

**FINANCIAL PLANNING AND PERFORMANCE OF MEDIUM AND SMALL SCALE
ENTERPRISES IN UGANDA:**

**A CASE STUDY OF NYAKATONZI GROWERS COOPERATIVE UNION LTD, KASESE
DISTRICT**

BY

BALUKU JOCKUS

BEC / 45405 / 143 / DU

**A RESEARCH REPORT SUBMITTED TO THE COLLEGE OF ECONOMICS AND
STATISTICS IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR
THE AWARD OF BACHELOR OF ECONOMICS OF KAMPALA
INTERNATIONAL UNIVERSITY, KAMPALA**

JUNE, 2017

DECLARATION

I **BALUKU JOCKUS (BEC/45405/143/DU)**, declare that this report is as a result of my own efforts and has never been presented at any institution of higher learning to the best of my knowledge. However, there are citations, quotations and other people's ideas used in this proposal.

Signature.......... Date.....12/06/2017.....

NAME: BALUKU JOCKUS (BEC/45405/143/DU)

APPROVAL

This research report compiled by **Baluku Jockus** (BEC/45405/143/DU) under the topic; “Financial Planning and the Performance of Medium and Small Scale enterprises in Uganda, Kasese District has been undertaken under my supervision and is now ready for submission to the school of college of Economics and Statistics with my approval.

Signature.......... Date..........

Ms. NAKIBULE SAUDA.
⁴
^

DEDICATION

I dedicate this book to my beloved grandfather (Mr. Muhind Daudi) and grandmother (Ms. Biira Torofaine) with all my love and appreciation for their support. I thank them for their prayers, for being inspirations for my life, being the strong people for seeing me through my studies and encouraging me on.

ACKNOWLEDGEMENT

I would like to thank God for bringing me this far and the spirit to endure.

I am greatly appreciative to my dear parents Mr. and Ms. Bwambale Jositasi and Biira Yoles, my brother (Mr. Bwambale Joachim) without forgetting my best friends (Asiimwe Phillip) and (Kayama Edward) for the support and sacrifice they made to make me reach where I am. Without them I would not have made it this far.

I would not have made progress if it was not for my supervisor Ms. Nakibule Sauda. I greatly appreciate the contribution she put in through giving adequate instructions, encouragement, comments and criticisms which helped me in the production of this work.

In same way, I extend my heartfelt gratitude to my friends for their assistance and spirit of solidarity.

Thanks you all once again.

God bless you all.

TABLE OF CONTENT

DECLARATION	i
APPROVAL	ii
DEDICATION.....	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENT	v
LIST OF TABLES	ix
ABSTRACT.....	xi
CHAPTER ONE.....	1
BACKGROUND.....	1
I.I. Introduction	1
1.2 Problem Statement.....	3
1.3 Purpose of the study.....	3
1.4 Objectives of the study.....	3
1.5 Research questions.....	3
1.6 Significance of the study.....	4
1.7. Scope of the study.....	4
1.7.1. Time scope.....	5
1.7.2. Content scope.....	5
1.7.3. Geographical scope.....	5
1.8. Definition of key terms.....	5
1.9. Limitations of the study.....	6
CHAPTER TWO.....	7
LITERATURE REVIEW	7
2.0 Introduction.....	7
2.1. Conceptual frame work.....	7
2.2. Theoretical review.....	8
2.2.1 Financial planning and profitability of a firm.....	8
2.2.1 Modern portfolio model.....	8

2.2.2. The Capital Asset Portfolio Model	9
2.2.3. Trade off Theory.	9
2.2.4. The Configuration Theory	9
2.3 Contextual review.	10
2.3.1. Financial planning and liquidity.	10
2.3.2. Financial planning and performance.....	11
2.3.3. Challenges encountered by the management in going about financial planning.....	11
2.4. Related Studies.....	12
CHAPTER THREE	14
RESEARCH METHODOLOGY	14
3.0. Introduction.....	14
3.1 Research design	14
3.2. Study population.	14
3.3. Sample size.	15
3.4. Sampling Procedure.	15
3.5. Instruments.....	15
3.6. Data collection methods.....	16
3.7. Data processing.....	17
3.8. Data analysis.	17
CHAPTER FOUR	18
PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS	18
4.0 Introduction.....	18
4.1 Biographic Characteristics of Respondents	18
4.1.1 Gender distribution of respondents.....	18
4.1:2 Age of respondents.	19
4.1.3 marital status of the respondents.....	19
4.1.4 The level of Education.....	20
4.1.5 Department of respondents	21
4.1.6 Current positions of respondents	21

4.1.7 The period of respondents spent with the union	22
4.1.8 Responses on period respondents spent working at their current position with the union..	22
4.2 Findings on how financial planning has helped NGCU Ltd to increase its profitability.....	23
4.2.1 The management of NGCU Ltd always carries out financial planning.....	23
4.2.2 Plans are drawn after consulting the members	24
4.2.4 The plans emphasis is making profit every year as a major objective.....	25
4.2.6 The union prepares budgets every year	25
4.2.7 The financial budgets are from the plans of the union.....	26
4.2.9 The budgets are prepared after consulting the members.	28
4.2.10 Budgets are evaluated periodically to ensure that the union makes profit.	29
4.2.11: The plans and budgets are reviewed every six months.....	30
4.3 Findings on how financial planning has helped NGCU Ltd to improve on its liquidity.	31
4.3.1 The management of NGCU Ltd always carries out financial planning to help in improving its liquidity.	31
4.3.2 The union always prepares cash budgets to monitor its liquidity	32
4.3.3 The cash budget emphasizes the monitoring of accounts receivable	33
4.3.4 The cash budget emphasizes the monitoring of clients loan and outstanding bills payables.	34
4.3.5 The cash budget helps the union to determine how much to borrow	35
4.3.6 The cash budget helps the union to determine how much and when to borrow.....	36
4.4.7 The cash budget helps the union to know when it has no cash vs. how much is to be expected to be paid out.	36
4.5 Findings on challenges faced by the management of NGCU Ltd when conducting financial planning.....	37
4.5.1 Lack of staff with required skills and experience in financial planning	37
4.5.2 Low literacy rates of the majority of members of the union.....	38
4.5.3 Lack of proper evaluation and review of financial budgets.....	39
4.5.4 Insufficient financial resources to execute the plans of the union	40
4.5.5 Unstable prices of outputs and inputs	41

CHAPTER FIVE	42
SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS	42
5.0 Introduction.....	42
5.1 Summary	43
5.1.1 How financial planning has helped NGCU Ltd to increase its profitability.....	43
5.1.2 How financial planning has helped NGCU Ltd to improve on its liquidity.	43
5.1.3 Identifying the challenges faced by the management of NGCU Ltd when conducting financial planning.....	44
5.2 Conclusions.....	45
5.3 Recommendations.....	46
5.4 Areas for further research	47
REFERENCES	47
APPENDICES	49
APPENDIX I: INTRODUCTORY LETTER	49
APPENDIX II: RESEARCH INSTRUMENT	51
APPENDIX III: RESEARCH BUDGET.....	57
APPENDIX IV: TIME FRAME WORK.....	58
APPENDIX V: ASKETCH MAP OF THE STUDY AREA (KASESE DISTRICT).....	59

LIST OF TABLES

Table 4.1: Showing response on the gender of respondents.....	18
Table 4.2 Showing age distribution of the respondents.....	19
Table 4.3 Showing marital status of the respondents	19
Table 4.4 Shows responses on the level of Education.....	20
Table 4.5 Showing responses on department of respondents	21
Table 4.6 Showing responses on current position of respondents	21
Table 4.7 Showing responses on period respondents spent with the union.....	22
Table 4.8 Responses on period respondents spent working at their current position with the union.	23
Table 4.9 Responses on whether the management of NGCU Ltd always carries out financial planning.....	23
Table 4.10 Responses on whether plans are drawn after consulting the members.....	24
Table 4.11 Responses on whether plans emphasis is making profits every year	25
Table 4.12 Responses on whether the union prepares budgets every year.....	25
Table 4.13 Responses on whether financial budgets are drawn from plans of the union.....	26
Table 4.14 shows responses on whether financial budgets are prepared to ensure that the union makes profits every year	27
Table 4.15 Response on whether budgets are prepared after consulting the members	28
Table 4.16 Responses on whether budgets are evaluated periodically to ensure that the union makes profits.....	29
Table 4.17 Responses on whether plans and budgets are reviewed every six months	30
Table 4.18 Responses on whether the management of NGCU Ltd always carries out financial planning to help in improving its liquidity.	31
Table 4.19 Responses on whether the union always prepares cash budgets to monitor its liquidity	32
Table 4.20 Responses on whether cash budget emphasizes the monitoring of accounts receivable.....	33
Table 4.21 Responses on whether cash budget emphasizes the monitoring of clients loan and outstanding bills payables.....	34

Table 4.22 Responses on whether cash budget helps the union to determine how much and when to borrow.....	35
Table 4.23 Responses on whether cash budget helps the union to determine how much and when to borrow.....	36
Table 4.24: Responses on whether cash budget helps the union to know when it has no cash vs. how much is to be expected to be paid out.	37
Table 4.25: Responses on whether NGCU ltd lack of staff with required skills and experience in financial planning.....	38
Table 4.26: responses on low literacy rates of the majority of members of the union	38
Table 4.27: Responses on lack of proper evaluation and review of financial budgets.....	39
Table 4.28: Responses on insufficient financial resources to execute the plans of the union	40
Table 4.29: Responses on Unstable prices of outputs and inputs.....	41

ABSTRACT

The study was conducted in Kasese District. The research was done under the topic “financial planning and performance of small and medium enterprises” a case study of Nyakatonzi Growers Cooperative Union basing on the following objectives;

To establish how financial planning has helped NGCU Ltd to increase its profitability

To establish how financial planning has enabled NGCU Ltd. to improve its liquidity.

