systems (Sulaiman et al., 2008), conservation activities of old traditional church (Johar et al., 2010), micro-credit programmes (Yusoff et al., 2005), types of health services provided by religious organizations (Sen, 1994); financial management and accounting of mosques (Diptyana, 2009). However, few studies have been done on these issues particularly in Africa, including Rwanda. Yet church financial matters have for sometimes now been a very topical issue especially in this era of modern information communication technology. In Rwanda for example, some churches have been reported to be having serious disputes among its leadership due to matters to do with finance. In some cases such disputes have so serious that such national institutions like Rwanda Governance Board have had to intervene.

1.1 Problem Statement

Financial mismanagement in religious organizations has become an important issue more so at a time when these bodies are progressively expanding the scope of their activities. That is to say that above the core activity which is evangelization churches is currently engaging in a business oriented activities such as running hospitals, health centers, schools restaurants and hotels. Of course financing of these businesses is effected by funds raised in terms of voluntary contribution from church members and donors who most the cases believe in righteous of church leaders. And hence do not insist on making both financial managers and church leaders accountable for the resources vested in their hands. However, not much is known about how these organizations are getting into this predicament. The lack of knowledge is particularly acute among churches in Africa including Rwanda. This study is therefore a systematic attempt to fill in this knowledge gap. The study examined how the competence of church staff, the size of church membership, and the level of church revenue affect the quality of financial management in Rwanda. The study was carried out among ADEPR churches. The ADEPR is one of oldest, most active and widespread churches in Rwanda providing evangelism, as well as education, health and microfinance services.

1.2 Objectives Study

In view of the problem stated above, the main objective of this study is to assess how staff competency, church size, and church revenue collection affect the financial management and control in ADEPR.

1.2.1 Specific Objectives

(i) To assess the level of education of the church leaders tasked with financial management and control of ADEPR church.

(ii) To find out the working experience (in years) of the church leaders tasked with financial management and control in ADEPR church influence the quality of financial management.

(iii) To examine how staff attitude on the church and its members is related to quality of financial management in ADEPR church

(iv) To estimate the influence of church membership size on quality of financial management in ADEPR church.

(v) To evaluate the relationship between church revenue collection and level of financial management

1.3 Research Questions

(i) To what extent does staff education influence the quality of financial management in ADEPR church?

(ii) How does working experience of the church leaders tasked with financial management and control affect the quality of financial management in ADEPR church?

(iii) Does staff attitude have any influence on the quality of financial management in ADEPR church?

(iv) To what extent and in what manner is size of church membership correlated to quality of financial management in ADEPR church?

(v) How does the level of church revenue collection affect the quality of financial management in ADEPR church?

1.4 Hypotheses

In consistent with the above stated research questions and objectives, this study tested the following three hypotheses:

Hypothesis 1:

H_0: The staff concerned with financial management at ADEPR is not competent.

H_1: The staff concerned with financial management at ADEPR is competent.

Hypothesis 2:

H_0: Staff competency has no effect on financial management at ADEPR church

H_1: Staff competency has an effect on financial management at ADEPR church

Hypothesis 3:

H_0: Church size has no effect on financial management at ADEPR church.

H_1: Church size has an effect on financial management at ADEPR church

1.5 Scope of the Study

This study was carried out in Rwanda, with specific focus on ADEPR. However, given that ADEPR has many parishes across the country, it was not be practically possible to include all the churches in the study. Only parishes located in Kigali were therefore be targeted for ease of access and due to time and budgetary limitations. In terms of content, the study examined various aspects of competency including education, training, and working experience as independent variables and quality of financial management as the dependent variable. Other determinants of financial management are outside the scope of the study. -Given that this was cross sectional study and not time series, the temporal delimitation or scope does not apply as such.

1.6 Significance of the Study

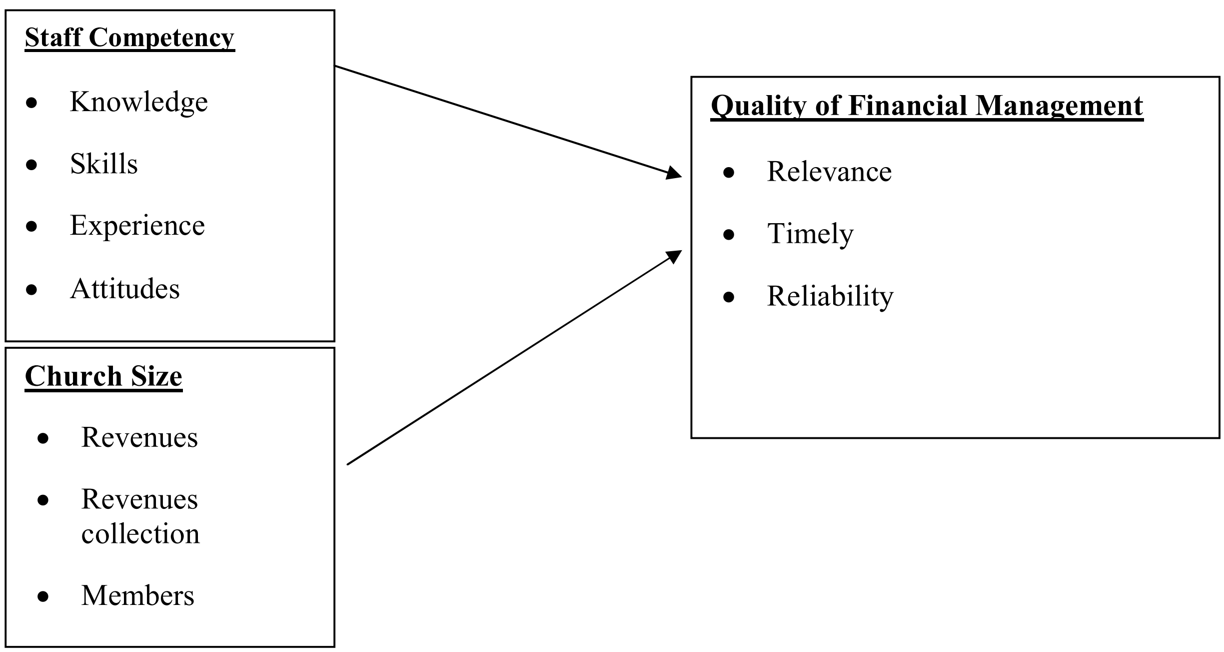
This study is significant to the researcher, the academic community, religious organizations, government of Rwanda, donors and the general public. To the academia, this study will provide additional literature upon which references can be drawn in the future regarding academic researches as well as other scholarly purposes. To the ADEPR and other religious congregations, the findings of this study will provide appropriate recommendations upon which church and other religious organizations will base their decisions to improve their financial management and control practices. To the government, donors and the general public, the findings of this study will provide means and assurance by which they can have more confidence on the ability of the church and other religious organizations to effectively manage the resources entrusted them for the benefit of the society.

1.7 Conceptual Framework

Competence of human capital is posited to positively influence their performance especially in most technical tasks such accounting and financial management. This is however not the only determinant but for the purpose of this study, only competence is considered mainly for staff tasked with financial work at ADEPR. This competency is measured in terms of knowledge, skills, experience and attitudes possessed by the staff. According to Jasper and Semeijn (2001), knowledge, skills and attitudes can be used at work to perform, which means producing output in the direction of organization goals. According to Boyatzis (1982) staff competency should in superior and or effective performance in a job. The size of church organization indicates it's status and influence in society (Kaldor et al, 1999). Most large churches claim that their size is as a result of the ability to satisfactorily minister to the needs of the people. Large numbers obviously indicate something is being done (Dale, 2004). Hannings (1979) contends that size has an implication for ways in which organization may be organized. Accounting is a big issue in churches. Just like a business, churches must keep records and reports of money coming in, from tithing to capital campaigns, in order to improve church finances and ensure good stewardship (Blackbeard, 2006). The church frequently makes financial decisions based upon the financial reports. If those reports are not accurate, it is very possible that the church will unknowingly make unwise decisions based upon faulty information (Schnelder, 1989). The quality of financial management is measured in terms of relevance, reliability and timeliness of financial reporting. Revenue collection is measured in terms of annual contributions mainly from members in terms of alms and tithes. The above described conceptual relationships are illustrated in the conceptual framework shown in Figure 1 below.

Figure1: Conceptual Framework

Independent Variables **Dependent Variable**



1.8 Organization of the Study

The study is organized into five chapters; Chapter one is concerned with introduction to the study particularly includes, statement of the problem, purpose of the study, research objectives, research questions, significance of the study, scope of the study, and the conceptual framework. Chapter two presents a detailed review of existing literature on the financial management and control of church organizations. Chapter three describes the methodology used to obtain and analyze the data such as research design, data collection techniques, data presentation and analysis. Chapter four presents the research findings, interpretation and discussion of results of the study. Chapter five is devoted to summary, conclusion and recommendations.

