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SCHOOL OF BUSINESS
DEPARTMENT OF ACCOUNTING AND FINANCE

**THE IMPACT OF FINANCIAL MANAGEMENT PRACTICES ON THE
PERFORMANCE OF METHODIST CHURCH GHANA, KUMASI DIOCESE**

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DECLARATION

We declare that this work is our original work and all sources of materials used for the research paper have been duly acknowledged. I further confirm that the work has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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SUPERVISOR'S DECLARATION

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on supervision laid down by Christian Service University College.

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ABSTRACT

Even faith-based organisations now need to demonstrate transparency and accountability in the management of resources entrusted to their care by members due to the fast-paced nature of the modern world and the influx of high-quality information that defines and informs people's critical attitude and approach to life.

The Kumasi Diocese was used for this study to evaluate the Methodist Church of Ghana's financial management practices and how it affects their financial performance. The Methodology used is a descriptive research approach. The target population of this research are 10 selected churches in Kumasi, Ghana with 100 respondents. The study targets the pastor, steward in charge of finance, the accountant or treasurer and two members of the finance committee of these churches. Purposive sampling technique was used to select respondents who are actively involved in the financial management. Questionnaires were used as the main tools of data collection, where primary data was collected.

The findings revealed that the Methodist Church Ghana have a robust financial management practice system in place to prevent mismanagement and misuse of church funds. The Church's Accounting Policies and Procedures Manual contains instructions that guarantee best practises in stewardship, accountability, consistency, and transparency.

However, there were a few challenges which they encounter with the implementation of the financial management practices.

The report recommends proper and regular financial training led by qualified resource persons to help leaders comprehend church regulations and instil in them appropriate current financial management abilities. Church leaders should also assist churches who lack the necessary staff, like as accountants, to oversee their financial responsibilities in the recording and production of their accounts. This study also suggests that the church maintain consistent financial management policies and also make sure they are well implemented.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

It has been determined that the church is the biggest and one of the most important groups in the world (Harris 1990; Booth 1993). By 2050, it is anticipated that there will be 3 billion Christians worldwide, or around 2.3 billion of the world's population (Pew Research Centre, 2017). In Ghana, 71.3% of people identify as Christians, according to the national census of 2023. (Ghana Statistical Service, 2023; World atlas, 2023).

Effective management of a church's financial resources is essential for the organization to succeed in today's cutthroat environment. The techniques and practices that a company's management use to exercise financial control and accountability are known as financial management procedures. Transactions that have an impact on revenues, expenses, assets, and liabilities should be recorded, verified, and reported promptly as part of these processes. Diamond and Khemani (2005). Systems for financial management are important not only for profit-making businesses, but also for non-profit organizations.

The church is regarded as both a spiritual organism and a human organization, meaning that it combines organizational characteristics with spiritual characteristics to function as both the body of Christ and a human institution (Auken & Johnson, 1985). The local church needs both spiritual and organizational management strategies because of this special dual character to enable proper administration of its personnel and financial resources.

As a result, many churches are starting development initiatives in their neighbourhoods and even at the national level (Mpesha, 2003; Amoah & Gyimah, 2014). They also make investments in the social and psychological requirements of their members. Hence, the church has steadily evolved into a collaborator in all communities' growth. The church needs money in order to carry out these tasks.

Members, donor organizations, and the general public all contribute to the church's financial support (Lightbody, 1999; Gruber, 2004; Ahiabor & Mensah, 2013; Mitchell, 2015). So, it is necessary to give credit where credit is due to the funding sources for the usage of monies.

A church without an adequate system of accounting, auditing, and reporting its financial resources lacks the moral authority and justification to receive and use contributions from its membership.

There have also been plenty of financial scandals. After admitting to stealing \$1.3 million from his Darien, Connecticut, church, Rev. Michael Jude Fay was given a 37-month prison term in 2007 (New York Times, 2006). Also, Prince Dzah, a co-pastor at Winners Chapel International in Aflao, was detained for taking GHS 18,000 from the place of worship (Ghanaweb, 2013). The establishment of a reliable and efficient financial management system is essential for the survival of the church and the control of reputational concerns related to fraud and poor management. Through the provision of trustworthy financial data, protection of the church's assets and records, evaluation of operational efficiency and control through a budget, and promotion of adherence to established policies and regulations, the presence of a strong financial management system helps the church achieve its goal (Hayles, Wallage, & Gortemaker, 2014).

Church leaders are commanded by God to be good stewards of the resources entrusted to their care in order to fulfil the mission and vision of the church, just as management of financial and other resources is essential in the attainment of organizational goals and objectives in profit-making institutions. The practice of management is not new. It traces back to the Garden of Eden, where God designated Adam as the guardian of all its riches as well as those of the entire planet. Genesis 2:15. An effective money management strategy shows good stewardship.

Cash management, investment management, internal controls, and accountability are the primary financial aspects of the church that have drawn the attention of scholars (Leach, 1960; Laughlin, 1988; Harris, 1990; Booth, 1993; Gruber, 2004; Agyei & Kusi, 2006; Shaibu, 2013). These

elements cover everything from how to manage monies even before receipt to how to inform stakeholders about usage. The identification of each element enables a thorough understanding of the organization's entire financial management system, providing a more trustworthy depiction of the calibre of the management of financial resources.

1.2 Statement of problem

Delivering spiritual and social values to members and society at large is part of the church's mission, and it is impossible for the church to carry out this mission without facing significant financial difficulties.

Many research have been conducted worldwide to better understand the distinctive management practices of the church (Leach, 1960; Laughlin, 1988; Harris 1990; Booth, 1993; Gruber, 2004; Agyei & Kusi, 2006; Shaibu, 2013). The majority of these studies haven't succeeded in providing a thorough understanding of how multiple financial management practices affect the financial performance of the church; instead, studies were done on just one financial management practice and yet, researchers base on just that single financial management practice to conclude that effective financial management is necessary for the efficient operation of the church. This paper closes that gap by examining multiple financial management practices in the church and how it affects financial performance.