To identify the challenges faced by the management of NGCU Ltd. when conducting financial planning. The study employed both quantitative and qualitative methods of data collection and analysis was also used. Purposive and simple random sampling was used to get a representative sample. The study found out that financial planning increases profitability in Nyakatonzi Growers Cooperative union; planning, evaluation of performance, for control purpose, continuous comparison of actual results against budgets to form a basis of standards and creation of responsibility centers in organizations. The researcher concluded that, financial planning has helped NGCU Ltd to increase its profitability this was evidenced from the data collected. Findings show that management of NGCU Ltd always carries out financial planning to help in increasing its profitability (by 76.5%), plans are drawn after consulting members (by 76.5%), plans emphasis is making profits every year as a major objective (by 70.6%), the union prepare budgets every year (by 82.4%), financial budgets are from plans of the union (by 73.5%), financial budgets are prepared to ensure the union makes profits every year (by 76.5%), budgets are also prepared after consulting the members (by 76.5%), budgets are evaluated periodically to ensure that the union makes profit (by 73.5%), and the plans and budgets are receive every six months (by 78.8%). Effective financial planning provides reasonable assurance regarding the financial resources of NGCU Ltd. The researcher recommended that to increase its profitability through financial planning, the owners/managers of the union should undertake courses or training about financial planning and profitability or hiring workers with knowledge and skills in accounting and financial management.

The government of Uganda or the local government or URA or any other support agent or academic institution can organize such training and charge some fees to the participant.

CHAPTER ONE

BACKGROUND

I.I. Introduction

The study was about financial planning and performance of small and medium enterprises in Uganda, a case study of Nyakatonzi Grower's Cooperative Union enterprise in Kasese district.

According to Mint berg (1994) Financial planning is defined as the act or process by which we can sight the future and set the necessary procedures and operations to influence and achieve the set targets. In many other occasions, financial planning professionals often cloak their activities in Pseudo scientific jargon designed to glorify their work and create client dependence. In reality, financial planning processes are neither scientific nor complex. With modest, front end assistance and occasional services of an outside facilitators, organizations can undertake o manage an effective planning program.

Financial planning consists of underlying processes that are targeted to create a situation favorable for a reasonable outcome of a company. This is contrary to the tactical planning that is more defensive based and reliant on the move of competition to aid progress of the company.

Financial performance being another variable is defined as the process or degree to which financial objectives have been accomplished .It is the process of measuring the results of a firm's policies and operations in monetary terms. It is also the firm's financial health over a given period of time and at the same time used in the comparison of similar firms across the same industry or industries in general or aggregation (Metcalf and Titad, 1976).

Business dictionary (2011) financial performance can also be defined as any expression among different mathematical expressions used to determine and evaluate how well a company is using its financial resources to make a profit. Examples such expressions among others include, net asset value, interest rates earned, operating income and financial statements. But none of these measures can be taken alone but rather they are taken together in assessment of a company's performance.

Financial performance is mainly measured by financial statements.

A financial statement is an organized collection of data according to logical and consistent accounting procedure. Its purpose is to convey an understanding of some financial aspects of a business firm. It May convey the financial position at a certain period of time as in the case of a balance sheet, a series of activities over a given period of time as in the case of income statement. Financial performance often asses a firms production and productivity performance, Liquidity performance, working capital performance, profitability performance, fixed asset performance, fund flow performance and social performance (Lundbreg, 1982).

There are many cooperative unions in Uganda despite the fact many were closed down in 1980's until 2005 when they were relieved. Among them is the NGCU Ltd located in Kasese town plot 9-15 Kasese-Fort Portal road in Kasese district. NGCU was established in 1975 by the local farmers and was developed as a response action to the challenges of poverty and suffering faced by the rural communities especially farmers in Kasese.

NGCU started with an objective of investigating the impact of financial support in Kasese. The research into an impoverished society assisted the organization to avail appropriate credit and entrepreneurship development to the low income and marginalized rural communities especially the farmers in Kasese district.

NGCU mission is "To provide financial and enterprise development services to the low income earners of Kasese district and other parts of Uganda" and its vision is "To be the cooperative union offering affordable and accessible financial services to all the farmers in Uganda". In the move to ensure success in helping it's members, financial planning is emphasized by the executive basing on the following strategic objectives.

1. To improve liquidity of the union and the farmers.
2. To increase on the profitability of the union and the farmers.
3. To determine the challenges faced by the farmers of the organization when conducting financial planning.
4. To fight unemployment.
5. To handle tasks that enhance production and productivity, collective marketing and value addition, employment creation, thus tackling poverty and social needs.

6. Top fight exploitation by the powerful individuals or institutions by pooling their resources to meet their needs.

In practice therefore, NGCU prepares financial plans and financial budgets. Due to such settings, the study seeks to examine objective 5 and 6 leaving the profitability and liquidity of the farmers.

1.2 Problem Statement

Managing business in today's complex and rapidly changing business climate is crucial for any organizations' short term and long term success. In order to maintain investor confidence and provide insight on top management, increased demand for organizations to provide perspective insight on business trends and catalysts are required (Brigham, 1992).

Financial planning, a key component of managing and driving business performance continues to be of limited value and mixed with conservatism of many organizations. Extended financial planning and forecasting cycle tend to lock Nyakatonzi growers' cooperative union into a reactive posture and thus affecting its liquidity and profitability performance. This threatens its competitiveness and survival as well (Internal auditors' report 2013).

1.3 Purpose of the study.

The study focused on finding out how financial planning contributes to the performance of NGCU Ltd.

1.4 Objectives of the study.

To find out how financial planning has helped NGCU Ltd to increase its profitability.

To establish how financial planning has helped NGCU Ltd to improve its liquidity.

To determine the challenges encountered by NGCU Ltd when going about financial planning.

1.5 Research questions.

How has financial planning helped NGCU Ltd to raise its profitability?

How has financial planning enabled NGC Ltd to increase its liquidity?

What are the challenges the management of NGCU Ltd when conducting financial planning?

1.6 Significance of the study.

There are two factors related to the process of financial planning that in themselves already are of great importance to the organization , first the fact that the planning imposes the agents to the challenges of all decisions of investments and financings of companies and according to the necessity of pondering on the possible events that could directly or indirectly affect the organization as well as the formulation of alternative strategies to combat difficulties or of taking advantages of new opportunities (Brealy and Myers, 1998).

The management of Nyakatonzi Cooperative Union.

The findings shall enable the management of Nyakatonzi Cooperative Union in understanding and knowing the contributions of financial planning and performance so as to improve on its budgetary control.

The managers of financial resources in other organizations.

The findings shall provide information to the managers of finance in different organizations especially in understanding and knowing how to compare actual and budgeting for finance.

Other researchers.

The study shall equip other researchers with information on the role of financial planning and performance of Nyakatonzi Cooperative Union.

The study was also set on agenda for future scholars by documentary findings that it may be used as literature review as well as advancing policy recommendations that may be used to identify groups and carry out more research so as to provide updated and detailed information.

1.7. Scope of the study.

The scope of the study in the research involved time scope, geographical scope and content scope.

1.7.1. Time scope.

The study covered a period of 6 months which was relevant to the performance of NGCU Ltd between Jan 2017-June 2017.

1.7.2. Content scope.

The study was focused on financial planning cloaking around the need for financial planning practices, cash budgets, investing in profitable ventures, cash collection (managing receivables), and selection of proper credit terms, monitoring of receivables turn over, and delayed payments. The study also looked at the organization's performance in terms of liquidity, profit management and efficiency, risk and financial performance and the trends in financial performance.

1.7.3. Geographical scope.

The study was conducted in Nyakatonzi growers cooperative union (NGCU) Ltd. Uganda located in Kasese town plot 9-15 Kasese- Fort Portal road Kasese district.

1.8. Definition of key terms.

Financial planning.

Mint berg (1994) financial planning is defined as the act or process by which we can sight the future and set the necessary procedures and operations to influence and achieve the set targets

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business to generate revenue (Arnold, 1998).

Financial planning.

Financial performance which is defined as the way of measuring results of the firm's policies and operations in monetary terms.