CHAPTER II

LITERATURE REVIEW

2.0 Introduction

This chapter presents a review of available articles and research papers on staff competencies, church size, church revenue and its collection and quality of financial management. The chapter ends with a critical overview of the literature. It is of paramount important to mention that critical review was affected by taking into consideration research variables (dependent and independent) for the purpose of arriving on effective analysis of the research findings.

2.1 Staff Competency

Literatures reveals disagreement among scholars as to what the terminology competencies/competency means (Hefferman and Flood, 2000). The definition of competence ranges from skills, (Mc Celland, 1973; Boyatzis, 1982) behaviour (Cockerill, Hunt and Shroder, 1995), cognition, corporate culture and personal dispositions (O'Reilly & Figureman, 1994). Competency has been defined as the ability to put skills in practice (Woodruffe, 1998) and can include attributes, what people need to know and be able to do to perform their job effectively (Armstrong, 1994).

Competence is a combination of knowledge, skill and awareness (attitude) (Dingle, 1995). Dingle (1995) explains that knowledge refers to the understanding of fundamental (for example in logical, scientific) principles required to accomplish the task at hand; skill refers to the application of this understanding; and awareness (attitudes) refers to the proper application of skill (for example in accordance with professional and corporate "good practice") Hornby and Thomsa, (1989) also defines it as the combination of knowledge, skill and qualities of effective people. The word competence means the ability to use knowledge and skills effectively in the performance of a specific task and meet performance expectations.

According to Cooper (2000), Parry (1996), Shippmann *et al*; (2000) staff competencies can be reflected in a number of features such as cluster of knowledge, skill, abilities, motivation, beliefs, values and interests; Relation to a major part of the job; association with effective and/or superior performance; Observation and measurement against well accepted standards; Link to future strategic directions; and can be improved via training and development.

2.1.2 Types of Competencies

According to Jack Bower (2005) competencies comprise of personal and functional. They can also be divided into technical and interpersonal/personal competencies (Good Stein & Davidson, 1998). Personal competencies describe an individual's personality, emotional make-up that is long-term habitual ways in which people deal with their world, especially with work and other people (Good Stein & Davidson, 1998). Personality characteristics include:- neuroticism, extroversion, openness to new experience, agreeableness and conscientiousness (Good Stein &Davidson ,1998). Technical/Functional Competencies are learned behaviours necessary for minimum satisfactory performance of a given job (Dingle, 1999). These competencies are most closely aligned with the value contributed by financial professionals (Jack Bower, 2004). Each job requires a different set of both technical and personal competencies.

2.1.3 Staff Competencies and Quality of Financial Reporting:

Competencies are factors contributing to the high levels of individual performance, and therefore organizational effectiveness (Armstrong, 1999). According to Jasper and Semeijn (2001), the concept of competence is defined as integrated knowledge, skills and attitudes that can be used at work to perform, which means producing output in the direction of organization goals. The current use of the term can be traced back to MC Clelland (1973) who saw competencies as components of performance associated with important life outcomes and as an alternative to the traditional traits and intelligence approaches to predicting human performance. Competencies used in this way refer to broad psychological or behavioural attributes that are related to successful outcomes, be they on the job or in life in general. Building on this body of work, Boyatzis (1982) defined competency as "an underlying characteristics of a person which results in superior and or effective performance in a job.

Competencies are used in the workplace to perform a variety of behaviours and activities which in turn produce outputs (products and services) that are provided to others (Pickett, 1998). It is the quality of these outputs and reactions of those who receive them that lead to results with positive, negative or neutral consequences for organization (Pickett, 1998).

Walker (2007) observes that in many small churches volunteers and lay people carry out most of financial reporting work without any real knowledge of accounting systems. They often wonder how much information is enough and which information is important. Competence in managing any business demands an understanding of the basic accounting statements, which reflect the results of operation and present financial position. Management decisions must be weighed in terms of their effect on these statements (Schnelder, 1989). In order for the financial reports to be valuable, there is a need for experienced and knowledgeable staff with expertise to handle most reporting needs. From basic bookkeeping to in-depth reporting and analysis, adhering to professionalism, integrity as established by accounting standards (Schneider, 1989).

2.2. Church Size and revenue collection

Churches are non-profit organizations incorporated as non-stock entities where ownership rests with members or supports of the organization (Duncan et al, 1999). Several characteristics that are unique to non-profit organizations affect the management control process and their accounting systems are a bit complicated. Funds generally come from donations, gifts, pledges and in some cases fundraising events. As with for profit entities, a non-profit organization prepares and adopts documents such as articles of incorporation and bylaws that set forth the organization's basic mission, governance structure, and overall operating procedures. Most non-profit organizations establish a governing board, elect officers, and appoint various committees. These individuals are responsible for hiring a chief executive who directs the work of paid staff and volunteers in order to achieve the overall goals of the organization (Langan, 1998). The size of church organisation indicates it's status and influence in society (Kaldor et al, 1999). Most large churches claim that their size is as a result of the ability to satisfactorily minister to the needs of the people. Large numbers obviously indicate something is being done (Dale, 2004). Hannings (1979) contends that size has implications for ways in which organisation may be organised.

2.2.1 Determinants and Classifications of Church Size

Several definitions have been advanced by business and management literature as regards to size in respect of organizations. Size has been defined in terms of number of people employed, capital employed, sales turnover and total assets (Astley, 1997, Belkaovi and Karpic, 1989, Trotman and Bradley, 1981) as cited by Sserwanga. In the East African Community countrie, a firm employing 5 to 50 employees, considered small organization (Kasekende and Opondo, 1997)

2.2.2. Church Membership

Most of the literature relates church size to congregational membership in terms of attendance. Hinnings and Foster (1973) argued that the number weekly attendees is the most critical measure of the size of churches. They noted that the declining membership of many churches lead to problems and changes to organisational structures. This was supported by Laughlin (1984). Kaldor et al (1999), observed that the number of members or weekly attendance at events can reflect the interests of wider community in activities of church organisation. For this reason people are interested in the size of the church (Kaldor et al, 1999). Duncan and others (1999) who followed the attendance criterion defined large churches to be those with members more than 500, whereas small churches to be having 500 or fewer members.

2.2.3 Church and Revenue

Mark Powel (2005), determinations based on the role of the church size has in the pooling of resources for more efficient use of funds. According to him, church size is grouped into mega and satellite referring to large and small sizes respectively. Hinnings (1979) observed that the level of other resources (for example facilities and money) are necessary to support the organisation has implications in the size of the church and the way it is organised. According to Booth (1993), membership size and financial resources are the major components of the organisational resources available to support organisational activities. While membership size and level of financial resources are analytically different categories, in practise the difference may be blurred. Quoting Booth, Irvine (2005) urges that it is difficult to distinguish between membership and financial resources since the two were inevitably linked. For purpose of this study church size shall defined in terms of church collections/contribution (turnover) and attendance. Churches with annual contribution (annual collections) of over 50 million and membership (weekly attendance) of above 500 shall be considered to be big.

2.3 Financial Reporting and churches

Financial reporting is largely an effort to assess financial performance, that is, how well or poorly the organization has performed, with money entrusted to it (Miller, 2003). Financial reporting is considered as part of organizational accountability for financial decisions, which include rising and spending money, as well as making promises that have financial consequences

(Miller, 2003). According to Sserwanga, (2002), financial reporting or disclosure refers to deliberate release of financial information, numeric or qualitative on voluntary or involuntary basis through financial statements, financial reports for both internal and external use. Serebe, (1996), states that the financial reports contain summaries and analysis of financial records of the organization. He further asserts that the process of preparing financial statements and communicating them to different users/audiences is what is referred to as financial reporting. According to Walker (2007), financial reporting includes how to receive, record and track church funds, adding that it is any system with ability to monitor progress made for variety of church funds.

2.3.1 The Role of Financial Reporting in Church Organizations

Accounting has for many years been identifiable with private (commercial) and public organizations with little work done directly concerned with accounting for churches.

Accounting is a big issue in churches. Just like a business, churches must keep records and reports of money coming in, from tithing to capital campaigns, in order to improve church finances and ensure good stewardship (Blackbeard, 2006). The church frequently makes financial decisions based upon the financial reports. If those reports are not accurate, it is very possible that the church will unknowingly make unwise decisions based upon faulty information (Schnelder, 1989).