Also, that non-profit organization's financial management should follow industry best practices. Studies on Ghana's Methodist church's financial management methods are scarce. Safo-Kantanka (2012) conducted a study on private investments made by churches, which included the Methodist Church, however the study's main focus was on private investments made by the church rather than multiple financial management practices that complete financial management system. The spiritual health of the congregation and soul-winning are the church's primary missions, however it is crucial to note

that these duties cannot currently be adequately carried out while the church is not financially stable.

1.3 Research Objectives

The general objective of the study is to assess the financial management practices of the Methodist Church Ghana, Kumasi diocese. The measures put in place by their financial management system to ensure financial control and accountability. The contribution of the practices to efficient and effective stewardship behaviour and performance and also to determine the relevance of the financial management practices in today's world. The specific objectives of the study are:

1. Various financial management practices in the church
2. Challenges in adopting financial management practices in the church
3. Impact of financial management practices on the financial performance in the church

1.4 Research Questions

This research seeks to find answers to the following question:

1. What are the various financial management practices in the church?
2. What are the challenges involved in adopting financial management practices in the church?
3. What is impact of financial management practices on the financial performance in the church?

1.5 Scope of the Study

The scope of this study is limited to Methodist Church Ghana, Kumasi diocese (10 selected branches).

1.6 Significance of the Study

To complete a prerequisite for the Bachelor of Business Administration (BBA) accounting qualification, this research was done. But, we expect that it will be extremely helpful to future academics, practitioners, and policy makers in developing the country's necessary regulations for financial management in churches. As a result, it will be useful to assess the current system in light of the findings and design new policies to adopt and adapt to more contemporary, effective, and efficient methods. By implementing measures to ensure accountability and fidelity in the church's financial management system, the study's findings, if adopted, will help church financial managers, accountants, treasuries, and others better understand the necessity in and need to improve their financial management systems. The ability to comprehend how their church is doing financially, identify problems that require attention quickly, make educated decisions about their finances and how they are managed, and lower the incidence of financial scandals in the church would also be helpful to church leadership and members.

1.7 Organization of Study

This study is presented in five chapters. Chapter one gives the background of the study, identifying the problems in literature it seeks to solve hence its purpose. It lists the research questions and objectives, whilst determining its significance. Chapter two attempts to create a clear picture of the conceptual and empirical framework on which the study is based, approach establishes the framework for a comparison of the study's findings. Chapter three describes the methodology of the study, whilst chapter four is a presentation on the analysed data and findings. Chapter five summarizes the findings of the study, conclude and provide recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature related to the subject's scope. It contains theoretical foundations, conceptual framework and empirical research on financial management practices in the church, which highlights the challenges in adopting these practices and its impact on the financial performance in the church.

A few hypotheses are evaluated by the theoretical foundations, which also emphasises the importance of and pressing need for comprehensive financial management in the church. The empirical review focuses on the elements of financial management and examines a number of studies conducted in the area.

2.2 Theoretical review

After the collection of data, the theory of stewardship was one major theory which proved to be very instrumental in explaining the objectives of the study and the results obtained.

2.2.1 Stewardship theory

Stewardship theory, which was developed as a supplement to agency theory (Donaldson & Davis, 1991), explains that people are inherently motivated to work for other people or organisations in order to fulfil the tasks and obligations that have been assigned to them.

According to this theory, people are more pro-organizational and collectively minded than they are individualistic, and as a result, they seek to achieve organisational, group, or social goals since doing so makes them feel happier. Therefore, stewardship theory offers one framework for describing the drivers of managerial action in diverse organisational kinds.

As long as their actions are within the parameters of the constitution or policy they are operating under, theorists contend that managers will go above and beyond to advance the organization's agenda at the expense of their own narrow interests. Unlike the claims of agency theorists who contend that managers and shareholders goals always diverge and that managers only desire to serve their personal interests, it is thought that managers in themselves are motivated to achieve set goals and maximise shareholder profits (Davis and Donaldson 1991).

It is practically difficult for the steward and principal's goals to constantly coincide. However, those who are given priority as the steward focuses more emphasis on achieving the organization's overall goals. He is therefore regarded as trustworthy because of his "organizationally centred" behaviour (Davis, Schoorman, & Donaldson, 1997). The steward is not to be viewed as a person who has no personal interests, according to Davis et al. (1997). The steward acknowledges that his aim is ingrained in that of the 18 organisations and that organisational goals supersede his own. Thus, if the organisational goals are achieved, his personal ambitions will likewise be reached. According to this notion, the organisation can spend less money on administration and monitoring of additional controls meant to ensure performance because the steward is essentially achieving his own goal while he accomplishes the organization's goal.

In relation to financial management at churches, the theory suggest that church leaders entrusted with the financial care and control of the church's financial resources must ensure that the resources are used for the intended purpose and to the good of those who entrusted them into their care, according to this theory. Given recent Church financial scandals, the theory has been introduced to support this research.

Since church leaders and cash managers are shepherds and stewards who are accountable for both the church's human and financial capital, the theory is thus extremely relevant in explaining why this idea is so crucial. A powerful outreach ministry is energised by monetary stewardship,

and it also aids individual Christians in developing and upholding positive relationships with money and material possessions in their own lives (Waters, 2011). Thus, good stewardship of all resources—not just financial ones—entrusted to the care of church leaders can act as a guide for individual church members to be good stewards of their own resources.

2.3 The Methodist church of Ghana and Hierarchy

One of the biggest mainline churches in Ghana is the Methodist Church Ghana, which has locations all over the world. It belongs to the larger Protestantism category and traces its roots back to the missionary work of the Methodist Church in Great Britain, which was launched in 1835 with the arrival of Joseph Rhodes Dunwell. The 38th Annual Conference of the Methodist Church of Ghana, which took place in Koforidua from August 18 to 25, 1999, changed the ecclesiastical polity of Ghana's political system and converted it to the Episcopalian faith. For the numerous churches that use the episcopal form of church government, modifications have been made. The general goal, however, is that the Church is divided into Dioceses that are led by Bishops, with a Presiding Bishop serving as the Church's supreme leader in the case of the Methodist Church of Ghana. He oversees the pastoral and spiritual oversight of the entire church and serves as conference president in addition to being the top servant-pastor. In the church's interactions with other churches, he serves as the main spokesperson and representative, and his title is "Most Reverend. "The vice president of conference is the Lay President. He or she aids the presiding bishop in providing the church with leadership. Non-pastors (who are full members) are chosen by the Connexional Lay Movement Council to serve as the lay president. He or she preside over the representative session of the conference and the conference boards in the absence of the presiding bishop and, in cooperation with the administrative bishop, makes decisions that have an impact on the overall welfare of the church.