1.9. Limitations of the study.

The researcher is anticipating the following limitations

The constraint of time to complete the research, this also obstructed the researcher to budget time properly but however the researcher ensured total cooperation with the supervisor which enabled accomplishment of the report in time.

Financial constraint also hindered the scope of the study. However, the researcher used his little finance in transport, accommodation and in printing during the course of collecting data that led to his success

Limited cooperation from respondents may become a problem because of the economic conditions in Uganda. People may ask for money so as to give information. To do away with this, the researcher may opt to be in touch with the Nyakatonzi Actions for Life Improvement (NALI) authorities which may assist in explaining the purpose of the research to the respondents.

CHAPTER TWO
LITERATURE REVIEW

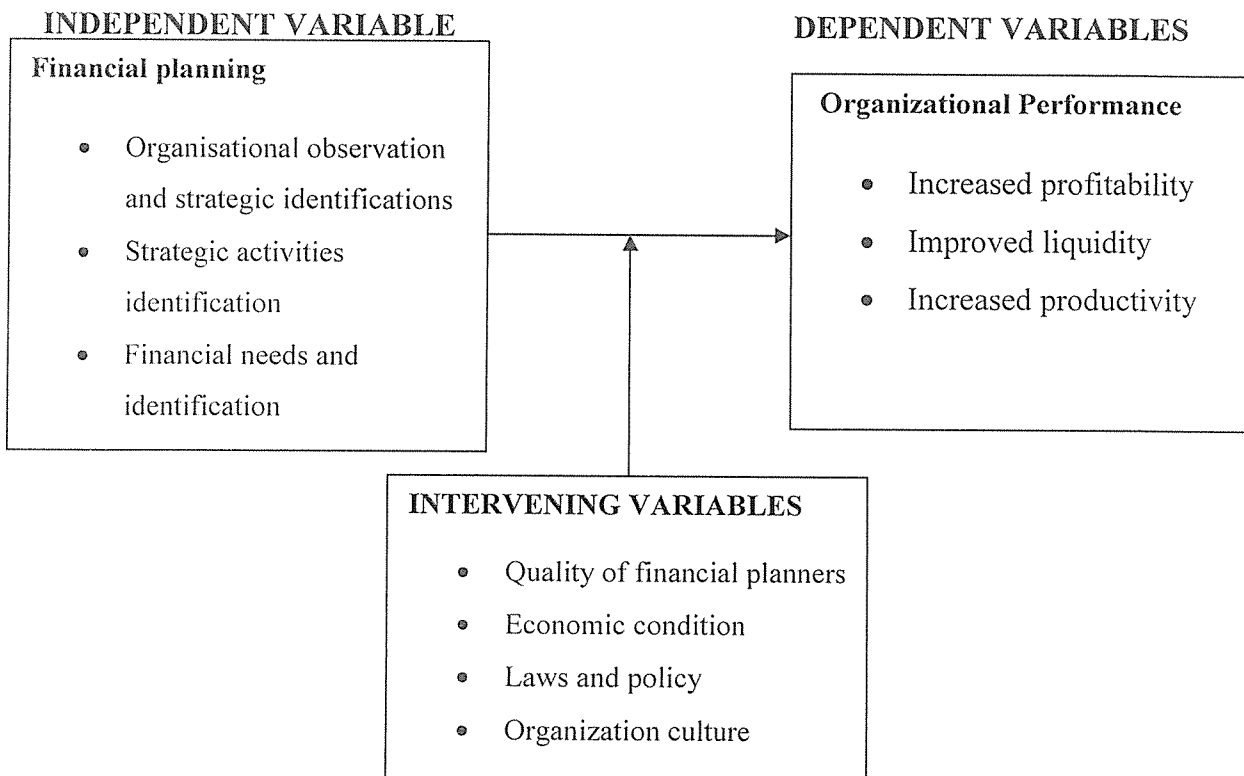
2.0 Introduction.

This chapter presents the existing literature on the study variables of financial planning and performance. This is secondary data and major sources were magazines, newspapers, textbooks, and previous research reports, publications, and journals. It further presents the conceptual framework.

2.1. Conceptual frame work.

This aimed at investigating the relationship between financial planning and organizational performance. From the literature review, this study's conceptual framework is summarized in the diagram below.

Figure 2.1: Conceptual framework diagram.



Source: Developed from the literature reviewed by the researcher.

Basing on the conceptual framework above, it clearly asserts that financial planning as an independent variable measured by reflect of financial needs identifications, Strategic activities identification, Organizational observation affects and organizational performance and a dependent variable measured by increased profitability, improved liquidity, and finally increased productivity). Intervening variables are: quality of financial members, economic condition, laws and policies and organization culture.

2.2. Theoretical review.

2.2.1 Financial planning and profitability of a firm.

According to Markowitz, (1952) financial planning and performance is explained by the modern portfolio theory and the capital asset pricing model.

2.2.1 Modern portfolio model.

This is a normative statement which asserts that investors should choose investments based on discounted future expected returns and that for maximum risk adjusted returns; investors should diversify across industries and asset classes.

The theory is simple but application requires many variations and requirements to accommodate circumstances and is quite difficult to achieve. An explicit application and implementation of MPT in personal financial planning appeared in 2001. It was a methodology for producing balanced portfolios using alpha, beta and R-squared statistics that was Published in financial planning magazine (Isrealson, 2001). These three statistics are the cornerstone for implementation of MPT. Foreshadowing today's focus on income distribution in the Isrealson methodology was to make it possible for an investor to always have a fund available for withdrawals that would be up in the current market thus avoiding permanent loss of value due to poor timing (Isrealson, 2001). MPT was further refined by Sharpe and Tobin into the capital asset pricing model.

2.2.2. The Capital Asset Portfolio Model

According to this theory, the mean variance analysis by the investors is assumed.

The CAPM decomposes the risk of investment into two risks and they include systematic and specific. In the CAPM, Sharpe said that the market does not reward specific risks, since specific risks can be offset by diversifying the portfolio. In contrast to the normative nature of MPT, the CAPM is a descriptive theory of equilibrium. Basically, the CAPM says that the premium return on an asset (the expected rate of return on an asset minus the rate of return on a riskless asset) is proportional to its beta, a measure of the sensitivity of the security's rate of return relative to changes in the overall market.

All investors seek to find the point of greatest return for their acceptable level of risk. The problem of financial planners is that the CAPM has heroic assumptions in addition to the assumption that investors perform mean-variance analysis.

2.2.3. Trade off Theory.

The trade off theory of capital structure refers to the idea that accompany chooses how much debt how much debt finance and how much equity finance to use in balancing the costs and benefits. The classical version of hypothesis goes back to (Kraus and Litzenberg, 1973) who considered a balance between dead weight cost of bankruptcy and the tax saving benefits and the tax saving benefits of the debt. Normally, agency costs are inclusive in the balance. The major purpose of the theory is to explain the fact that cooperatives usually are financed partly with debt and partly with equity. It makes a claim that there is an advantage of financing with debt, tax benefits and the cost of financing the debt.

2.2.4. The Configuration Theory

This is based on a view to understand the relationship between strategic planning and performance. Their findings also provide partial support for a positive relationship between strategic financial planning and performance. However, the relationship is moderated by organizational stages of development and that it is beneficial to the early stage firms. The underlying premise for their conclusions are based on development of competitive advantages provided by the structure and the future thinking incorporated into the strategic process, the non-

sustainability and erosion of these advantages in the later stages of the firm makes it prone to limitations (Sarason and Tegarden, 2003).

2.3 Contextual review.

2.3.1. Financial planning and liquidity.

According to the IMF (2012), the level of working capital is a decision by management in line with its policy of profit planning and control. Adequate profit assists in the generation of cash. It enables the management to re-invest a part of earnings into the business and substantially build up internal financial resources. Funds of creditors and owners are invested in various assets to generate sales and profit. The better control and management of assets, the more the sales. Several activity ratios can be calculated to judge the collectiveness of assets utilization (Pandey, 2008).

Liquidity is paramount for financial institutions because they are particularly faced with unexpected and immediate payment demands. For continuity of business, enterprises must ensure that they pay out legitimate withdrawals and credit requests as soon as possible (Bald, 2007).

According to Bhunia (2010) stated that financial planning of great significance role to the successful functioning of a business firm. A firm should ensure that it does not suffer from lack-of or excess liquidity to meet its short-term pre-requisites. A study of liquidity is of major purpose to both the internal and the external analysts because of its close relationship with daily operations of a business. Business financing, especially in the periods of the global financial crisis, has attracted an attention major of business managers as bank loans are becoming too expensive to maintain as a result of tightening of both the local and international financial market and the un willingness of the public to invest in the share of companies sequel to the crash of the capital market.

For that matter, financial planning should be managed in order to achieve an optimal level that avoid excess liquidity which may culminate into poverty of ideas by management. Also liquidity level should not fall below minimum requirement as it will impede the organization from meeting its short term obligation Mamadou (1996).