According to Vargo financial reporting is a key element in communicating the financial condition of the church to its members and contributors. This enables on-going management review and control of church organisations. Financial reports provide the vital information needed to plan, budget and control church finances. In event of resourcing crisis, accounting is relied on to provide information about the existence of such crisis so that action could be taken to overcome it (Irvine, 2005).

Morgan (1990) argues that churches constitute such sites as dominant basis of legitimisation of actions within them, which is fundamentally transcendental through appeals to the essential elements of religiosity and defies rational proof and calculation. Therefore understanding accounting as a practise in churches may be fruitful way of adding to our more general explanations of the prominence of accounting. (Morgan, 1990 & Thompson, 1993). This was supported by Booth (1993) who outlined the beginning of framework for research in accounting in churches identified a need for more work in this area and suggested that immediate gains could be obtained from comparative studies.

2.3.2 Quality of Financial Reporting

There are several conflicting definitions by various groups, as concerns quality of financial reporting (Miller, 2003). FASB concepts statement 2, "Qualitative characteristics of accounting information" define quality of financial reporting as a hierarchy of accounting policies, with relevance and reliability considered primary ones. In addition a statement has set a criteria such as:- representational faithfulness, verifiability, neutrality, predictive value, feedback, comparability, consistency and timeliness (Miller, 2003).

The 1994 AICPA special committee on financial reporting (Jenkins Committee) did not refer to the quality of financial reporting but rather "quality of earning". It appears that quality is related to both ability to predict and the relevance of information (Miller, 2003). In identifying quality, the Jenkins committee used several concepts that emphasise users' needs, such as understanding the nature of organisation business and performance, changes affecting the organisation, management perspective and others (Miller, 2003). The Financial Analysis Federation (FAF), base their definition on the disclose efforts over a fiscal year on various financial disclosures and statements; published information such as, press releases and fact books. Analysis evaluates timeliness details and charity of information presented.

Standard and Poors consider accounting quality as a factor in establishing an industrial bond issue rating. Firms that consistently make timely and informative disclosures are considered less likely to withhold relevant unfavourable information. Quality financial reporting must be the natural consequence of quality work performed by:- management, auditors, and accounting setters. Objectivity, accuracy and fairness lead to credible information. Annual reports credibility depends on the degree to which it is correct, complete and objective. Disclosure, and transparency are important elements of high quality financial reporting (Miller, 2003). For financial information to serve the intended objective, it should be of good quality to enhance good decision making (Krishnamcorthy, et al 2002 as cited by Sserwanga). Lee (1982) states that the aim of corporate reporting is the provision of information about company performance and resources to aid the making of various decisions.

The components of quality of financial reporting are derived from statement of accounting concept which (SAC, 1990), accounting standards board (ASB, 2002), and (Barret, 2004).

2.3.3 Qualitative Characteristics of Financial Reporting

Lewis & Pendril (1996) indicate the qualitative characteristics as a key component of conceptual framework, which is referred to as basic accounting theory and theory for solving emerging practical problems of reporting. The qualitative characteristics are the attributes that make the information in financial statements useful to others (Goitom, 2003), by enabling communication of decision useful information (Hont JR, 2000 and Turner, 2000). Below is the examination of the qualitative characteristics of the attributes of good financial reporting:-

1. Relevance

As seen earlier, according to FASB concepts statement 2, relevance and reliability are considered to be primary quality characteristics (Miller, 2003).Accounting information is relevant if it has the ability to influence economic decision of the users and is provided in time to influence those decisions. Relevant information has the predictive or confirmatory value (Lewis & Pendril, 1996). The predictive value of information is manifested when it helps the users to evaluate or assess past, present or future events. Conversely confirmatory value is when it helps users to confirm or correct their past evaluation and assessments. (Lewis & Pendril, 1996). Stoner et al (1995) states that the information the board receives must have relevance to their responsibilities and task.

2. Reliability

According to Miller 2003, this is another primary quality characteristic. Information is said to be reliable if:- it can be depended on by users to represent faithfully what it either purports to represent or could be reasonably be expected to present; it is free from material error; complete within the bounds of materiality; and produce has been applied in exercising judgement and making of necessary estimates.

Dydcuman (1998), as cited by Sserwanga argues that external decision- makers should be able to count on the reliability of all accounting information in financial statements.

3. Timeliness

Accounting of all professions and discipline, is perhaps the most inextricably linked to time (Davison, 2004). Information in a report is by definition required to be timely, and that it is essential that financial reports are issued in a timely manner. (Robb, 1976). Timing of financial reports is therefore crucial to facilitate informed decision-making. All accountabilities should culminate into a report which should be available to members and public on the timely basis (Ditternhoper, 2001).

4. Understandibility

Barker (2003), asserts that the problems in financial reporting are often planned on rules, because in trying to out low the system of smoothing which covered many sins, the rule makers have been accused of simply making figures more volatile and less understandable. The importance of understandibility is emphasised in IASC (2000), framework that an essential quality of information provided in financial statement is that it should be presented in such a way that it is readily understandable by users. According to Lewis and Pendril (1996), understandibility is divided into components:- Users abilities; and aggregation and classification. The preparers of financial statements are entitled to assume that users have a reasonable knowledge of business and economic activities and accounting, and a willingness to study with reasonable diligence the information provided. Secondly, as far as aggregation and classification is concerned, the presentation of financial information should ensure that items are aggregated and classified appropriately.

5. Materiality

In accounting sense a mater is material if knowledge of it would be likely to influence the user of the financial or other statements under consideration. The use of word material in relation to accounting matters is intended to allow scope for different interpretations of the circumstances, which can arise. (Blakemore and Pain, 1998).

6. Comparability

Information about an entity is much more useful if it can be compared with similar entities in order to evaluate their relative importance. Additionally, the information must be capable of comparing for the same entity for some period or point in time in order to identify trends in financial performance and position (Lewis and Pendril, 2006). To help users to make comparisons, such information needs to be prepared and presented in a way that enables users to discern and evaluate similarities in, and differences between, the nature and effects of transactions and other events taking place over time and across different reporting entities. This can be achieved, according to Lewis ad Pendril through a combination of consistency and disclosure of accounting policies.

2.3.4 Constraints on the Application of Qualitative Characteristics

The challenge accountants, encounter while compiling financial reports, are the ability to balance and reconcile between the characteristics that seem to be in conflict, and cannot be achieved simultaneously. Lewis and Pendil noted that information that is most relevant can turn out not to be reliable and vice versa. On several occasions it is appropriate to use the information that is most relevant of which ever information is reliable Sanga, Duncan and Moores(1998), addressed the similar issue of trade off between relevance and reliability, concluding that a positive association exist between the two with minimum levels of reliability necessary to achieve relevance.

Timeliness of information does cause conflict of relevance and reliability, because delay in providing information can make it out of date, which will affect its relevancy. Yet reporting on the transactions and other events before uncertainties involved are considered may affect the information reliability. On the contrary leaving information out of financial statements because of reliability concerns may affect the completeness and therefore reliability of the information provided. Tension also exists between neutrality and prudence. Whilst neutrality involves freedom from deliberate or systematic bias, prudence is a potentially biased concept that seeks to ensure that under conditions of uncertainty, gains and assets are not overstated. Lewis and Pendril (1996), further illustrate the problem of presenting information, which is relevant, reliable and comparable in a way that is understandable by all users. However, information that is relevant and reliable should not be excluded from the financial statements simply because it is too difficult for some users to understand.

2.4. Financial Management and churches

Financial management in Nongovernmental 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 Nongovernmental organization (Waddell, 2000). From an organizational point of view, the process of financial management is associated with financial planning and financial control. Financial planning seeks to quantify various financial resources available and plan the size and timing of expenditures. Financial management practices requirements can impose a significant burden on NGOs (Page, 1984). Managing the movement of funds in relation to the budget is essential for a NGO.

At the corporate level, the main aim of the process of managing finances is to achieve the various goals a NGO sets at a given point of time (Linton, 2005). Financial managers aim to boost the levels of resources at their disposal. A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. The financial instruments of the organization mainly comprise Available for sale financial assets– These are investments in equity securities and government securities (Ahrens and Chapman, 2006). Originated loans and receivables– These are loans and receivables created by the organization for providing money to a debtor. These include debtors, prepayments and grants receivable.
Financial liabilities– The Organization has financial liabilities, which consist mainly of trade creditors and unexpended grants. Used appropriately, financial management tools can help an organization to deliver its mission better and to ensure the best and most beneficial use of resources. The consequences of bad financial management are therefore very serious. Good financial management requires sound organizational planning and the set-up and implementation of workable systems, policies and procedures which can respond to, accommodate and overcome the financial challenges a Nongovernmental organization may face. All organizations need money. Alongside staff, money is the one thing that takes up most management time. Nongovernmental organizations usually exist because they have a mission: to cure the sick, to advance a profession, to discover new technologies, to educate the public. As Ebrahim (2005) argues, the end of project funding all too often means beneficial impacts that should have been sustained are lost. Establishment of trust funds which gather financial resources together on either an individual NGO or collective model. Investing those resources provides long-term income from interest or a combination of interest and principal. Meeting financial goals is essential to fulfilling this mission, but is not the top priority.