As conference secretary, the Administrative Bishop is responsible. He or she is in charge of the church's administrative tasks. He or she needs to hold a church ministry ordination. The administrative bishop works with the presiding bishop to see that the conference resolutions are carried out. The Synod elects the Diocesan Bishop, a minister in full Connexion with conference. The chairman of synod is the diocesan bishop, who represents the diocese's presiding bishop. He makes sure that the diocese is in order and under control. He keeps an eye on the morals and loyalty of the diocese's clergy. To make sure the church is running smoothly, he collaborates with the pastors and circuit stewards. In the absence of the diocesan bishop, the diocesan lay chairperson preside over the representative session of synod and performs other duties that synod or the diocesan bishop may specify. The diocesan lay chairperson is a full member of the church who is elected by synod members. The diocesan lay chairperson assists the diocesan bishop in providing leadership to the churches that fall under that particular diocese.

A diocese nominates the Synod Secretary, a minister in full connexion, to conference as a member. In addition to serving on all other committees in the diocese that he or she represents, the synod secretary also serves as the standing committee's secretary. The circuit's lead preacher is known as the Superintendent. He is accountable for preserving order in the circuit. He is in charge of all the pastors working in the circuit. Together with the circuit ministers, the superintendent participates in the circuit's pastoral work and consults with them on issues that concern the circuit. One or more of the societies in the circuit are entrusted to each minister in the circuit as their pastoral duty. The superintendent is in charge of creating the circuit plan with the circuit ministers. The diocesan bishop is the sole person that the superintendent reports to.

The Methodist Church Ghana now ran its affairs after the resolution was passed, although having a shared lineage in terms of doctrinal agreement and consistency of practise. As a result, the Methodist Church Ghana has continued to operate independently from the Missionary Society of the Wesleyan Methodist Church, which gave birth to it. Since then, numerous modifications

have been made to the Methodist Church Ghana's governance structure and doctrinal expression practises. The Methodist Church Ghana is a well-organized organisation with roles for Church officers at all levels of the hierarchy that are clearly defined. The different local congregations that are together known to as Society are at the bottom of the chain of command. The Society level is where the Church conducts all of its religious activities. The next step is the Circuit, where several Societies are in operation under the direction of a superintendent Minister. The Connexional Head Quarters, where the governing Bishop and his council of bishops, directors, and board of directors make important decisions for the management of the church, is located at the top of the pyramid where several Circuits come together to form a Diocese. The flow of authority within the Church is shown in the diagram below:

Figure 2.1 Hierarchy of the Methodist Church



Source: constitution and Standing Orders of the Methodist Church Ghana

2.4 Financial management explained.

Planning for financial management is deciding how goals and objectives will be achieved (Wikipedia, 2019). Projecting the funds needed at each stage to ensure goal achievement is necessary since each target has associated activities, tools and equipment, and human resources with the necessary abilities to support its execution. In practise, it aids in determining how much to invest or spend at each stage, as well as in planning ahead to ensure that these objectives are achieved on schedule. Financial planning is fundamentally based on budgeting and cash

management. The acquisition and efficient utilisation of funds is what Paramasivan and Subramanian (2012) define as financial management. The efficient and effective management of financial resources is further defined as leading, directing, controlling, and planning a firm's resources to maximise value (MSG, 2018). Plans, controls, leadership, and directing are typically derived from the bylaws, policies, or regulations of the organisations or regulators in order to promote effectiveness, eliminate fraud or other wrongdoing, and generally to increase public confidence in the organization's operations while adhering to its stewardship mandate. There is a significant amount of literature on the subject of financial management. There are numerous ways that writers have characterised the subject:

Financial management is defined more broadly by Regobeth (2009) in his "GLISTEN Outreach Seminar Paper," which includes the identification and management of risks as well as the building up (diversification) of a portfolio of financial assets to ensure a steady flow of financial resources in the future.

The article by "wiseGEEK" defines financial management of a church as "involving the development of sound financial processes and procedures, hiring or appointing someone who is skilled at money management to oversee church funds, and adhering to denominational and congregational policies regarding financial transparency" and hits the nail on the head when applied to the topic of this research, which is financial management of churches. The previous definitions indicate that financial management is a crucial component of management for both secular and faith-based or religious organisations, including the church. According to the definition, a church must hire the appropriate staff with the necessary expertise or skills in financial management and make sure that policies and procedures are properly followed in order to maintain transparency in order to ensure sound financial management.

To make sure that effective financial management practises are applied as intended, financial control is a crucial component. Internal control procedures make sure the strategy is carried out

successfully and efficiently while safeguarding the assets of the company. In other words, controls make sure that management acts in the organization's best interests by organising and assisting activities while keeping an eye on the processes. Financial controls encourage trustworthiness, guarantee that all financial actions are accurately reported, and prevent serious misstatements from occurring. When management employs the defined plans and controls to carry out predetermined tactics in order to achieve predetermined goals, this is referred to as leading and directing. As a result, the process entails coordination of the many activities and team motivation while also disseminating information about the policies, goals, and strategies.

2.5 Financial management practices of churches in Ghana

There is an extensive amount of literature on the subject of financial management. There are numerous ways that writers have characterised the subject. Financial management is defined more broadly by Regobeth (2009) in his "GLISTEN Outreach Seminar Paper," which includes the identification and management of risks as well as the building up (diversification) of a portfolio of financial assets to ensure a steady flow of financial resources in the future. Despite being a non-profit organisation, a church can be compared to any for-profit company (Pallock, 1991). For it to survive, its governance, structure, and operations must be handled using effective business management techniques. As a result, "all things must be done decently and in order" because it is "the Lord's business" (NIV, 2011). The majority of churches around the world have their own prescribed constitutions, rules, and operating procedures that are tailored to their needs (United Church of Christ, 2010). To achieve a strong financial management position, the entire management structure of a church must be well-organized. The management structure serves as the organization's general plan's architectural blueprint. The information above demonstrates how crucial a proper management structure is to encouraging sound financial management.