2.3.2. Financial planning and performance.

Financial planning plays a significant role to business management, particularly in decentralized firms. A company requires plan to prioritize all the company's strategies that is, short-term and long-term plans and objectives (Murwaningsari, 2008). Financial planning is one of the significant at the managerial hierarchy to plan make the business achieve certain aim and appropriate operation and control firm's activities.

Financial planning findings in Sierra Leone suggest that financial planning has improved communication in which organizations are designed to provide employees with explicit information pertaining to the level of performance expected of them. Managers must whole sumly support the plan discourse. Through financial planning, top management disseminate its expectations to lower-level employees to enable members of the firm understand the organization's goals and drive collective efforts to achieve them. Similarly, planning has promoted coordination through balancing of all departments operations and functions so that organization's goals are achieved. Therefore, financial planning compels managers to examine the relationships between their own operations and those of other departments, and in the process, to identify bottlenecks (Pefa, 2005).

2.3.3. Challenges encountered by the management in going about financial planning.

According to (Okumbe, 2001) financial planning assist organizations to meet their operational costs and the expenditure of their revenues in an objective manner in order to achieve the organizational objectives. However, organizational managers are being challenged to define their financial requests in terms of organizational programs apart from the costs, if organization has to successfully compete for public funds.

Berk & Demarzo (2008) make a claim that the separation of ownership and control creates the possibility of management entrenchment facing little threat of being fired and replaced. Managers are free to run the firm in their own best interests. As a result, managers may make decisions that benefit themselves at investors' expense.

Financial reports assist managers to review results of their spending and performance against budget, they usually work from management reports prepared by the company

accountants using accounting information systems. Such reports show budgeted revenues and costs for the period, actual revenue and costs to date and the variances between them. Cole & Kelly (2011) in their study found out that organizations may create and adopt numerous statements to communicate the cooperation's position on the subject of ethics.

If a firm fails to manage its financial resources properly it can easily enter liquidation due to the failure to pay the outstanding liabilities as in suppliers, wages and meeting its daily operations. This negatively impacts on the profitability of an organization. In addition to that, a firm that holds too much funds award a return if it invested in other profitable ventures. Funds can be lent out even for a short period of time and interest is earned. Hence impact on the profitability position of an organization Wilkes (2010).

According to the IMF the choice of financial performance measures is one of the most critical challenges facing organizations. Performance measurement systems play a role in developing strategic plans, evaluating the achievement of organizational objectives, and rewarding managers. The measurement of financial performance in most companies in the world is in terms of accounting-based ratios have been viewed as inadequate, as firms began focusing on shareholder value as the primary long-term objective of the organization (Hull, 2011).

2.4. Related Studies

A study done in Nigeria by World Bank (2002) found out that strategic plan of an organization sets out the overall direction and goals of the business. Such a plan helps the organization to define the type of business, or businesses, it is in and states the long term goals of the organization. Long term goals are usually no more than 3 years in the constantly changing modern business environment. Once long term objectives are decided upon they are broken down into one-year elements in order to provide a short-term, tactical framework for the organization's overall financial planning (DFID, 2005). The organizational management team is usually responsible for the preparation of financial plans and the responsibility for specialist areas is delegated to the appropriate manager or specialist in that operational area or team. These areas may include sales, marketing, human resources, production and purchasing. In other words, any operational area that is seen as essential to achieving the organizational objectives will have specific financial plans.

Kimbowa (2012), notes that organizational profitability is affected by factors such as cost of input, management of cash flows, government policy and borrowing culture. If the company relies more on loans, costs such as interest rates will not be avoided and this has a negative impact on profitability.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0. Introduction.

The research involved conducting a survey on a sample of respondents in Nyakatonzi Growers' Cooperative Union in Kasese district and the methodology entailed research design, population, research instrument and procedure, data collection procedure, data analysis and limitations of the study.

3.1 Research design

The research was based on both the qualitative and quantitative research approaches. A case study was chosen as the most appropriate research strategy. A strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence Saunders et al (2003). This fitted well with the author's intention to investigate a real life issue through a variety of data collecting methods. The qualitative research design is descriptive in nature and enabled the researcher to meet the objectives of the study. A statement bro was used to assign variables that were not adequately measured using numbers and statistics. The quantitative research design is used in form of mathematical numbers and statistics assigned to variables that are not easily measured using statements. These approaches were adopted to enable the researcher get and analyze relevant information concerning people's opinions about the role of financial planning and performance of small and medium enterprises a case study of Nyakatonzi Cooperative Union.

3.2. Study population.

The study consists of 50% of the population of Nyakatonzi Cooperative Growers' Union was selected which comprised of both male and female respondents consisting of; business people, local leaders and farmers. The key informants were those employees dealing in financial planning and strategic management areas of Nyakatonzi Growers Co-operative Union.

3.3. Sample size.

The study employed a representative population of sixty-three (63) employees in total with a sample selection of 30 from employees (key informants), and 10 from business people, 8 local leaders and 15 from the farmers departments. This selection of sample size helped the researcher to minimize resources such as; time and money in addition to other resources as were required to be used in the exercise.

3.4. Sampling Procedure.

Sampling is defined as a method used in order to obtain the required sample from the study population; during the process of data collection, Probability sampling technique were used in order to get the sample study size. Each individual in a sample frame drawn from the population was selected by chance and at random. When probability sampling is used, inferential statistics enable researchers to estimate the extent to which the findings based on the sample are likely to differ from what they would have found by studying the whole population.

Stratified random sampling is “a process in which certain subgroups, or strata, is selected for the sample in the same proportion as they exist in the population.” In stratified sampling, the researcher first identified the strata of interest and then drew randomly a specified number of subjects from each stratum by taking equal numbers from each stratum or in proportion to the size of the stratum in the population.

3.5. Instruments.

Data collection sources involved primary and secondary sources. Primary data sources included information from respondents using questionnaires to be answered by the respondents to help in solving the problems. Secondary data was also collected from already existing records within the organization’s office especially from the accounts and the planning departments.

3.6. Data collection methods.

The study employed in-depth use of questionnaires and interviews among the various methods in the process of data collection in a bid to come up with sound, concrete and credible research findings. These helped the researcher during the course of collecting primary data which took a period of two weeks.

An interview guide was drafted with a set of questions that the researcher asked during an interview. The researcher personally record the provided responses as per the study respondents during the process of carrying out an interview. The researcher used a semi structured interview guide when collecting data on lower level employees from the finance department. The researcher designed an interview guide which contained both closed and open ended questions. An interview guide was drafted with a set of questions that the researcher asked during an interview. The researcher personally recorded the provided responses as per the study respondents during the process of carrying out an interview.

The researcher also used formal interviewing as a method of data collection and the interviews w offered a chance to explore topics in depth and allow interaction between the researcher and the respondents such any misunderstanding of the questions and answers provided was easily corrected. The researcher interviewed the respondent of Nyakatonzi Cooperative Union workers and management in Kasese District using the interview guide.

The researcher also interviewed the lower level employees of the organization using the interview guide. This tool was used to collect information from respondents selected from finance department.

The questionnaire is a set of questions to which the respondents will be allowed to fill the questionnaire in their own time and this will make respondents feel free and give answers to sensitive questions. The questionnaire tool was used to collect data from Nyakatonzi union staff and Nyakatonzi union employees all be selected from the study population. The questionnaire tool of data collection was chosen because it was cheaper to administer to respondents scattered over a large area and at the same time the method provided information with maximum errors.

3.7. Data processing.

Data collected from the field was carefully edited, sorted and coded to alleviate the inconsistencies and errors made during data collection. This entailed the use of simple tables and percentages. Such is known as data processing.

3.8. Data analysis.

After data processing, it was subjected to further analysis to ease understanding and interpretation and it was presented using frequency tables in raw figures and percentages of the results were then calculated using tools like SPSS and Spearman's Correlation which were used to analyze data.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.0 Introduction

This chapter gives presentation, analysis and interpretation of the data to solve the research problem. In the presentation of findings, tables, frequencies and percentages were used to describe the findings. It is from these findings that the study helped the researcher to draw conclusions and make recommendations that can be useful in organizations. This is an exploratory study, which involved the whole structure of Nyakatonzi Growers Corporative union from Top Management to operational staff members.

4.1 Biographic Characteristics of Respondents

Findings on demographics of the respondents were considered and are shown as below.

4.1.1 Gender distribution of respondents

The gender distribution of respondents was established. This aimed at indicating how males and females actively engage in organization and how they perceive financial planning. The study targeted both male and female which gave a variety of findings that were not biased making it gender sensitive as in table.

Table 4.1: Showing response on the gender of respondents

Response	Frequency	Valid percent (%)	Cumulative percent (%)
Male	24	70.6	70.6
Female	10	29.4	100
Totals	34	100	

Source: primary data

From table 4.1 above, 70.6% of the respondents were male and 29.4% were female. This implies that most of the respondents were male and that both sexes contributed to the success of this study. This is due to partly because Nyakatonzi Growers cooperative union involves a lot of

standing, heavy weights and working under hot conditions like during harvesting under heavy sunshine that cannot favor a pregnant woman. On the other hand some of the women do get maternity leaves.