Managers must ask a 'chicken and egg' question: Which comes first, the programmes to fulfill the mission, or the income (earned and voluntary) to finance the programmes? It is important to recognize that aspirations and financial resources are related and that it is management's task to co-ordinate the two (Edwards and Hulme, 1995). All Nongovernmental organizations require a financial management system, however, many Nongovernmental organizations may only have an accounting or bookkeeping system.

Accounting or bookkeeping are a subset of financial management. Financial management is generally the responsibility of the finance manager however all section managers should contribute to and benefit from a financial management system. The role of the finance manager is a key role within an organization. The financial manager must also be able to maintain perspective so that activity and administrative objectives are directed towards achieving organizational goals. The finance manager is in a position to have a bird's eye view of the day-to-day operations of the organization and will be able to see trends, strengths, weaknesses and opportunities for improvement (Gray et al, 2006). This unique position allows the finance manager to play an active role in strategic planning. Strategic planning focuses on the long-term goals and objectives of the Nongovernmental organization and should, at a minimum, include the Board of Directors and the key management staff of the organization. Naidoo (2004) and Unerman and O'Dwyer (2006) concluded that ethical environments are more important than codes of conduct in influencing finance managers in organizations when resolving ethical dilemmas. Catasus and Grönlund (2005) found that management‘s attitude toward internal control was significant when accountants were asked to evaluate and control environment of an organization. A more important issue, however, is whether these internal control factors are actually related to misrepresented financial information. Numerous empirical studies have looked into both the needs of financial reporting and management skills in public accounting information. Skoog (2003) carried out a research on visualizing value creation through the management control of intangibles; Power (2004) – analyses the financial management of everything; while Waddell (2006) carried out a study on the complementary resources: the win-win rationale for partnerships with Nongovernmental organizations. These studies found that organizations are more apt to voluntarily disclose negative earnings surprises preemptively, compared to positive earnings surprises. This is consistent with the thought that managers face an asymmetric loss function.

Sound financial management practices, good governance, and accountability are essential building-blocks for driving improvement and better-value for money in faith based organizations. Gray et al (2006) has surveyed Nongovernmental organizations, civil society and accountability: making the people accountable to capital and Ebrahim (2005) report on Accountability myopia: losing sight of organizational learning. 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 (Linton, 2005). Financial statements may be used by users for different purposes: Owners and managers require financial statements to make important business decisions that affect its continuing operations. Financial analysis is then performed on these statements to provide management with a more detailed understanding of the figures.

Earlier research has shown that management control, such as accounting, have a stabilizing function (Huque and Rahman, 2003; Jackson, 2009). Financial management play an important role in supporting new programs to be diffused in practice. Some even argue that programs can only be fulfilled to the extent that they can be realized through technologies (Gray et al, 2006). As a consequence, technologies become imperative in terms of realizing the program (Ahrens and Chapman, 2006). The development of management control research the past decade has been associated with strategic, informal and non-financial aspects of organizational control systems, often though in combination with more tactical, formal and financially oriented aspects (Waddell, 2000). That is, albeit the trend is to leave management accounting as a stand-alone method for management to the inclusion of a more strategic perspective on control, both perspectives co-exist in practice.

2.5 Critical Overview of the Literature

The literature reviewed above was conducted based on the variables identified with the research topic; the dependent variable was the quality of the financial management of religious organizations whereas independent variables were staff competency, church size and revenue collection. As per literature reviewed above, it was indicated that focus was made on evaluation of the effects of the abovementioned variables on the quality of financial management in the religious organizations.

Concerning financial management aspects in the religious organization, the literature concentrated on the quality aspects of the financial reports such as relevance and reliability of the content of the financial reports for decision making and its timeliness. This literature is valuable since it indicates key aspect of the financial management required at managerial level. However much the financial report found to be valuable item for both producers and users who most of the cases corner stones of the organization, it is an outcome of the financial management system. With this research it was revealed that the whole system of financial management such as funds raising (Financing), Allocation of funds (capital budgeting or investment project appraisal), Assets management or working capital management and income appropriation would have been assessed. On the other hand, the literature focused on staff competency as reflected in the application of skills acquired from both formal education and professional trainings; and personal behavior towards employment even critical working conditions including pressure of accounting and finance jobs. Size of church as reflected in level of church services attendance especially Sundays and revenue collection was reviewed to have valuable effect on the quality of the financial management of churches. However, this research revealed that quality of the financial management is not necessarily influenced by staff competency, church size and revenue collection practices but also some other factors like agent-principal relationship problems, nature of church membership whereby members of the church always believe that their financial contributions towards church operations and capital projects were vested in purified hands and hence do not request accountability and adherence to good practices of the financial management.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

To achieve the objectives of this study, the researcher used cross-sectional survey method. This is because the data required was collected from ADEPR churches and it was not historical data. The data analysis, the study used descriptive as well as as correlational and causal methods. All the data was primary and cross sectional and was collected from ADEPR staff who are involved in financial matters at various levels for instance parishes, region and the headquarter.

3.2 Population of the study

The target population was made up of all the individuals working in financial related activities and church leaders of all the parishes located in Kigali city as indicated the geographical scope of the study (Nyarugenge, Kicukiro and Gasabo districts). In total these individuals were about 92 respondents. Given this small population size, the researcher decided to not to go for sampling but to survey information from all targeted respondent.

3.3. Data collection techniques

To decide on the technique to be used in data collection depends on the nature of data to be collected; whether primary or secondary data. As mentioned before this research concentrated on primary data rather than secondary data. Therefore, questionnaire was utilized. Two sets of questionnaires (questionnaire for respondents directly involved in financial reporting and questionnaire for consumers of financial reports) were used to collect primary data. Copies of these instruments are presented in the appendix

3.4 Validity and Reliability

Validity is the degree to which you a tool accurately measuring what it was supposed to measure. In our study, experts in the field (mainly finance lecturers and practioners) were consulted about the content of the instruments, ambiguity of questions and their relevancy. In addition, the pilot survey will be conducted to among other purposes, assess the validity of the instruments.

Reliability estimates the consistency of the measurement or the degree to which an instrument measures the same way each time it is used under the same conditions with the same subjects.The reliability of the instrument will established by computing the Crobach Correlation Coefficient after entering the data collected SPSS. The closer this coefficient is to 1 the higher the reliability. Generally a coefficient of at least 0.5 is acceptable.

3.5 Data presentation and Analysis

3.5.1 Data entry, cleaning and editing

Analysis primary data the type used in this study has common procedure. This is the procedure that this study used. In effect, data processing started with the manual serialization of the questionnaires collected from the field. This was for the purpose of facilitating easy cross-referencing or checking of the information. it was done for as standard data management step. Thereafter, the data was entered is SPSS after which preliminary cleaning and editing was carried for consistency, correctness and completeness. The cleaning was done by producing frequencies for all the variables and then checking these results for any errors such wrong entries. At the end of this part of data processing, a clean set of data was available for analysis**.**

3.5.2 Data Analysis

The cleaned and edited data was analysed at two levels. The first level was a descriptive analysis involving mainly such statistics as means and proportions. This was done mainly to provide a general presentation of the demographic aspects of the respondents. The results are presented in chapter four in form of tables, bar-charts and pie charts. The second level of analysis involved estimation of a regression model describing the relationship between financial management and three predictor variables which are, staff competency, church size and church revenue. The model to be estimated was formulated as shown in Equation 3.1 below.

Financial Management = f(Staff Competency, Church Size, Church Revenue) *(3.1)*

Financial management was approximated by three key desirable aspects of financial reporting. These are: relevance, reliability and timeliness of the reports. Respondents were asked to give their opinions on these three aspects using a 5-point Linkert scale with 1 being strongly disagree and 5 being strongly agree. Individual scores for each respondent in these three aspects were then averaged to produce a single number indicating the respondents' opinion about the level of financial reporting in ADEPR church. For example, if a respondent gave scores of say 3, 4 and 5 for relevance, reliability and timeliness respectively, then that respondent's overall view of the quality of financial reporting and thus financial management was computed average of 3+4+5 = 12/3 = 4. A score of 4 indicates that the respondent agrees that the level of financial reporting is on average relevant, reliable and timely and therefore good financial management.