It is crucial to raise money in order to accomplish the church's main objectives, which include the proclamation of the gospel, facilitation of welfare, and encouragement of prayer. These revenues come from a variety of sources, including offerings, tithes, gifts, grants, and other contributions from both members and non-members. The church has used financial management procedures over the years in order to boost revenue generation and control costs (Leach, 1960). This is because they have realised that the church institution and its intended relevance may not be sustainable as observed in Australia without sound financial management (Irvine, 2005). According to Durkheim (1976), the idea of dividing the "sacred"—referring to the religious things—from the "profane"—worldly things, of which financial management is believed to be a part—was by no means widely accepted and has since been shown to be erroneous (Stark, 1999). Diverse aspects of the church's finances, including their nature, source of support, and intended use, necessitate expert and knowledgeable management. Agyei and Kusi (2006) conducted research on financial reporting practises in the Ashanti Region of Ghana and found that only 26.7% of churches maintained accurate records and followed accounting guidelines. Additionally, 67.6% of churches did not inform their members of their financial situation, and 67% of the finances were managed by pastors (regardless of their level of financial management knowledge).

These conclusions were made in order to address mismanagement and fraud, and it was suggested that a separate commission be established to oversee church activities in Ghana. Such problems have been around for a very long time. Before anyone is trusted with the management of funds, Laughlin (1988) suggested that they should have a thorough understanding of the particular and particular procedures and requirements needed to adequately handle church funds. The ultimate goal of a financial model for managing church resources is to satisfy God because in such scenario, we would have demonstrated that we are faithful stewards of God's resources. This is more significant than anything else. However, it's critical to identify the values or

objectives of a church because, in the secular world, a company's value is based on either its capacity for maximum profit or its ability to maximise shareholder wealth. By raising the quantity of anticipated cash flows, accelerating their receipt, and lowering risk, managers in profit-making organisations can increase the value of their company (Brigham, 2010).

This is accomplished in three ways:

1. Investing in financial assets that will produce future cash flows
2. Taking into account the timing of cash flows (earlier cash is preferable
3. Taking into account the investors' level of risk tolerance when making such selections.

These ideas also apply to some, if not all, churches because recent efforts by churches to avoid relying only on member contributions—which is unsustainable—have resulted in church diversification.

2.5.1 Investment decisions

These speak of the sum or percentage of money set aside for investments. Depending on their goals or original design, these investments may have a range of maturities. Long-term investments, commonly referred to as capital budgeting, are anticipated to mature after one year. Working capital management short-term investments typically mature after a year, making them very liquid. The investments may either be used in business investments like guest centres, stores, and other establishments, or in portfolio assets like stocks and bonds (Amoah & Gyimah, 2014).

Currently, some churches are engaging in profitable endeavours like farming and running hospitals, schools, and guest houses. Some people also make financial market investments to generate extra income to support the financial efforts of members. However, because of their moral convictions, those who invest in the market are extremely selective in the investment

vehicles they choose. Churches refrain from making investments in businesses that manufacture alcohol, tobacco, or firearms.

Church leaders will be better equipped to assess their positions and decide whether they are being good stewards if they have a proper knowledge of the purpose of the church. Preaching the gospel for the conversion of sinners and the edification of the saved is obviously the major goal of every Bible-believing church. Other important goals include caring for the underprivileged and ensuring that social and economic justice is extended to everyone through social action. Thus, in order to accomplish such financially motivated goals, strong financial capital must be created. Churches need a lot of financial assistance, thus good stewardship in the church revolves around obtaining enough money to accomplish the organization's goals and making sure the funds are spent responsibly.

The excess of income over expenses is a typical justification for investing, yet this idea is false. Higher-level financial-aware organisations incorporate the deliberate allocation of cash for use in investment possibilities. This will enable the church to achieve its socioeconomic and spiritual objectives (Mpesha, 2003), particularly in light of the possibility that the church's reliance on the traditional sources of inflows (offertory, tithe, and donations) may not always be able to cover all of its demands as they emerge. Christians must employ creative fund-acquisition techniques (Ghanaian Times, 2010). These investments and their potential returns are crucial for the advantages to the church as well as the contribution to society as a whole reflected through increases in Gross Domestic Product (GDP) through taxes.

In order to influence corporate social behaviour, Christian investors in the USA first make sure that their investments are consistent with their values and that they may utilise their positions and influence to do so (Denver Post, 2013). This is evident at Walmart, where several staff members have indicated that they joined the company because they have strong pro-family and pro-gender equality ideals, which are ingrained in the organisation as a result of its Christian

founder Sam Walton (The Harvard Gazette, 2009). The scope of investments, the management structure of investments, and the use of investments, including returns, are the key areas of interest.

2.5.2 Internal Control and Accountability

These refer to the laws, regulations, and practises established to protect the accuracy of financial data and avoid material misstatements. Gaining the confidence of donors and stakeholders is essential. Internal regulate Systems are essential to monitor, manage, and regulate the church's operations in order to uphold good ethics and good governance as corruption and financial mismanagement have become rampant in the church in recent years. According to Emile (1990), an internal control mechanism is "the entire system of controls, financial and otherwise, established by management to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policies, safeguard assets, and secure to the extent possible the complete usage and accuracy of the records." The strategies, techniques, and procedures an organisation uses to fulfil its missions, aims, and objectives are represented by internal control. According to Tanui et al. (2016), these controls also act as the first line of defence in protecting assets and preventing or identifying mistakes, fraud, waste, abuse, and mismanagement.

Internal controls make sure that the churches' activities and operations follow established procedures and that their corresponding financial depiction in the financial statements is accurate and reasonable. This indicates that there is a high level of accountability and that the information provided is accurate and a true reflection of how money was raised and used. To maintain an efficient internal control system, five key factors are typically taken into account (Kaplan Financial Knowledge Bank.)