4.1:2 Age of respondents.

The study catered for different age brackets of respondents in order to establish the most valid group. The respondents were interviewed about their age and the distribution as shown in the table below.

Table 4.2 Showing age distribution of the respondents

Age	Frequency	Valid percent (%)	Cumulative percent (%)
20-30 years	12	35.3	35.3
31-40 years	11	32.4	67.7
41-50 years	10	29.4	97.1
51-60 years	1	2.9	100
Above 60 years	0	0	100
Totals	34	100	

Source: primary data

From the table 4.2 above, 35.3% of the respondents were between 20-30 years of age, 32.4% were between 31-40 years of age, 29.4% were between 41-50 years of age, and 2.9% were between 51-60 years of age. This implies that the respondents were all mature enough to give quality and reliable information for the success of this research. It also implies that most of the most of the farmers, managers, workers were old people who were still active and energetic and are trainable in business management.

4.1:3 marital status of the respondents

The marital status of the respondents was also covered and analyzed to assess their views in relation to role of financial planning and performance. This included the married, single, widowed, and separated as indicated in the table below.

Table 4.3 Showing marital status of the respondents

Marital status	Frequency	Valid Percent	Cumulative Percent
Married	22	64.7	64.7
Single	9	26.5	91.2
Widowed	03	8.8	100
Separated	00	00	100
Total	34	100	

Source: Primary data

As seen in the table 4.3 above, majority of the study respondents constituting 22(64.7%) were married, those who were single were reported as 9(26.5%) of the respondents, then 03(8.8%) who were widowed. The study further established that most of the respondents who were married had stayed in the organization as employees who were all willing to provide information that helped in understanding the problem under study.

4.1.4 The level of Education

The researcher picked interest in the level of education to investigate the skills expertise of the respondents. The responses are as shown below:

Table 4.4 Shows responses on the level of Education

Responses	Frequency	Valid percent (%)	Cumulative percent (%)
Master's degree	2	5.9	5.9
Bachelor's degree	10	29.4	35.3
Diploma	8	23.5	58.8
Certificate	3	8.8	67.6
UACE	2	5.9	73.5
UCE	4	11.8	85.3
PLE	1	2.9	88.2
Others	4	11.8	100
Total	34	100	

Source: primary data

Form the table 4.4 above, 5.9% of the respondents were master's degree holders, 29.4% of the respondents were bachelors' degree holders, 23.5% were Diploma holders, 8.8% were Certificate holders, 5.9% were UACE holders, and 11.8% were UCE holders, 2.9% were PLE holder and 11.8% were other which means they had none of the mentioned levels. This is evident that almost most of the respondents to this study were relatively literate. Thus they could easily read and interpret the questionnaire and this increased level of validity and reliability of responses obtained from the study. However, all of the respondents had relatively low level of education which explained the low level of financial planning in the union.

4.1.5 Department of respondents

The departments of Respondent are as summarized in the table below:

Table 4.5 Showing responses on department of respondents

Response	Frequency	Valid percent (%)	Cumulative percent (%)
Accounting and finance	8	23.5	23.5
Internal auditors office	0	0	23.5
Purchasing and logistic	02	5.9	29.4
Management office	21	61.8	91.2
Others	03	8.8	100
Total	34	100	

Source: primary data

From the table 4.5 above, 23.5% of the respondents were from accounting and finance department, 5.9% were from purchasing and logistic, 61.8% were from the management office, and 8.8% were from other departments. This implies that most of the respondents were from the management office. However, all departments had obtained representative respondents.

4.1:6 Current positions of respondents

The researcher was interested in the current position of Respondents. The responses are as shown below:

Table 4.6 Showing responses on current position of respondents

Response	Frequency	Valid percent (%)	Cumulative percent (%)
Top management level.	2	5.9	5.9
Middle management level.	14	41.2	47.1
Others	18	52.9	100
Total	34	100	

Source: primary data

From the table 4.6 above, 5.9% of the respondents were from top management level, 41.2% of the respondents were from middle management level and 52.9% were from other positions like lower management level. This implies that most of the respondents were from the lower management and middle management levels and this helps the researcher to obtain the data that was valid and reliable.

4.1.7 The period of respondents spent with the union

The researcher was interested in the period the respondents had spent with the union. The responses are shown as below:

Table 4.7 Showing responses on period respondents spent with the union.

Response	Frequency	Valid percent (%)	Cumulative percent (%)
1-5 years	16	47.1	47.1
5-10years	10	29.4	76.5
10-15 years	8	23.5	100
Above 15 years	0	0	100
Totals	34	100	

Source: primary data

From the table 4.7 above, 47.1% of the respondents had spent 1-5 years with the union, 29.4% had spent 5-10 years, and 23.5% had spent 10-5ears. This implies that the respondents had reasonable experience regarding the running of the union and were aware of the study variables.

4.1.8 Responses on period respondents spent working at their current position with the union.

The researcher was interested in the period the respondents had spent working at their current position with the union. The responses are shown as below:

Table 4.8 Responses on period respondents spent working at their current position with the union.

Response	Frequency	Valid percent (%)	Cumulative percent (%)
0-3 years	15	44.1	44.1
3-6 years	12	35.3	79.4
6-9 years	05	14.7	94.1
Above 9 years	02	5.9	100
Total	34	100	

Source: primary data

From the table 4.8 above, 44.1% of the respondents spent 0-3 years working at their current position, 35.3% had spent 3-6 years, 14.7% had spent 6-9 years, and 5.9% had spent above 9 years. This implies that the respondents had reasonable experience regarding the running of the union and were aware of the study variables.

4.2 Findings on how financial planning has helped NGCU Ltd to increase its profitability.

Several questions were asked in regard to objective number one of the study and the responses, their analysis and interpretation are presented below:

Objective number one of the study was to examine how financial planning has helped NGCU Ltd. Several questions were asked in this regard. The responses are in respect of this question as shown below:

4.2.1 The management of NGCU Ltd always carries out financial planning.

The responses are as shown below:

Table 4.9 Responses on whether the management of NGCU Ltd always carries out financial planning.

Responses	Frequency	Valid percent (%)	Cumulative percent (%)
Strongly disagree	01	2.9	2.9
Disagree	03	8.8	11.7
Not sure	04	11.8	23.5
Strongly agree	07	20.6	44.1
Agree	19	55.9	100
Total	34	100	

Source: primary data

From the table 4.9 above, 2.9% disagreed that the management of NGCU always carries out financial planning, 8.8% of the respondent disagreed that the management of NGCU Ltd always carries out financial planning disagreed, 11.8% were not sure, 20.6% strongly agreed, and 55.9% agreed. This indicates that the union always carries out financial planning to increase its profitability.

4.2.2 Plans are drawn after consulting the members

Responses on whether plans are drawn after consulting the members are summarized in the table below:

Table 4.10 Responses on whether plans are drawn after consulting the members

Responses	Frequency	Valid percent (%)	Cumulative percent (%)
Strongly disagree	0	0	0
Disagree	02	5.9	5.9
Not sure	08	23.5	29.5
Strongly agree	05	14.7	44.1
Agree	19	55.9	100
Totals	34	100	

Source: primary data

From the table 4.10 above, 5.9% of the respondents disagreed that plans are drawn after consulting the members, 23.5% were not sure, 14.7% strongly agreed, and 55.9% agreed. This implies that the union plans are drawn after consulting the members. And this increases on the profitability of the union.

4.2.4 The plans emphasis is making profit every year as a major objective

Responses in respect to this question are summarized in the table below:

Table 4.11 Responses on whether plans emphasis is making profits every year

Responses	Frequency	Valid percent (%)	Cumulative percent (%)
Strongly disagree	0	0	0
Disagree	02	5.9	5.9
Not sure	08	23.5	29.4
Strongly agree	05	14.7	44.1
Agree	19	55.9	100
Total	34	100	

Source: primary data

From the table 4.11 above, 5.9% of the respondents disagreed that plans emphasis is making profit every year, 23.5% were not sure, 14.7% strongly agreed, and 55.9% agreed. This indicates that the union plans emphasis was making profit every year as the way of increasing its profitability.

4.2.6 The union prepares budgets every year

Responses in respect of this question are summarized in the table below:

Table 4.12 Responses on whether the union prepares budgets every year

Response	Frequency	Valid percent (%)	Cumulative percent (%)
Strongly disagree	0	0	0
Disagree	01	2.9	2.9
Not sure	05	14.7	17.6
Strongly agree	07	20.6	32.8
Agree	21	61.8	100
Total	34	100	

Source: primary data

From the table 4.12 above, 2.9% of the respondent disagree that the union always prepare budgets every year, 14.7 were not sure, 20.6% strongly agreed, and 61.8% agreed. This indicates that the union prepares budgets every year as the way of increasing its profitability.