Competency is an attributes that results from knowledge and practice in an interactive way. Respondent's competency was therefore measured as a product of their number of years of work experience at ADEPR and the level of education or number of years of schooling. Thus if a respondent had for example 15 years of education and 4 years of work experience, then the competency was computed as 15 x 4 = 60. This score is bound to increase with either more education and or more work experience. Work experience and knowledge are not the only factors that contribute to competency but the study limited itself only these two factors. Certainly there are other factors including attitude and supply of co-operant factors such as working tools. A priori, a positive relationship was therefore expected between quality of financial management and staff competency.

This model was constructed on the basis of literature reviewed in Chapter 2 where some studies suggest that a relationship exists between these variables.

Size of an organization has various effects on the level of its performance including financial performance. A number of factors are used to measure the size but the most commonly used are employment size, turn over and assets among others. From literature, church sizes are expressed in terms of number of members. Since churches are not revenue generating entities, indicators such as turnover are not quite applicable. However, a close substitute could be used and that is the level money assets contributed by members in terms of alms and other donations. It is a practice in most churches to collect alms on every Sunday service. This study used number of people attending services as indicator of size. A priori, it was also assumed that church size was positively related to financial management.

3.5.3 Regression Model

In view of the foregoing discussion, the following regression model was therefore formulated. The model assume linearity in variables and parameters and this was done mainly for simplicity but also on the ground that, to a large extent, variation in financial reporting quality can be assumed to be practically linear. Hence the model was:

$$\mathit{FINANCIAL\ MANAGEMENT} = a + b\mathit{COMPETENCY} + c\mathit{SIZE} + d\mathit{REVENUE} + \varepsilon \qquad (3.2)$$

The parameters to be estimated were the slope coefficients ***b, c***, and ***d***: the first show the marginal effect of competency on financial management, the second shows the marginal effect of church size, and the third one show the marginal effect of level of revenue**.** While ε is the usual error term, the constant ***a*** did not need to be estimated. In any case, it would not make any sense since it is not practical to have a church of size zero, with staff that have no competency at all, and no revenue at all. Since ε cannot be estimated, the model that was estimated is:

$$FINANCIAL\ MANAGEMENT = a + bCOMPETENCY + cSIZE + dREVENUE \qquad (3.3)$$

This is referred as the mathematical or deterministic model while 3.2 is the usual econometric or stochastic model.

3.6 Ethical

In the most cases financial related information of any organization both profit and non profit making organizations is very sensitive in such way that people becomes reluctant to reveal them. Therefore maximum secrecy needs to be ensured. It is this regard; researcher granted all the respondents that maximum academic ethics will be exercised. By so doing, the findings were generalized anonymously. Besides, respondents were fully informed that the study was purely academic and therefore confidentiality of their information was treated with utmost respect and trust.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.0 Introduction

As indicated earlier, this research was conducted through quantitative and qualitative approach whereby two sets of questionnaires were designed and addressed to producers and users of financial reports respectively. That is to say, 40 accountants at parish level and 7staff at head office on the side of producers of the financial reports. On the side of users of the financial reports 40 church leaders at parish levels and 5 executives at the head office of ADEPR were contacted. The total numbers of respondents contacted was 92 but only 67respondents managed to return questionnaires fully answered. That is 72.8 percent of the total respondents. The fact that respondent rate is above 50 percent, the information therein were considered valid and reliable for analysis purpose. Frequencies tables and graphs were utilized for interpretation and analysis which of course done in the line with both research questions and objectives. Further on this research hypothesis were tested through the use of regression analysis method. It is of paramount important to mention that before coming with interpretation and analysis of data an overview or background of ADEPR church was talked.

4.1. survey response rate

As mentioned earlier in chapter three, the target population in this study was made up ADEPR staff working in finance proper or related activities within the three districts of Kigali City (Gasabo, Nyarugenge and Kicukiro). The total number of this staff was 92. This is therefore the number of respondents from whom the study expected to collect data. But of course not all of them completed the questionnaire. A less than 100 percent response rate is not unusual in primary studies and this case is therefore not an exception. This can happen for various reasons including non-cooperation, missed appointments, incomplete answers among others. This study was no exception since, out of 92 targeted respondents only 67 fully completed and returned the questionnaires. This represented a response rate of about 72.8% which is well above the minimum response rate of 50 percent suggested by Babbie (2002).

Table 4.1 below summarizes the number of returned and non-returned questionnaires.

Table 4.1: Survey Response Performance

Outcome / **Frequency**	**Number**	**Percentage**
Returned	67	72.8%
Not Returned	25	27.2%
Total	**92**	**100%**

Source: Field Survey, 2014

The study method used to administer the questionnaire, though acceptable and most appropriate for this study, seems to have been a major contributing factor to the reported non-response rate of 27.2%. Research assistant were used to collect the data. Needless to say, these assistants were first trained on how to administer the questionnaire. Since the questionnaire was designed in such a way that it could be self-administered, the assistant had the option of completing the questionnaire together with the respondents if they so wished; or to leave the questionnaire with the respondent for them to complete and then pick them later at an agreed day, time and place. This strategy was adopted for flexibility and as a practical attempt to reach as many target respondents as possible. Of course not all respondents kept to their promise to complete and submit the questionnaires left behind with them. In a few cases also, the target respondents were not there at all for various reasons including being on leave and/or missions. In all cases where a respondent was not available, or questionnaire not completed and delivered at the agreed time and place, a repeated visit was made whenever possible. However, only in a few instances was this second visit successful. Time and financial resources were of course key limiting factors to make more repeat visits. All in all, the data collection method used and the level of success are satisfactory.

4.2 Reliability Test

An assurance that responses obtained in a primary survey are reliable is critical before they can be analyzed and inferences made. A pilot study was carried out to determine reliability of the questionnaires. The pilot study involved 15 respondents from the target population. Reliability analysis was subsequently done using Cronbach‘s Alpha which measures the internal consistency by establishing if certain items within a scale measure the same variable (character) or construct. Examples of variables or construct that this study had include but are not limited to competency, level of financial reporting (as a proxy for level of financial management), church size measured in terms of number of people attending Sunday services, and church revenue proximate by amount of money contributed during regular Sunday services.

Table 4.4.2 summarizes the result of this test.

Table 4.2: Reliability Analysis

Variable \ Attribute	Cronbach's Alpha	Number of Items
Financial management	0.729	15
Church Size	0.857	15
Staff competency	0.796	15

Source: Field Survey, 2014

A critical Cronbach’s Alpha of 0.6 is usually used to determine the reliability of a variable. As Table 4.4.2 above shows, all the four variables pass this threshold. Therefore, results based on the analysis of the data collected on these variables should be acceptable. If one or more variables were found to be unreliable, then they would have had to be dropped out of the analysis. In conclusion then, it can be seen that, exploration of the data collected indicates that further and critical analysis of the data can proceed. And this now, is the content of the succeeding sections.