The term "control environment" refers to the rules, framework, practises, and guidelines that support or serve as the basis for implementing internal controls. These comprise, among other things, boards of directors, trustee boards, policy statements, and rules.

The systems set up to identify the numerous risks that are expected to be encountered based on the defined objectives and how the organisation strives to prevent, minimise, or manage these risks are referred to as risk assessment.

The actual control processes outlined in the frameworks and regulations that the organisation would implement to ensure compliance are referred to as "control activities."

Information and communication refers to the methods used by management to make sure that all staff members and stakeholders are aware of these rules and their ramifications.

Systems put in place to monitor and assess the internal control procedures are referred to as monitoring.

Accountability is one of the pillars of financial management in churches. According to Ebrahim (2003), this concept frequently defies precise definition. The upkeep of the congregation's trust and financial support depends on accountability in the church context. According to Fishman (2007), accountability in this context is "the process by which assets devoted to charitable purposes are put to their proper purpose and information about their use is made available."

While there is a clear answerability to shareholders in profit-making institutions, this is not the case with churches. Accountability in churches can be quite challenging, particularly if they are not registered and lack a defined mission and vision.

Any organisation, including the church, should be accountable to its stakeholders, including beneficiaries, for how its resources are used and its accomplishments. Everyone with a stake in the matter has a right to know how their money was spent and what was done with their power (Matewos, 2018). It is important to note that, given the extensive and varied roles that churches play in contemporary society, these organisations' continued success depends on the members'

trust and confidence in the management of the funds they entrust to them, necessitating the requirement that these leaders be answerable to their constituents.

2.5.3 Cash Management

It is the procedure for obtaining, controlling, and utilising currency. In order to ensure transparency and the ability to see the cash position, it is crucial to match inflows with outflows. Kennett, 2018. Although there are many different cash management strategies, the researcher took into account those developed by Greiff and Ghaffari (2001), who were cited in Nortey (2019), who also created a cash management model for non-profit organisations. Cash management practices entails planning and budgeting, transaction handling and record keeping, asset management and achievement of corporate goals

Planning and budgeting; making plans entails anticipating the future and preparing for it. The planning process outlines the church's goals and objectives. The finance function's primary planning tool is the budget. According to Schneider (1989), the act of budgeting is the formal estimation of the resources that an organisation wants to use for a specific purpose or during a specific time period, as well as the suggested methods of getting those resources. Looking forward and putting plans in place are both aspects of planning.

The church's priorities and goals are outlined during the planning phase. Budgeting is a key planning tool used by the church's financial department. The methodical computation of an agency's anticipated financial outlays for a certain purpose or time period, as well as potential sources of funding, is known as budgeting (Armacost and Schneider, 1989). The Church may utilise a budget, which normally lists the anticipated income and expenses for a specific period. It opens the door for prospective funding to be directed towards particular projects (Ablorh Quarcoo, 2015; referenced in Nortey, 2019).

The budget reflects the mission and vision of the church (Ackert and Church, 2003). The budgeting process enables decision-makers to take into account the financial repercussions of their plans, such as the cost of a programme and the taxes required to pay for it. According to Jin, Lee, and Pollock (2019), when budgets are properly interpreted, they can be used as organisational and planning tools, monitoring mechanisms, and monitoring tools to help local churches achieve their short- and long-term objectives. Additionally, he described the differences between fixed, adjustable, and zero-base church budgets.

Transaction handling and record keeping; handling transactions and maintaining records involves recording financial operations into the appropriate books of account. It consists of the clear and useful recording of ongoing financial actions as well as the depositing of checks, paying of bills, documenting of commitments made by and to the organisation. This duty entails;

1. Appropriate and prompt entry of financial transactions.
2. Prompt deposit of receipts.
3. Timely and correct creation of financial reports.

This is how financial transactions are entered into the appropriate accounting records. It involves depositing checks, paying bills, documenting promises made by the organisation and its members, and capturing continuing financial operations in a way that is both understandable and helpful. This work includes finding the best and most qualified candidates, entering financial transactions on time and in sufficient amounts, receiving deposits right away, and preparing financial reports accurately and on time.

Asset management and achievement of corporate goals; asset management is one of the financial management decisions, in addition to investment and funding choices (Jamieson, Poletti, and Schneider, 2009). When money is set aside for the purchase of real estate, the assets must be managed properly and successfully once they have been acquired. Through the reports that are produced, the finance role ensures that value for money is preserved in a more consistent manner

by keeping track of all property and assigning it a value. By creating important financial measurements, it also helps the company's competitiveness and long-term viability, which all contribute to the achievement of corporate goals. These can be calculated to help management make the decisions needed to address any problems that are impeding the performance of the organisation (Ablorh-Quarcoo, 2015).

However, the role of finance should not be disregarded due to the enormous advantages it offers to every environment, whether it be religious or not. By effectively acquiring, funding, and managing assets, the finance section contributes to the health and growth of the company as well as the health and growth of the economy as a whole (Jemieson & et al 2009).

2.5.4 Church Asset Management

Apart from investment and funding decisions, asset management is one of the financial management decisions (Jamieson, Poletti and Schneider, 2009). When funds are allocated for the purchase of properties, the assets must be handled appropriately and effectively after purchase. The finance role keeps track of all property and assigns a value to it, ensuring that value for money is preserved in a more consistent manner through the reports that are issued. It also aids in the achievement of corporate objectives by establishing key financial metrics, as well as the competitiveness and long-term viability of the company. These can be calculated to assist management in taking the necessary steps to address any negative aspects that hinder the organization's performance (Ablorh-Quarcoo, 2015). However, because of the immense benefits it brings to every environment, whether religious or non-religious, the finance role should not be overlooked. The finance unit contributes to the firm's vitality and development, as well as the vitality and growth of the economy as a whole, by efficiently purchasing, funding, and handling assets (Jemieson & et al 2009).