4.2.7 The financial budgets are from the plans of the union.

Asked whether the financial budgets are from the business plans, the Responses are summarized as below:

Table 4.13 Responses on whether financial budgets are drawn from plans of the union

Responses	Frequency	Valid percent (%)	Cumulative percent (%)
Strongly disagree	0	0	0
Disagree	02	5.9	5.9
Not sure	07	20.6	26.5
Strongly agree	08	23.5	50
Agree	17	50	100
Total	34	100	

Source: primary data

From the table 4.13 above, 5.9% of the respondents disagreed that financial budgets are from plans of union, 20.6% were not sure, 23.5% strongly agreed, and 50% agreed. This implies that financial plans are from plans of the union as the way of increasing its profitability. 4.2.8 The financial budgets are prepared to ensure that the union makes profits every year.

The researcher was interested in finding whether financial budgets of the union are prepared to ensure profits every year and the findings were as shown in the table below

Table 4.14 shows responses on whether financial budgets are prepared to ensure that the union makes profits every year

Response	Frequency	Valid percent (%)	Cumulative percent (%)
Strongly disagree	0	0	0
Disagree	01	2.9	2.9
Not sure	07	20.6	23.5
Strongly agree	06	17.7	41.2
Agree	20	58.8	100
Total	34	100	

Source: primary data

From the table 4.14 above, 2.9% of the respondents disagreed that financial budgets are prepared to ensure that the union makes profit every year, 23.5% were not sure, 17.7% strongly agreed, and 58.8% agreed. This indicates that the unions' financial budgets are prepared to ensure that it makes profit every year as a major objective.

4.2.9 The budgets are prepared after consulting the members.

Responses in respect of this question are summarized in the table below:

Table 4.15 Response on whether budgets are prepared after consulting the members

Response	Frequency	Valid percent (%)	Cumulative percent (%)
Strongly disagree	0	0	0
Disagree	03	8.8	8.8
Not sure	05	14.7	23.5
Strongly agree	04	11.8	35.3
Agree	22	64.7	100
Total	34	100	

Source: primary data

From the table 4.15 above, 8.8% of the respondents disagreed that budgets are prepared after consulting the members, 14.7% were not sure, 11.8% strongly agreed, and 64.7% agreed. This implies that the union does not consult its members when budgets are prepared. This reduces on the profitability of the union.

4.2.10 Budgets are evaluated periodically to ensure that the union makes profit.

Responses in respect to this question are summarized in the table below:

Table 4.16 Responses on whether budgets are evaluated periodically to ensure that the union makes profits

Response	Frequency	Valid percent (%)	Cumulative percent (%)
Strongly disagree	0	0	0
Disagree	01	2.9	2.9
Not sure	08	23.5	26.4
Strongly agree	04	11.8	38.2
Agree	21	61.8	100
Total	34	100	

Source: primary data

From the table 4.16 above, 2.9% of the respondents disagreed that budgets are evaluated periodically to ensure that the union makes profits, 23.5% were not sure, 11.8% strongly agreed and 61.8% agreed. This indicates that the union's budgets are evaluated periodically to ensure that the union makes profits.

4.2.11: The plans and budgets are reviewed every six months

Responses in respect to this question are summarized in the table below:

Table 4.17 Responses on whether plans and budgets are reviewed every six months

Response	Frequency	Valid percent (%)	Cumulative percent (%)
Strongly disagree	0	0	0
Disagree	01	5.9	5.9
Not sure	12	35.3	41.2
Strongly agree	02	2.9	44.1
Agree	19	55.9	100
Total	34	100	

Source: primary data

Form the table 4.17 above, 5.9% of the respondents disagreed that plans and budgets are reviewed every six months, 35.3% were not sure, 2.9% strongly agreed while 55.9% agreed. This implies that the union plans and budgets are reviewed every six months as the way of increasing profitability.

4.3 Findings on how financial planning has helped NGCU Ltd to improve on its liquidity.

Objective number two of the study was to establish how financial planning has helped NGCU Ltd to improve its liquidity. Several questions were asked and the responses are summarized, analyzed and interpreted below:

4.3.1 The management of NGCU Ltd always carries out financial planning to help in improving its liquidity.

Responses are summarized as below:

Table 4.18 Responses on whether the management of NGCU Ltd always carries out financial planning to help in improving its liquidity.

Response	Frequency	Valid percent (%)	Cumulative percent (%)
Strongly disagree	0	0	0
Disagree	01	2.9	2.9
Not sure	12	35.4	38.2
Strongly agree	02	5.9	41.1
Agree	19	55.9	100
Total	34	100	

Source: primary data

From the table 4.18 above, 2.9% of the respondents disagreed that management of NGCU carries out financial planning to help in improving its liquidity, 35.4% of the respondents were not sure that the management of NGCU Ltd always carries out financial planning to help in improving liquidity, 5.9% strongly agreed, and 55.9% agreed. This implies that the management of NGCU Ltd always carries out financial planning to help in improving its liquidity.

4.3.2 The union always prepares cash budgets to monitor its liquidity

The researcher were also interested in getting information on whether the union always prepares cash budgets to monitor its liquidity. Responses were summarized as below:

Table 4.19 Responses on whether the union always prepares cash budgets to monitor its liquidity

Response	Frequency	Valid percent (%)	Cumulative percent (%)
Strongly disagree	0	0	0
Disagree	02	5.9	5.9
Not sure	10	29.4	35.3
Strongly agree	05	14.7	50
Agree	17	50	100
Total	34	100	

Source: primary data

Form the table 4.19 above, 5.9% of the respondents disagreed that the union always prepares cash budgets to monitor its liquidity, 29.4% were not sure, 14.7% strongly agreed, and 50% agreed. This indicates that the union always prepares cash budgets to monitor its liquidity.

4.3.3 The cash budget emphasizes the monitoring of accounts receivable

The researcher was also interested in getting information on whether cash budget emphasizes the monitoring of accounts receivable. The responses are summarized as below.

Table 4.20 Responses on whether cash budget emphasizes the monitoring of accounts receivable

Response	Frequency	Valid percent (%)	Cumulative percent (%)
Strongly disagree	0	0	0
Disagree	02	5.9	5.9
Not sure	13	38.2	44.1
Strongly agree	02	5.9	50
Agree	17	50	100
Total	34	100	

Source: primary data

From the table 4.20 above, 5.9% of the respondents agreed that cash budgets emphasizes the monitoring of accounts receivables, 38.2% of the respondents were not sure that cash budget emphasizes the monitoring of accounts receivable, 5.9% strongly agreed, and 50% agreed. This implies that cash budget emphasizes the monitoring of accounts receivable.

4.3.4 The cash budget emphasizes the monitoring of clients loan and outstanding bills payables.

The researcher was also interested in getting information on whether cash budget emphasizes the monitoring of clients payables. The responses are summarized as below:

Table 4.21 Responses on whether cash budget emphasizes the monitoring of clients loan and outstanding bills payables.

Response	Frequency	Valid percent (%)	Cumulative percent (%)
Strongly disagree	0	0	0
Disagree	2	5.9	5.9
Not sure	10	29.4	35.3
Strongly agree	5	14.7	50
Agree	17	50	100
Total	34	100	

Source: primary data

From the table 4.21 above, 5.9% of the respondents disagreed that cash budgets emphasizes the monitoring of clients payables, 29.4% were not sure, 14.7%, strongly agreed, and 50% agreed. This indicates that the emphasis of cash budget of the union was monitor of client's payables in the union and this improved the liquidity of the union.

4.3.5 The cash budget helps the union to determine how much to borrow

The responses are summarized as below:

Table 4.22 Responses on whether cash budget helps the union to determine how much and when to borrow

Response	Frequency	Valid percent (%)	Cumulative percent (%)
Strongly disagree	0	0	0
Disagree	02	5.9	5.9
Not sure	10	29.4	35.3
Strongly agree	04	11.8	47.1
Agree	18	52.9	100
Total	34	100	

Source: primary data

From the table 4.22 above, 5.9% of the respondents disagreed that cash budgets helps the union to determine how much to borrow, 29.4% were not sure, 11.8% strongly agreed, and 52.9% agreed. This implies that cash budgets helps the union to determine how much to borrow in order to increase its liquidity.

4.3.6 The cash budget helps the union to determine how much and when to borrow.

The responses are summarized as below:

Table 4.23 Responses on whether cash budget helps the union to determine how much and when to borrow

Response	Frequency	Valid percent (%)	Cumulative percent (%)
Strongly disagree	0	0	0
Disagree	01	2.9	5.9
Not sure	9	26.5	29.4
Strongly agree	02	5.9	35.3
Agree	22	64.7	100
Total	34	100	

Source: primary data

From the table 4.23 above, 2.9% disagreed that cash budget helps the union to determine how much and when to pay, 26.5% were not sure, 5.9% strongly agreed, and 64.7% agreed. This indicates that cash budget helps the union to determine how much and when to borrow and this improve liquidity.