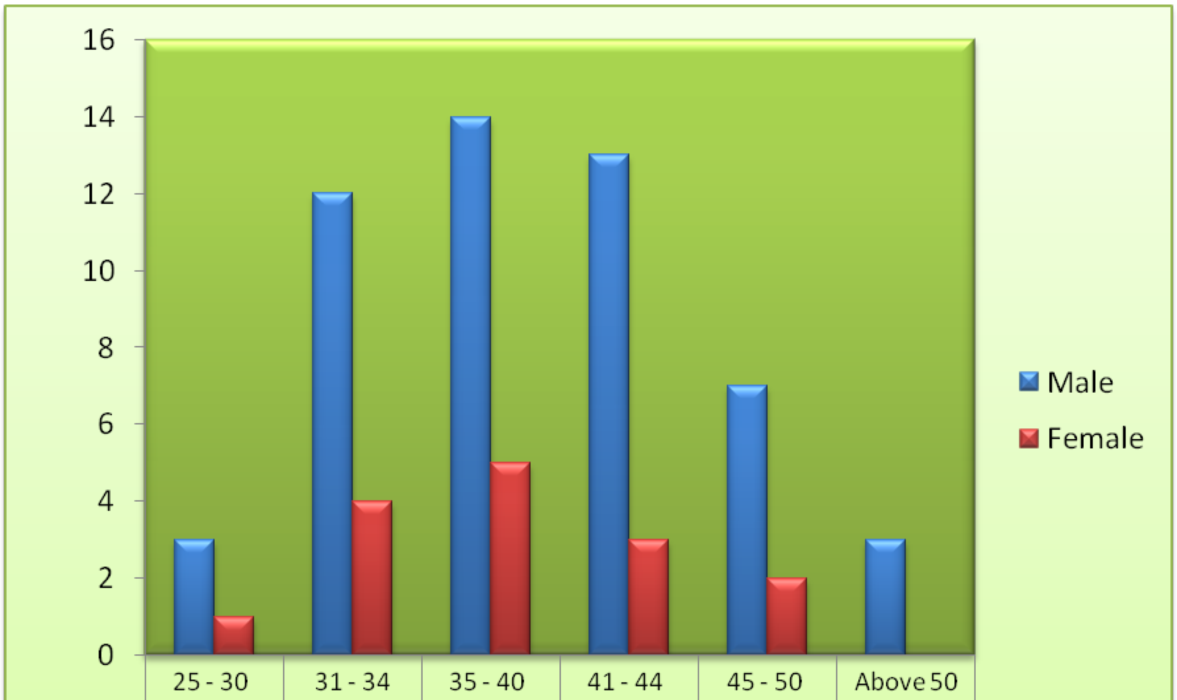
4.3. Demographic Information

4.3.1 Age and Gender Profile

Age and gender are two critical and sometimes also controversial attributes of human capital. Part of the controversy is usually about whom among the young and the old on one hand and among men and women on the other hand, are more productive than other. Scarce job opportunities are of course right at the core of the controversy. The young believe they deserve the availability job opportunities including leadership because they are energetic and have modern and relevant ideas and approaches; the old believe they deserve the opportunities on account of their experience and perhaps wisdom. Organizations themselves including churches such as ADEPR, have a tendency to prefer to recruit staff of certain age categories and not others. Though many organization claim to practice 'equal opportunity' policy, it is not nevertheless surprising one gender unduly dominating the other. Some churches for example do not permit women to assume certain evangelical responsibilities. For instance, only a few weeks ago did the century old Church of England accepted that women can also serve as bishops.

In this study, respondents were asked to indicate their gender, age category, highest educational level attained, and their length of working experience at ADEPR. This information in not only part of the general description of the respondents, but was also used as a predictor on competency (especially working experience) Figure 4.5.1 below summarizes the distribution of the respondents by gender and age.

Figure 4.1: Bar-Graph Showing Distribution of the Respondents by Gender and Age



	25 - 30	31 - 34	35 - 40	41 - 44	45 - 50	Above 50
Male	3	12	14	13	7	3
Female	1	4	5	3	2	0

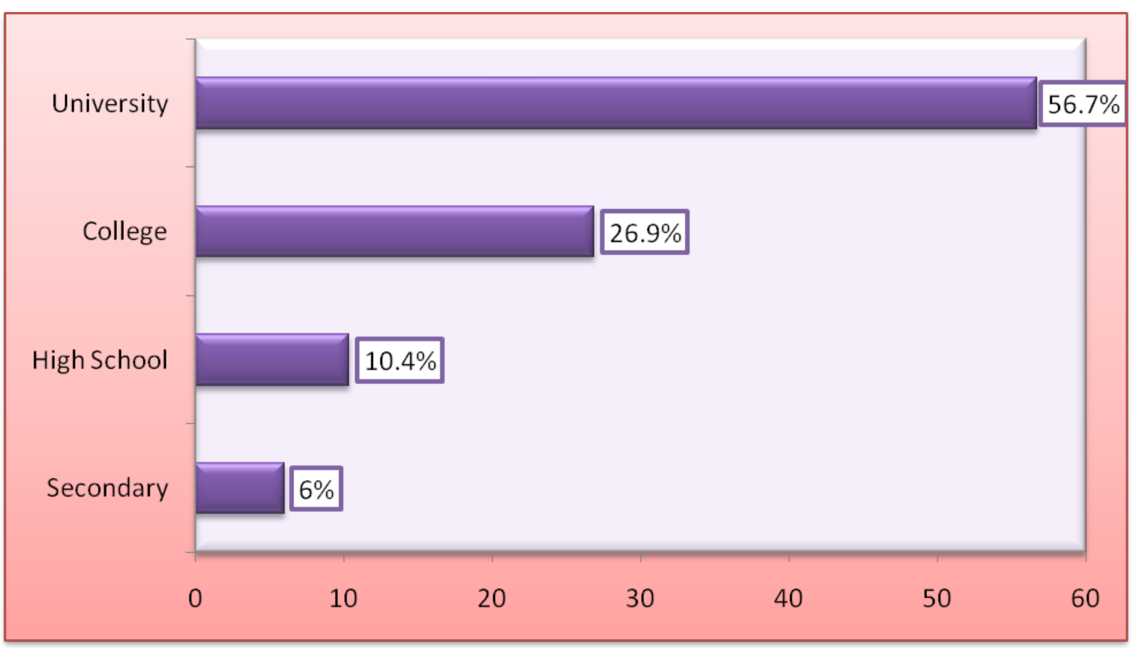
Source: Field Survey, 2014

Overall men far exceed women in finance and accounting positions in ADEPR. This gender distribution is not surprising. Rather, it is the typical observation in most formal and also relatively well paying sections of the labour market not only in the Rwanda but almost worldwide. Of course this does not say that the situation was ordained to be so or it should be so. Rather, it is partly a result of cultural gender practices, and partly a result of individual occupational preferences. With regard to age profile, it is clear that majority of the respondents are between young to middle aged. This profile is definitely reflects the situation prevailing in the country where most formal jobs are being held by relatively young people compared to other countries. The recent history of the country (*the genocide against the Tutsi*) no doubt contributed to what the pattern that this data seems to reflect.

4.3.2 Education and Work Experience

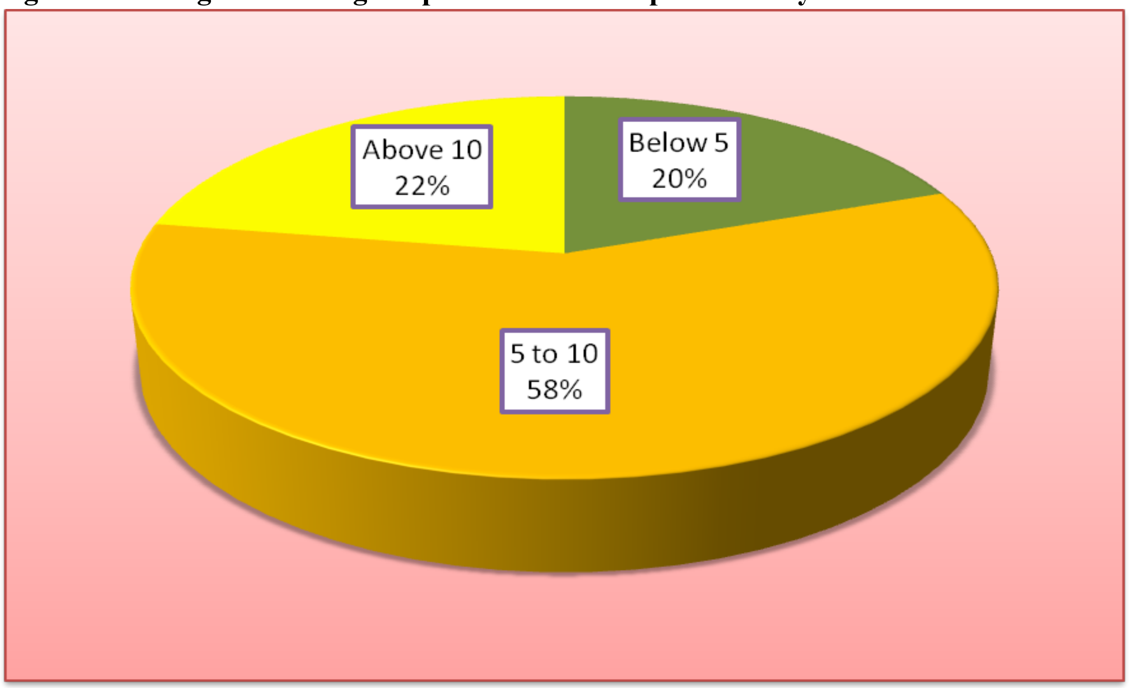
Level of education, plus length of experience are important aspects of the quality of human capital. The more one has of these two ingredients the better should be performance and productivity, ceteris paribus, but not indefinitely. Human capital, like other inputs, is also subject to the law of diminishing marginal returns. This law indicates that, increasing competence of human capital would lead to increasing productivity but at a decreasing rate. So, productivity reach maximum at a certain level of competency or skill development, and then decline as more and more skills and competence are acquired. The level of competence where productivity starts to decline however varies with individuals. For the respondents in this study, the highest level of education so far attained, the lengths of their working experience in ADEPR are summarized in Figure 4.5.3 and Figure 4.5.4 below.