2.5.5 Advantages of good financial management.

According to Regobeth (2009), sound financial management:

1. Ensures efficiency in resource mobilisation.
2. Ensures efficiency in resource use.
3. Builds a positive cash flow.
4. Permits core functions to be carried out immediately.
5. Reduces debt accumulation.
6. Ensures the achievement of the organization's goals.
7. Brings happiness to the individual or members of the organisation.

2.6 Challenges of financial Management practices in Ghana

It is crucial to raise money in order to accomplish the church's main objectives, which include the preaching of the gospel, facilitation of welfare, and encouragement of prayer. These revenues come from a variety of sources, including offerings, tithes, gifts, grants, and other contributions from both members and non-members. Agyei and Kusi (2006) conducted research on financial reporting practises in the Ashanti Region of Ghana and found that only 26.7% of churches maintained accurate records and followed accounting guidelines. Additionally, 67.6% of churches did not inform their members of their financial situation, and 67% of the finances were managed by pastors (regardless of their level of financial management knowledge).

These conclusions were made in order to address mismanagement and fraud, and it was suggested that a separate commission be established to oversee church activities in Ghana. Such problems have been around for a very long time. Before anyone is trusted with the management of funds, Laughlin (1988) suggested that they should have a thorough understanding of the particular and particular procedures and requirements needed to adequately handle church funds. The church encouraged devoted members who were prepared to take control of the financial

management processes in an effort to improve financial management (Irvine, 2005). Other issues include bureaucracies and church boards that are unwilling to approve business decisions that would increase profits and make the company more competitive. Amoah and Gyimah (2014) advised taking into account portfolio investments, getting financial management assistance, and finding a balance between the church and its company, both of which depend on profits to survive.

In order to keep the "sacred" from impure practises, Boothe (1993), like Laughlin (1988), agreed that the clergy and occupational members should be given financial responsibility. They held the opinion that the advancement of the church's primary objectives might be hampered by the hiring of professional administrators, particularly those who are not church members (as is typical today). According to Kluvers' study (2001), the choice to hire outside professionals or occupational members may be influenced by theological differences. It was discovered that congregational governance, or church member governance (which is visible in today's charismatic church), increased the likelihood that employees would adhere to local religious regulations. Due to the members' participation in governance, this would consequently eliminate discrepancies in principles. In conclusion, it has been demonstrated that employing high-quality management techniques and hiring qualified staff will boost business performance (Huselid, 1995).

The acquisition of such money must be addressed once the financial managers have been chosen because they are useless without the necessary funds to manage. As was previously said, there are numerous sources of funding for churches. Money is given from different sources for a variety of reasons, including a dedication to goal achievement (Laurie & Larry, 2008), avoiding the negative effects and bad habits of wealth accumulation (Martin, 2009), and a feeling of empowerment (Devaka, 2012), among others. Mitchell (2015) noted the ongoing adoption of financial management practises by non-profit organisations (NGOs) over time. These could be

primarily attributed to the rising expectations of donors and society at large for NGOs to adhere to the set finance and disclosure standards.

Additionally, it was thought that because financial management procedures were static in contrast to the dynamic outside environment, they would stifle the church's expansion. It was discovered that non-profit organisations (NGOs) that were not financially tight were able to adapt their activities to the changing environment and thereby endure. They were so urged to improve their methods for managing their finances and increase their financial capabilities. Those that were discovered to be financially frugal did so because they believed it to be more moral. However, unfavourable economic conditions do not respect virtue, so they were also counselled to increase capacity.

With a focus on the Kumasi Diocese, Nortey (2019) evaluated the Methodist Church of Ghana's financial management system. The study primarily looked at the system's effectiveness, efficiency, and mechanisms for ensuring financial accountability and control.

Surveys and an interview guide were used by the researcher as part of a descriptive design for data collection. According to the report, the Methodist Church currently uses a new financial management system that performs better than the previous one. However, its implementation is quite difficult and necessitates a high level of expertise in order to realise the church's vision and mission. This indicates that even while the new accounting policies and processes are generally effective and beneficial, more focus and highly qualified employees in the field are needed to assure their full realisation. The study came to a conclusion and made the suggestion that the Methodist Church Ghana offer additional training sessions and workshops for its cash management units so that they can become more familiar with the cash manuals and accounting rules and procedures for simple operation.

2.7 Empirical Review

The foundation of empirical review is seen and quantified phenomenon. This idea clarifies that knowledge comes from actual experience rather than from theory or belief. Practically speaking, an empirical review is set up to respond to particular research queries in a research study. As a result, it helps the researcher discover solutions to problems. Studies on financial management practises among churches have been conducted on a national and international scale utilising a variety of methodologies over the years, and the majority of these studies were based on the individual results on the topic that are discussed here.

Amoah and Gyimah (2014) conducted a case study of churches in Ghana's Ashanti Region's Kumasi Metropolitan Area, examining the broad categorizations of Christian Council (Anglican, Methodist, Presbyterian, Assemblies of God, and Baptist) and Catholic churches, respectively. The goal of the study was to ascertain the demand for and utilisation of investments as well as the management and operationalization of these investments while taking any potential difficulties into account. They found that churches conducted more business than they did portfolio investing. These companies include those in transportation, bookstores, lodging, publishing, and hostels. Small-scale operations were used to run the selected enterprises.

A few churches had boards that were specifically tasked with managing these corporate interests. As the businesses without such boards would have to wait for the church's board meetings to table certain concerns, this encouraged bureaucracy and delays in decision-making. As a result, since accounting and record keeping were not strictly practised otherwise, a favourable association between professional degrees and effectiveness in financial management practises was established. The absence of these procedures encourages fraud, wasteful spending, and theft. The opportunity to aggregate those revenues and reinvest them into other church projects, including constructing schools and funding the operational costs of the church, is one financial

benefit from such investments. The provision of employment, addressing societal issues, and offering discounted or even free services to the church are examples of non-financial advantages. The church is seen as a charitable organisation that doesn't pursue financial gain, according to Ritchie (2011). As a result, they are hesitant to take actions that could paint them as organisations that only care about making money. As most employees are church members, there is an excessive amount of trust placed in them, which can lead to theft and poor management.