4.4.7 The cash budget helps the union to know when it has no cash vs. how much is to be expected to be paid out.

The responses are summarized as below:

Table 4.24: Responses on whether cash budget helps the union to know when it has no cash vs. how much is to be expected to be paid out.

Response	Frequency	Valid percent (%)	Cumulative percent (%)
Strongly disagree	0	0	0
Disagree	01	2.9	2.9
Not sure	16	47.1	50
Strongly agree	03	8.8	52.9
Agree	14	41.2	58.8
Total	34	100	

Source: primary data

From the table 4.24 above, 2.9% of the respondents disagreed that cash budget helps the union to know when it has no cash vs. how much is to be expected to be paid, 47.1% were not sure, 8.8% strongly agreed, and 41.2% agreed. This implies that cash budget helps the union to know when it has no cash Vs. how much is to be expected to be paid out, and this improves the liquidity of the union.

4.5 Findings on challenges faced by the management of NGCU Ltd when conducting financial planning

Objective number three of the study was to find out the challenges faced by the management of NGCU Ltd the responses in this area are presented, analyzed and discussed below:

4.5.1 Lack of staff with required skills and experience in financial planning

Responses are summarized as below:

Table 4.25: Responses on whether NGCU Ltd lack of staff with required skills and experience in financial planning

Response	Frequency	Valid percent (%)	Cumulative percent (%)
Strongly disagree	02	5.9	5.9
Disagree	08	23.5	29.4
Not sure	06	17.7	47.1
Strongly agree	06	17.7	64.8
Agree	12	35.2	100
Total	34	100	

Source: primary data

From the table 4.25 above, 5.9% of the respondents strongly disagreed that the union lack staff with required skills and experience in financial planning, 23.5% disagreed, 17.7% were not sure, 5.9% strongly agreed, and 17.7% agreed. This indicates that the union didn't have staff with required skills and experience in financial planning. And this became a challenge to the management of NGCU Ltd when conducting financial planning.

4.5.2 Low literacy rates of the majority of members of the union

Responses are summarized as below:

Table 4.26: responses on low literacy rates of the majority of members of the union

Response	Frequency	Valid percent (%)	Cumulative percent (%)
Strongly disagree	01	2.9	2.9
Disagree	06	17.7	20.6
Not sure	10	29.4	50
Strongly agree	05	14.7	64.7
Agree	12	35.3	100
Total	34	100	

Source: primary data

From the table 4.26 above, 2.9% of the respondents strongly disagreed on low literacy of the majority of members of the union, 17.7% disagreed, 29.4% were not sure, 14.7% strongly agreed, and 35.3% agreed. This indicates that majority of the members of the union are illiterate. This automatically puts the management of NGCU Ltd at a disadvantage when conducting financial planning.

4.5.3 Lack of proper evaluation and review of financial budgets.

Responses are summarized as below:

Table 4.27: Responses on lack of proper evaluation and review of financial budgets

Response	Frequency	Valid percent (%)	Cumulative percent (%)
Strongly disagree	08	23.5	23.5
Disagree	04	11.8	35.3
Not sure	08	23.5	58.8
Strongly agree	02	5.9	64.7
Agree	12	35.3	100
Total	34	100	

Source: primary data

From the table 4.27 above, 23.5% of the respondents strongly disagreed that lack of proper evaluation and review of financial budgets is a challenge to the management of NGCU Ltd when conducting financial planning, 11.8% disagreed, 23.5% were not sure, 5.9% strongly agreed and 35.3% of the respondents agreed. This indicates that lack of proper evaluation and review of financial budgets is a challenge to the management of NGCU Ltd when conducting financial planning.

4.5.4 Insufficient financial resources to execute the plans of the union

Responses are summarized as below:

Table 4.28: Responses on insufficient financial resources to execute the plans of the union

Response	Frequency	Valid percent (%)	Cumulative percent (%)
Strongly disagree	04	11.8	11.8
Disagree	08	23.5	35.3
Not sure	08	23.5	58.8
Strongly agree	03	8.8	67.6
Agree	11	32.4	100
Total	34	100	

Source: primary data

From the table 4.28 above, 11.8% of the respondents strongly disagreed that insufficient financial resources to execute the plans of the union is a challenge to the management when conducting financial planning, 23.5% disagreed, 23.5% were not sure, 8.8% strongly agreed, and 32.4% agreed. This implies that insufficient financial resource to execute the plans of the union is a challenge to the management of NGCU Ltd.

4.4.5 Unstable prices of outputs and inputs

Responses are summarized as below:

Table 4.29: Responses on Unstable prices of outputs and inputs

Response	Frequency	Valid percent (%)	Cumulative percent (%)
Strongly disagree	01	2.9	2.9
Disagree	08	23.5	26.4
Not sure	06	17.7	44.1
Strongly agree	04	11.8	55.9
Agree	15	44.1	100
Total	34	100	

Source: primary data

From the table 4.29 above, 2.9% of the respondents strongly disagreed that unstable prices of outputs and inputs challenges the management of NGCU Ltd when conducting financial planning, 23.5% disagreed, 17.7% were not sure, 11.8% strongly agreed, and 44.1% agreed. This indicates that unstable prices of outputs and inputs affect the management when conducting financial planning and this automatically lowers its profitability and liquidity.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents summary of findings, conclusions and recommendations in relation to the study objectives. The summary is based on the major findings on the study objectives and the recommendations are based on the discussion of the findings and analysis as well as interpretation of findings. This chapter also reflects areas for further research.

5.1 Summary

The study established that Nyakatonzi Growers cooperative union uses financial planning and performance to increase profitability as indicated 2.9% of the respondents strongly disagreed that the management of NGCU always carries out financial planning, 8.8% disagreed, 11.8% were not sure, 20.6% agreed, and 55.9% strongly agreed. This indicates that the union always carries out financial planning to increase its profitability.

5.1.1 How financial planning has helped NGCU Ltd to increase its profitability.

The study also indicated that financial planning and performance of the organization is significantly related to increase its profitability as indicated but at a varying level as indicated by the variations of the respondents who strongly agreed and those who agreed. The data available shows that management of NGCU Ltd always carries out financial planning to help in increasing its profitability (by 76.5%), plans are drawn after consulting members (by 70.3%), plans emphasis making profits every year as a major objective (by 70.6%), the union prepare budgets every year (by 72.4%), financial budgets are from plans of the union (by 73.5%), financial budgets are prepared to ensure the union makes profits every year (by 76.5%), budgets are also prepared after consulting the members (by 76.5%), budgets are evaluated periodically to ensure that the union makes profit (by 76.5%), and the plans and budgets are reviewed every six months (by 58.8%). These are essential for the running of the union. When asked to indicate any other plans to be carried out to increase profitability, some of the respondents indicated that the

management of NGCU Ltd should encourage its members to save so that the union does not borrow as the way of reducing on interests paid on borrowed money.

Financial planning helps to bring and keep short-range steps in line with all long-range goals. Therefore, long-range planning (strategic planning) is often affected either directly by budgetary information or indirectly by the thinking developed from dealing with budgets. This was in support of the above findings. ByKanyerezi (2000).

5.1.2 How financial planning has helped NGCU Ltd to improve on its liquidity.

Financial planning plays a significant role in the successful functioning of a business firm. As such, a firm should ensure that it does not suffer from lack-of or excess liquidity to meet its short-term requirements or compulsions. A study on liquidity is of paramount effect to both the internal and the external analysts due to the fact that it makes a close link with daily operations of a business. At the wake of the global financial crisis, business financing has become a major source of concern for business managers as bank loans are becoming too expensive to acquire as a result of tightening of both the local and international financial market. According to Bhunia (2010).

Findings revealed that financial planning has helped NGCU Ltd to improve its liquidity as indicated but at a varying level as indicated by the respondents who agreed. The available data shows that management of NGCU Ltd always carries out financial planning to help in improving its liquidity (by 61.8%), the union always prepare cash budget to monitor its liquidity (by 64.7%), cash budget emphasizes the monitoring of accounts receivables (by 55.9%), cash budgets emphasizes the monitoring of clients loans and outstanding bills payables (by 61.8%), cash budget helps the union to determine how much to borrow (by 64.7%), the cash budget helps the union to determine when and how much to pay (by 70.6%), and the cash budget helps the union to know when it has on cash vs. how much is to be expected to be paid (by 50%). These budgets are imperative to the smoothing execution of the union. In addition, these budgets are useful in maintaining good links and attracting support from banks and other financial institutions in case the union is in need of financial support.

5.1.3 Identifying the challenges faced by the management of NGCU Ltd when conducting financial planning.

Findings showed that management of NGCU Ltd faces some challenges when conducting financial planning. These includes: the union lack staff with required skills and experience in financial planning (by 52.9%), the union had low literacy rates of the majority of members (by 50%), the union had no proper evaluation and review of financial budgets (by 41.2%), the union did not have sufficient financial resources to execute the plans (by 41.2%) and the union faced also faced a challenge of unstable prices of outputs and inputs (by 55.9%). These challenges strongly affected the management of NGCU Ltd negatively when conducting financial planning more especially unstable price of outputs and inputs of the union. When asked to point out any other challenge encountered by the management when conducting financial planning, some of the respondents stressed that, some members are not honest.