Figure 4.2: Bar graph showing distribution of respondents by Education



Source: Field Survey, 2014

Figure 3: Pie Figure showing Respondents work experience in years



Source: Field Survey, 2014

From the above two Figures, it can be concluded that most finance and accounting staff at ADEPR are highly educated with substantial working experience. About 85% of the respondents have post high school education while about 80% of them have at 10 years working experience with ADEPR. This team therefore has the capacity to perform well above the average though not necessarily to the benefit of the employer or the principal. Indeed it would naïve to make the assumption that financial mismanagement is as result of inexperience and/or inadequate education and training although this can be a big contributing factor. In fact, existence of the well known principal-agent problem might be most likely the cause of the observed financial mismanagement problems observed in ADEPR as it is the case in secular organizations also.

4.4. Staff Competency, Church Size and Financial Management

The core of this study was to examine empirically and statistically, the effect of staff competency, church size and revenue collection on financial management of ADEPR church. In order to analyse this, a linear multivariate regression model with financial reporting (as the dependent variable) and staff competency and church size as the independent variables, on the other hand was estimated. For lack of a better indicator financial reporting as taken as a proxy for financial management. The Ordinary Least Squares method (OLS) was used to find the numerical values of the parameters of the model (see Eqn. 3.1). Computer software SPSS was use for this purpose.

4.4.1 Variable Description

Both the dependent and independent variables used in this study are cross-sectional and were all derived from the Linkert scores that the respondents provided. The way in which values for each variable was derived is explained below.

Church size. This was measured in two ways. One, in terms of the average number of people attending Sunday services during the most recent period the respondent could remember. Two, in terms of amount of alms (contributions) collected on every Sunday service during the recent few weeks the respondent could recall. Suffice it to mention that, not all respondents could provide both set of information. In particular, very few were able to given responses on revenue. this is of course not surprising given the fact, only a few church members are actually involved in the collection and recording of monies given for alms and other purposes. On the other hand, most church attendees can easily indicate the approximate number of people attending a service. This so because it is only a matter of visual observation. So in the actual regression analysis, revenue was dropped as a variable because of its incompleteness.

Staff competency. Data on three variables was collected to measure staff competency. These variables are: year of work experiences, knowledge and skills, and attitudes towards the work. For simplicity, however, only years of experience was used in the regression analysis. Moreover, it was assumed that knowledge and skills on one hand grow with years of work experience.

Financial reporting: in order to capture the quality or level of financial reporting, three sub Variables were used. These are relevance, reliability and timeliness of the report. On a 5 point scale ranging from strongly disagree to strongly agree, respondent indicated their views with regard to these three variable. An average score for respondent was then computer as a single number indicating of the respondent's assessment of the level of financial reporting.

4.4.2. Regression Result

Based on the foregoing explanations, quality of the financial reporting was regressed on staff competency and church size in a linear form. The linearity of the relationships was adopted mainly for simplicity. As explained before, the regression analysis was meant to help generate quantitative indicators of the effect and magnitude of the effect of competency and church size on the level of financial management. Results of the usual key statistics in a regression equation are therefore reported in table 4.2 below.

Table 43: Summary of Regression Results

Variables	Coefficient	Standard Error	T-Statistic	Significance Level
Constant	0.458	0.379	1.219	0.240
Staff Competency	0.565	0.090	6.277	0.000
Church Size and revenue collection	0.327	0.076	4.302	0.000
R = 0.687	**R-Square = 0.472**	**Adjusted R-Square = 0.468**	**F-stat. = 23.248**	

Dependent Variable: The quality of the Financial Reporting

From the above results, the estimated relationship between the dependent and independent variables can now be written as:

$$\textit{Financial Management} = \mathbf{0.458} + \mathbf{0.565}\,\textit{Competency} + \mathbf{0.327}\,\textit{Church Size} \qquad (4.1)$$

Both competency and church size are positively and significantly related to quality of financial reporting at the ADEPR church in Kigali. The study hypotheses that competency and church size have an effect on financial management therefore, cannot be rejected. Together, the two variables account for about 47 percent of the variations in the quality of financial reporting in the church. Other variables that the study omitted account for about 53 percent of the variations. The findings are consistent with theory and expectations also. Improving financial skills and knowledge of the staff working in finance and related activities would have a positive impact on the level financial reporting and therefore overall financial management of the church.

This inference is as far as the data and the empirical results seem to suggest. The situation however is not supported by the results. That the staff of ADEPR seems to be adequately skilled and experienced, as the data shows, should also at the same time be accompanied by reports of a well managed institution financially yet this is not the case today. This apparent contradiction therefore seems to suggest a number of things. It is possible that the respondents were not truthful in answering the questionnaire, that is, they (but not with collusion) felt it undesirable to provide information that would reflect negatively on their organization. The other possibility could be that, some of these respondents are themselves beneficiaries of the status quo and therefore they would not want to rock the boat as it were. This suspicion is very much plausible especially given the fact that data are not hard facts but opinions. Practically, it could also be possible that, high competency may be subject to the diminishing returns beyond at certain level.

On church size the results seem to suggest that, expanding church membership (and also financial contributions) would improve financial reporting and management in general. It should not be difficult to see how this can occur. With more resources, the church would be in a position to hire suitably qualified and experience staff or, it would be able to sponsor them for training in the field. At the same time, the church would also be able to acquire complementary factor inputs such as computers, accounting software, including hiring external auditors as well as consultants.

Increasing membership would also make the need for transparency and accountability all the more important. Diseconomies of expansion are also likely to be experienced in terms of real or even deliberately man-made financial management challenges (e.g. non-compliance with operations manual). Temptation to misallocate is also likely to be positively correlated with the size of financial resources, especially faith based organization where due to their presumed honesty and truthfulness, demand for accountability and transparency may be the exception rather than the norm.

The constant term in the estimated relationship (equation 4.1) above is insignificant, given its low t-score. But practically also, this constant has no meaning. Logically, when or if church membership is zero, then technically there is no church to manage in the first place.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

Efficient resource utilization is an issue at the core of human socio, economic, political, cultural and religious growth and development. The issue arises in view of the scarcity of the resources relative to the unlimited needs and wants they are expected to satisfy. This is a universal problem and no individual or institution can claim to be free from it. In any society, there are major institutions and organizations involved in utilization of these scarce resources to produce various goods and services. Such key institutions include of course governments, private businesses and religious bodies among others.

Historically, systems and procedures for ensuring efficient resources and checking against wastages have developed. They include elaborate accounting and auditing systems as well as financial record keeping and reporting. The ways these institutions generate and utilize resources also dictate the extent to which they need to be accountable for the use of the resources. Governments generate most of their resources from taxation. As such government is obliged to be accountable to the tax- payers and failure to which they at least would get voted out of office. Corporate bodies generate funds from share holders. Them too are obliged to be accountable to the satisfaction of these shareholders and many a times the top executives of such organization get fired in case their performance is found wanting. Most religious bodies get their resources from members in terms of regular contributions and donations.

The demand or need for accountability here is not as strong as it is in governments and corporate bodies. This is mainly in part due to the nature of the religious organization and manner in which they get resources. They are for example, naturally expected to be the epitome of fairness, truthfulness, honesty, and just; in short they are supposed or expected to be, everything virtuous. Membership and contribution of resources to these organizations is largely voluntary. Herein therefore lies part of the problem of resource mismanagement in the organizations. The scope of activities for the religious organizations has, however, been progressively expanding to include even activities heretofore considered the domain of the private businesses. Today, many religious organizations operate schools, health services, hotels and restaurants, transport businesses, banking and insurance to name but just a few. On the other hand, some people seems to have taken the religious path to easily enter into the businesses world and it is perhaps due to this behaviour that it has been heard said that, 'religions has become like business' to simply imply that they are money making ventures and not spiritual service providers. In the process also, cases of financial mismanagement especially in various churches have been reported worldwide. In Rwanda for instance, the national governance body (Rwanda Governance Board) have had to intervene in some of these cases because of their potential threat to peace and harmony.

5.2 Objectives

It is against this background therefore that this current research was undertaken. The main objective of the study was to try and provide some insight into the problem of financial mismanagement in religious organizations in Rwanda by using ADEPR church as a case study. ADEPR is one of the largest churches in the country with wide set of branches and a substantial portfolio of activities besides evangelism. A major specific objective of the study was to assess the effect of staff competency on the level of financial management. Another specific objective was to evaluate effect of church size (in terms of membership mainly) on financial performance. The technical nature of financial transactions and management demand that staff doing this work, have a certain level of knowledge and/or experience in order to, theoretically, be able to perform better. Consumers of the financial reports also are expected to have a certain minimum appreciation of proper financial transactions.