Mpesha (2003) highlighted the scope of the church's assistance in Tanzania in his research on microcredit financing. He acknowledged the church's function as the country's developmental partner as they carried on Muhammed Yunus's (the inventor of microfinance) legacy. The goal of Mpesha's study was to comprehend how such investments were managed and their results. The goal of the investments in microcredit was not merely to offer money; it was to do so to the really poor so they could participate in productive activities and go on to participate in other economic activities like employment, paying taxes, etc.

This is consistent with the goals set by the Grameen Bank in 1974, which were to provide financial assistance to the underprivileged and end their exploitation. The paper discusses the difficulties Amoah and Gyimah (2014) have in finding a balance between the spiritual and the material. This is due to Mpesha's conviction that in order to treat spiritual issues, one must also attend to people's physical needs. In essence, the church is accomplishing all of its objectives, even its spiritual ones. Mpesha discovered that the churches under investigation thought that getting a stake in enterprises would make it simpler to spread the gospel and its teachings since there would be a ready platform accessible. Thus, the platform created by the microcredit financing can be used to advocate for the spiritual and ethical qualities that the church wants to promote.

Churches are more readily accepted and used because people trust them more in general. This is explained by the perception that the church holds of itself as a tireless advocate for others

(Ritchie, 2011). The project offers employment opportunities as well as opportunities for the church to work with the recipients on financial literacy initiatives. The desegregation of church (sacred) and other 'unsacred' tasks has been regarded as the key difficulty or the main point of disagreement among other researchers (Laughlin, 1988). The church consistently supports the government as a development partner and other facets of society (Mpesha, 2003; Ritchie, 2011); as a result, it should be exempt from taxes to encourage continued contributions. Contrary to the claim that the church always works sacrificially to advance welfare, it must be understood that churches are organisations and that they, like any other, must take measures to survive in the market. As a result, churches start businesses with the intention of making the most profit possible.

In 1997, The Times Magazine estimated that the Latter Day Saints' (LDS) current assets were worth 30 billion US dollars. Its worth was positioned there to be at least in the middle of Fortune 500 businesses. The Catholic Church was said to have a real estate portfolio of millions of dollars in 2005 and an income from investments of roughly 55 million US dollars in 2006.

The church faces dangers just like any other company. During 2008, it was seen that Catholic Church suffered its first loss in four years as a result of a drop in the value of the US dollar relative to the euro. This illustrates the necessity for the church to employ specialists in order to run operations efficiently and reduce hazards. According to reports, the Evangelical Lutheran Church earned \$1 million in rent annually and \$1.6 million in investment income in 2009. In 2016, the Church of England handled investable assets of roughly 7.9 billion pounds, with a 17% return (The Guardian, 2017). This demonstrates the need for the church to hire expertise in order to operate profitably and minimise risks. The Evangelical Lutheran Church reportedly made \$1.6 million in investment revenue and \$1 million in rent each year in 2009. The Church of England managed 7.9 billion pounds worth of investable assets in 2016, generating a 17% return (The Guardian, 2017).

In the Kumasi Metropolitan Area of Ghana's Ashanti Region, Amoah and Gyimah (2014) examined the various categorizations of Christian council (Anglican, Methodist, Presbyterian, Assemblies of God, and Baptist) and Catholic churches. The study's objective was to assess the demand for, application of, and operationalization of investments while taking into account potential challenges. They discovered that churches were less interested in investing in portfolios and more interested in business. These types of enterprises include those that provide transportation, bookshelves, lodging, printing presses, and hostels, to name a few. The list included small-scale enterprises. A few churches established boards whose main duty it was to manage these commercial assets. Due to the need to wait for church board meetings before raising such issues, businesses without such boards experienced greater bureaucracy and delays in decision-making. As a result, a link was established between professional training and efficiency in previously loosely practised financial management duties like accounting and record keeping. The absence of certain regulations encourages financial fraud, poor management, and theft.

Ahiabor and Mensah (2013) performed a survey in the Greater Accra Region of Ghana in order to assess the available procedures and ascertain the efficacy and independence of internal control. The occurrence of embezzlement and improper handling of church funds, which cast doubt on the assertion that internal control systems are in place, served as the impetus for this investigation.

In comparison to profit-driven businesses, it was often seen that churches lagged behind established financial management practises and internal control. This broad conclusion was consistent with Laughlin's study from 1988, which found that accounting procedures should not be prioritised as a primary part of church operations but rather should be considered as an additional tool. The trust placed in the personnel since the majority of them were churchgoers was one of the primary causes of the inadequacy of financial systems. The majority of givers

were also less concerned with how the money they donated was managed or used since they were more focused on the benefits of giving than anything else.

This runs counter to the notion that donors will only finance organisations they are certain will use their donations for the purposes for which they were intended and will administer them in conformity with accepted practises (Mitchell, 2015). The goal of the study was to identify the existence of internal control rules and procedures as well as their independence and effects. However, because they divert attention from the management of the church's "sacred" mandate, these ideas are seen as being irrelevant by the leadership (Laughlin 1988). In his analysis of a few Pentecostal churches in the Ashanti Region, Shaibu (2013) recommended regular reconciliation of the offertory with the bank as well as the use of purchase orders to help track cash transactions and encourage transparency.

In order to support the presentation of a genuine and fair financial report, Irvine (2005) emphasised and advocated the significance of internal controls and accountability to support ongoing management reviews and detection of crises or the sources of such crises. Shaibu (2013) outlined the various levels of church controls and drew a connection between internal controls and finances. Given the strengths and weaknesses evident in various aspects of control, it was challenging to rank the various churches as strong or weak in their adaptation and application of internal controls. Additional recommendations included ongoing oversight, task separation, authorization, and transaction recording.

In order to improve the efficiency of financial management through internal control systems in Protestant churches in Kenya, Tanui, Omare, and Bitange (2016) conducted a study. The ongoing church scandals and the false belief that church leaders could not commit crimes served as the inspiration for this study, as they did for earlier ones. Adopting internal controls serves as the church's first line of defence as corruption has seeped into it and is steadily spreading. Out of the five components, it was discovered that only control activities were present in the churches. This

is consistent with Laughlin (1998), where the church disregards internal controls and labels them as inconsequential. Internal control systems and financial management were shown to have a good association, with Mitchell (2015) finding that there is believe in sufficient management but that internal control is not one of the primary methods used for this.