5.2 Conclusions

Basing on the findings of the study, the following are the conclusions.

1. The findings are based on how financial planning has helped NGCU Ltd to increase its profitability.

As evidenced by the data collected. Findings show that management of NGCU Ltd always carries out financial planning to help in increasing its profitability (by 76.5%), plans are drawn after consulting members (by 70.6%), plans emphasis is making profits every year as a major objective (by 70.6%), the union prepare budgets every year (by 82.4%), financial budgets are from plans of the union (by 73.5%), financial budgets are prepared to ensure the union makes profits every year (by 76.5%), budgets are also prepared after consulting the members (by 76.5%), budgets are evaluated periodically to ensure that the union makes profit (by 73.5%), and the plans and budgets are receive every six months (by 58.8%). Effective financial planning provides reasonable assurance regarding the financial resources of NGCU Ltd.

2. Findings on how financial planning has helped NGCU Ltd to improve on its liquidity

It indicates that there was better performance; the study further explains that, if better business performance is to be achieved, both to internal and external beneficiaries of the union should always carry out financial planning.

There should always be preparation of cash budgets to monitor liquidity, cash budgets should emphasize on monitoring of accounts receivables, monitoring of clients payables and finally should prepare cash budgets to determine how much to borrow. This event (financial planning) provides clear assurance both to management and stakeholders about the financial status of the company.

Financial planning is most effective when it's built into the entity's infrastructure and attitude of the organization. Financial planning supports quality and empowerment initiatives, avoid unnecessary costs and enable quick response to divergencies thus ensuring liquidity.

3. Findings on challenges faced by the management of NGCU Ltd when conducting financial planning.

The union has been several challenges but unstable price of inputs and outputs when conducting financial planning and this need to be paid more attention so as to enhance the proper financial planning.

5.3 Recommendations

The recommendations in this study are that;

1. The managers and or owners of the union need to ensure that financial planning has helped the NGCU Ltd to increase its profitability. This can be ensured by undertaking courses or training about financial planning and profitability or hiring workers with knowledge and skills in accounting and financial management. The government of

Uganda or the local government or URA or any other support agent or academic institution can organize such training and charge some fees to the participants.

2. The owners, managers and staff of the union should be trained how to prepare cash budget so as to improve on its liquidity. They should monitor and the amount of money that being taken out of the business on daily basis and then carry out an evaluation at the end of every planning period to check on dishonest of the officers. The union should also use cash budget to emphases on the monitoring of accounts receivable and clients payables.
3. There should sensitization about maintenance of proper financial planning by the managers or owners and to engage staff and other members with knowledge in the field of planning and how to handle such plans. Again government or none governmental organizations or universities could undertake such normal task. The union should consider external sources incase internal sources are insufficient when conducting financial planning.

5.4 Areas for further research

Further research need to be carried out on:

1. The relationship between advertising and business performance.
2. The effect of quality management on business performance of cooperative unions
3. The role of cash management to the performance of an organization.

APPENDICES

APPENDIX I

INTRODUCTORY LETTER



Ggaba Road, Kansanga
P.O. Box 20000, Kampala, Uganda
*Website: <http://www.kiu.ac.ug>

OFFICE OF THE HEAD OF DEPARTMENT ECONOMICS AND STATISTICS

3rd April, 2017

TO WHOM IT MAY CONCERN,

SUBJECT: PERMISSION TO CONDUCT A RESEARCH STUDY IN YOUR ORGANIZATION

With reference to the above subject, this is to certify that MR. BALUKU JOCKUS REG. NO. BEC/45405/143/DU is a bonafide student of Kampala International University pursuing a Bachelors Degree of Arts in Economics.

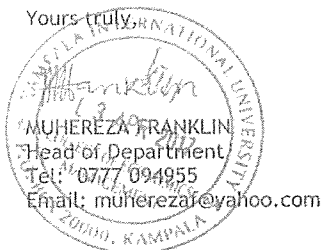
He is currently conducting a field research entitled "Financial Planning and Performance of Small and Medium enterprises in Uganda. A case study of Nyakatanzi cooperative Farmer's Union Kasese District".

This area has been identified as a valuable source of information pertaining to his research project. The purpose of this letter therefore is to request you to avail him with the pertinent information as regards to his study.

Any data shared with him will be used for academic purposes only and shall be kept with utmost confidentiality.

Any assistance rendered to him will be highly appreciated.

Yours truly,



Exploring the Heights

APPENDIX 11

RESEARCH INSTRUMENT

Dear Respondent,

I Baluku Jockus a student of Kampala International University offering Bachelor’s Degree in Economics. As part of the requirements for the completion of the Degree Program, I’m carrying out a study on the topic “financial planning and performance of small and medium enterprises in Uganda, case of Nyakatonzi growers cooperative union ltd, Kasese”. The information you give will only be used for academic purposes. Hence you are requested to answer the questions as freely as possible.

Answering Mode: Tick the appropriate answers or write in the space provided

RESEARCH QUESTIONNAIRE AND INTERVIEW GUIDES.

BACKGROUND INFORMATION

1. Gender

1. Male

2. Female

2. Age of the respondent

1. 20-30 years

4. 51-60 years

2. 31- 40 years

5. Above 60 years

3. 41- 50 years

3. Marital status

Married

Single

Widow (er)

separated

4. Education level

1. Primary 2. Secondary
3. Degree 4. Masters
5. Others (specify).....

5 (I) In which of the following departments do you work?

Accounting and finance	<input type="checkbox"/>
Internal auditors office	<input type="checkbox"/>
Purchasing and logistics office	<input type="checkbox"/>
Management office	<input type="checkbox"/>

(ii) If none of them above, specify.....

6 What is your current position?

Top management level

Middle management level

If none of them specify.....

1. For how long (years) have you been working with cooperative unions

1-5years 5-10years 10-15years Above 15years

8. For how long (years) have you been working at your current position?

0-3 years 3-6 years 6-9 years Above 9 years

2. (i) What is the highest level of education you have so far attained?

Masters degree , Bachelors degree , Diploma Certificate , UACE

UCE PLE

(ii). If none of the above specify.....

SECTION B:

Under this section you are requested to indicate which of the following statements gives your best answer. Please tick according to the following;

SD-Strongly Disagree, D-Disagree, N-Not sure, A-Agree, SA-Strongly Agree,

(i). How financial planning has helped NGCU Ltd to increase its profitability.

Statements:	SD	D	N	A	SA
1. The management of NGCU Ltd always carries out financial planning.					
2. Plans are drawn after consulting the members.					
3. The plans emphasis making profits every year as a major objective.					
4. The union prepares budgets every year.					
5. The financial budgets (FB) are from the plans of the union.					
6. The financial budgets are prepared to ensure that the union makes profits every year.					
7. The budgets are also prepared after consulting the members.					
8. Budgets are evaluated periodically to ensure that the union makes profit.					
9. The plans and budgets are reviewed every six months.					

(ii). How financial planning has helped NGCU Ltd to improve its liquidity

Statements	SD	D	N	SA	A
1. The management of NGCU Ltd always carries out financial planning to help in improving its liquidity.					
2. The union always prepares cash budgets to monitor its liquidity.					
3. The cash budget emphasizes the monitoring of accounts receivable.					

4. The cash budget emphasizes the monitoring of the clients loans and outstanding bills payables.					
5. The cash budget helps the union to determine how much and when to borrow.					
6. The cash budgets helps the union to determine when and how much to pay.					
7. The cash budgets helps the union to know when it has no cash vs. how much is to be expected to be paid					

(iii). Challenges faced by the management of NGCU Ltd when conducting financial planning.

Statements	SD	D	N	SA	A
1. Lack of staff with required skills and experience in financial planning.					
2. Low literacy rates of the majority of members of the union.					
3. Lack of proper evaluation and review of financial budgets.					
4. Insufficient financial resources to execute the plans of the union.					
5. Unstable prices of outputs and inputs					

SECTION C: Other comments you may need to make.

8. Comments on how financial planning should be used to increase the profitability of the union.

(i).....

(ii).....

(iii).....

9. Comments on how financial planning can help to improve the liquidity of the union.

(i).....

(ii).....

(iii).....

10. Comments on challenges faced by the management of NGCU Ltd and how these can be reduced.

(i).....

(ii).....

(iii).....

APPENDIX 111
RESEARCH BUDGET

ACTIVITY	AMOUNT
Proposal typing and printing	100,000/=
Photocopies of questions to respondents	25,000/=
Data analysis by the programmer	30,000/=
Bought a flash disk	20,000/=
Binding a proposal	45,000/=
Binding the research dissertation	80,000/=
Total	300,000

APPENDIX IV
TIME FRAME WORK

ACTIVITY	TIME
Proposal writing and data collection	Jan-March
Data analysis	March- April
Report writing	April-May
Corrections and Submission	Mid- May