5.3 Data and Major Findings

In order to answer the study objectives, primary data was therefore collected from generators and consumers of financial data and reports in ADEPR. That is to say that the target population were the staff working in accounting and related sections of the church. About 92 respondents were sent the data collection tools but only 67 of completed and returned. This translated to about 72.6% response rate. A linear multivariate regression model was estimated to with quality of financial reporting as the dependent variable and, staff competency, church size as the independent variables. Having a competent staff can ensure proper financial practices although not always. On the other hand, church size can create the need for accountability besides helping to generate more resources through contributions and donations.

A major finding of the study was that, staff competency and church size are both positively and significantly correlated with financial management and quality of financial reporting. In general, ADEPR seem to have highly competent staff tasked with carrying out financial related activities. That notwithstanding however financial mismanagement exists at the same time. Not that this is an impossibility, even in secular organizations, but the findings raises questions about the role of staff competency is then. Of course, it would naïve to imagine that competency and mismanagement are mutually exclusive. It appears as if the financial and the general management of ADEPR is dualistic in that, it pretends to apply modern formal management practices but also at the same time embraces informal practices.

5.4 Recommendation for Further Research

This study has just scraped the surface with regard to the issue in question. Through and more rigorous research should be carried out to provide more insights. A major weakness of this present study is in the choice of the data and data sources, especially primary data. This data was mainly opinions of the respondents who are themselves interested parties presumably in the status quo of the church in one way or other. It is suspected that, they might have respondent to the questionnaire normatively and not positively. Future research should attempt to use hard facts as opposed to opinions. Another weakness of the study is that, it confined itself to only Kigali city ignoring many respondents in the rural areas. In future researchers should extend the scope to include rural areas as well. The study had another weakness also and that is that, it sought the opinions of only workers, and very interested workers for that matter (who naturally) would not have agreed to incriminate themselves. Opinion of the worshipers was ignored. Future researchers should consider also. Future researchers should also consider using secondary data (for instance external audit reports) given that these provide hard facts as opposed to opinions. Last but not least, in future more churches should be included in the study.

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APPENDICES

QUESTIONNAIRE FOR PERSONNEL TASKED WITH PREPARATION OF FINANCIAL REPORTS

DEMOGRAPHIC CHARACTERISTICS

1. Sex of respondent Male ☐ Female ☐

2. What is your level of education?

Secondary ☐ High School ☐ College ☐ University ☐

3. Name of your church……………………………………………………………………

4. Designation……………………………………………………………………

5. How long have you been with this church? .... (years)

CHURCH SIZE

6. How much does your church get in collections per year? .... Rwf

7. About how many people attend your church every Sunday?

Less than 100 ☐

101-500 ☐

More than 500 ☐

ATTITUDE

8. To what extent do you agree with the following statements. Tick as appropriate

5Strongly agree ☐ **4 Agree** ☐ **3 Uncertain** ☐ **2 Disagree** ☐ **1.Strongldisagree** ☐

No,	Statement	**5**	**4**	**3**	**2**	1
1	I feel proud to be a member of this church.					
2	If I need help I would ask any member of the church for help.					
3	When I go out, I visit fellow church members					
4	My fellow church members come to visit me.					
5	My fellow church members interact with each other.					
6	We continuously attract new church members to our church.					
7	Most members in my church participate in church activities					
8	Members are free to each irrespective of status, education, age etc					
9	My church helps members access spiritual and social services					
10	My church interacts with other churches outside it's location					
11	Most people in my church can be trusted					
12	I feel confident that my church members will try to treat me fairly.					
13.	I can rely more on my fellow church members than church leaders					

14.	Our church members are open and frank with one another all the time					
15.	I believe whatever my fellow church members tell me or promise to do					
16.	If I get a problem, my fellow church members would not let me					
17	People in my church trust one another					
18	I do not need to be too careful in my dealings with my fellow members of my church					

COMPETENCIES

1. How long have you been involved in financial reporting activities?

Less than a year ☐ 1-3 Years ☐ Above 3 Years ☐

2. Where have you primarily learnt the accounting knowledge and skills from?

Educational Institution ☐ Work ☐ Others ☐

3. Do you hold any professional Accountancy qualification? Yes ☐ No ☐

4. The aspects listed could affect the way you carry reporting responsibilities
Please answer by ticking the number which best describes your opinion

5 Very high ☐ **4 High** ☐ **3 Moderate** ☐ **2.Low** ☐ **1. Not Applicable** ☐

	To what degree do you use the listed aspects in doing your work?	**5**	**4**	**3**	**2**	**1**
1.	Professional accounting theoretical knowledge					
2	Professional Accounting methods and techniques					
3	Recent developments and trends in accounting field					
4	Information Communication Technology including computer use					
5	Legal regulations in Accounting Field					
6	Operational Management (organizational, financial, Administrative)					

	To what degree do you use the listed aspects in doing your work?	**5**	**4**	**3**	**2**	**1**
1	Quantitative skills being able to deal with figures or numbers					
2	Gathering and documenting information and data management					
3	Communication Skills: writing, Speaking and Oral presentations					
4	Cooperating: working in a team and negotiating skills					
5	Problem solving and ability to work automatically					
6	Planning, coordinating and organizing activities					

	To what degree do you use the listed aspects in doing your work?	**5**	**4**	**3**	**2**	**1**
1	Independent in decision making					
2	Initiative and creativity					
3	Working under pressure and dealing with changes					
4	Accuracy and carefulness					
5	Loyalty and integrity					
6	Adaptability					

B) QUESTIONNAIRE FOR USERS OF FINANCIAL REPORTS

Demographic characteristics:

1. Sex of the respondent Male ☐ Female ☐

2. What is your level of education?
   O level ☐ A-Level ☐ Tertiary ☐ University ☐

3. Church Name …………………………………………………………………………

4. Designation…………………………………………………………………………

5. How long have you been in this Church?

QUALITY OF FINANCIAL REPORT ING

6. To what extent do you agree with the following statements about the quality of financial reporting in your church? Please as most appropriate.-

5) Strong Agree ☐ **4) Agree** ☐ **3) Uncertain** ☐ **2) Disagree** ☐ **1) strongly disagree** ☐

		5	4	3	2	1
1.	The information contained in the financial reports is free from systematic or deliberate bias					
2.	The information is free from material/significant error					
3.	The information is not fraudulent					
4.	The information is normally complete					
5.	The information id is generally a good representation of the annual church collection facts					
6.	The information is generally a good representation of the annual expenditure facts					
7.	The information is generally a good representation of the facts relating to the assets of the church					
8.	The information is generally a good representation of the church					
9.	The information is generally a good representation of the facts relating to the cash inflows and out flows of the church					
10.	The information is generally a good representation of the church donations and pledges					
11.	There are no error in the representation of items in the financial reports					
12.	Financial reports are always found reliable in decision- making					

7. To what extent do you agree with the following statements about the quality of financial reporting in your church. Please tick as most appropriate.-

5) Strongly Agree ☐ **4) Agree** ☐ **Uncertain** ☐ **2) Disagree** ☐ **1) Strongly Disagree** ☐

		5	4	3	2	1
1.	The contents of the financial reports affect your opinion of the state of affairs and performance of the church					
2.	The contents of the financial reports affect your economic decisions for the church					
3.	Information presented in financial reports assist you in decisions about allocation of resources.					
4.	The information helps to predict the outcomes of the planned activities in church					
5.	The information helps to confirm the out comes of the planned activities in the church					
6.	The inform helps correct your past evaluation of the outcomes of the planned activities of the church					
7.	The information helps you predict and confirm the revenue collection levels and performance of the church					
8	The information helps you predict and confirm the expenditure levels and performance of the church					
9.	The information helps predict and confirm the asset ownership and management of the church					
10.	The information helps you predict and the indebtedness of the church					
11.	The information helps you predict and confirm the cash flow(inflow and outflow) performance of the church					
12	You find financial reports relevant in decision making roles					

13.	Financial reports are presented regularly as required by the legal and regulatory bodies of accounting	**5**	**4**	**3**	**2**	**1**
14.	The process of presenting financial reports in the church normally meets the acceptable length of time between the reporting date and the when the reports are made available to you.					
15	There are normally no undue delays in the presentation of financial reports					
16	Timely reporting does not usually compromise the presentation of all income items in the financial statements					
17	Timely reporting does not usually compromise the presentation of all expenditure items in the financial statements					
18	Timely reporting does not compromise the presentation of all assets in the financial statements.					
19	Reports come in time to enable timely decision making					

Thank you for your valuable participation.