Agyei-Mensah (2016), like Mpesha (2003), emphasises the crucial function the church serves as a catalyst for growth. This is demonstrated, among other things, by the construction of hospitals, schools—the majority of which are referred to as "mission" schools," schools," and portable water stations. The significance of the church suggests that all of its operations, particularly the financial ones, should be given careful consideration. The Lord must always come first in whatever we do, not others (NIV, 2011). This is a different perspective from Laughlin (1988), who held that accounting practises were not relevant and were only used in primitive ways. In 86 Methodist societies in Kumasi, Ghana, the study examined internal control procedures and financial accountability. These societies make up 75% of all societies.

It is impossible to overstate the significance of the church's continued existence (Mpesha, 2003; Ritchie, 2011). Money is required for the church to continue performing its crucial role in society. If poor financial management practises are used, the church may become so depleted that even its 'sacred' functions cannot be carried out. The argument that the church lacks money despite having access to all of the resources is one of the driving forces behind this study. It is challenging to evaluate the current state of the church in Ghana and develop and execute strategies to address its problems because there aren't enough studies in this field, unlike other nations like Canada, Australia, and the UK.

This research aims to close that gap. Christians are supposed to manage God's resources as good stewards and to be held accountable to the letter, much like Joseph in Potiphar's house (NIV, 2011). According to the study's findings (Agyei-Mensah, 2016), it is crucial to create a culture of record keeping since it will provide a solid foundation for accountability. Although the

churches under study had controls in place, they were not effectively used. Because Ahiabor and Mensah (2013) had excessive faith in the workers and did not adhere to the controls exactly, the church's confidence in its control systems appears to be lower than that of those authors.

Mitchell (2015) emphasised that it is only prudent to give the public adequate accounts as money is gathered from them. To improve the recognised situation of the Methodist church, it was suggested that staff members be trained in their respective fields, that jobs be separated, that evaluations be conducted, and that pastors be taught fundamental financial management techniques.

Irvine (2005) used Boothe's paradigm to determine if accounting was sufficiently "secular" to hinder the work of the church in any way. That is, did the "sacred" and "secular" aspects of the church and accounting significantly clash? The purpose of the study was to demonstrate the importance of accounting and how it might assist the church in achieving its objectives, not to merely impose accounting practises on the church. The study examined the opposition that accounting practises encountered in the Australian Anglican Diocese of Sydney over a six-month period. One church was the subject of the study. In addition to observations and interviews with church officials, the financial reports for the previous eight years were studied.

The majority of church officials lacked genuine accounting expertise, but each church in the diocese was required to create an annual budget and raise its own cash in order to cover the stated expenses. This makes the budgetary document highly important to them. They were aware of the financial management tools required to create, administer, and maintain a budget successfully. They recognised the budget as a tool for achieving spiritual objectives. It was determined that accounting was important to the church and wasn't just an annoyance like Laughlin (1988) claimed.

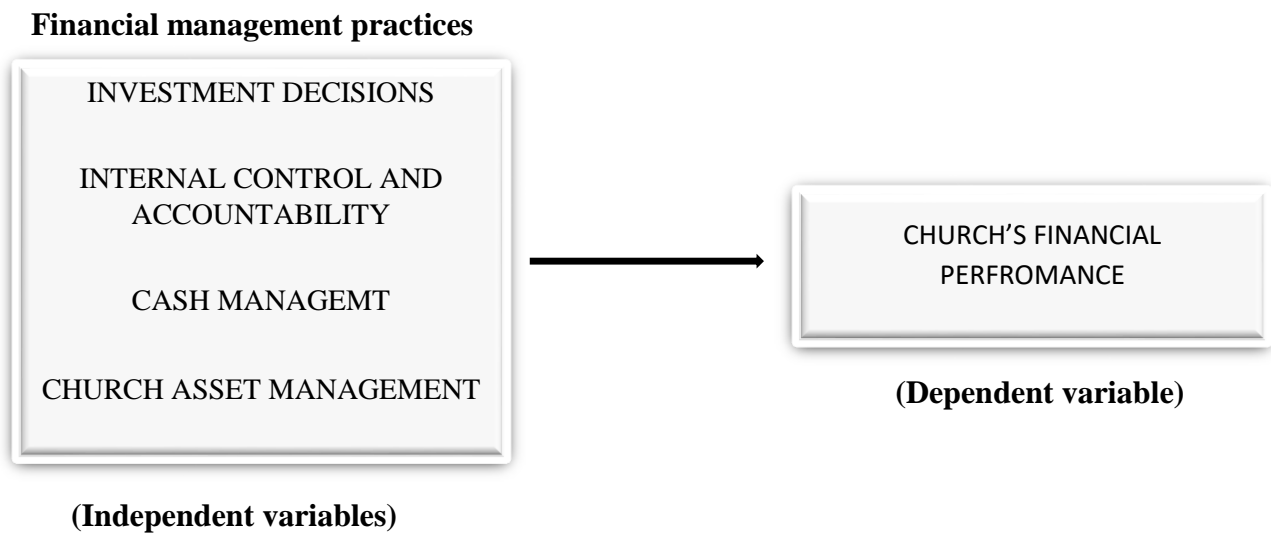
In order to secure maximum output, the diocese would have to think about hiring expert employees to oversee the activities. Internal control quality and the audit committee were found

to have a significant and favourable association (Krishnan, 2005). The size, independence, and experience of the audit committee's members were used to assess its effectiveness. Organisations with high levels of member independence and knowledge were found to have less issues with internal control. Internal control also improves the accuracy and reliability of financial reporting. The Legon Interdenominational Church's cash management, investment management, internal control and accountability mechanisms were evaluated using data collection tools like interview guides, observations, and document reviews by Akotia (2019). Analysis was conducted using the McKinsey's 7S model, and it was demonstrated that the church's financial strength is evidenced in professionally trained staff, a good records-keeping culture, and a good brand name with regards to financial matters. The church does, however, encounter several difficulties, most notably a lack of a useful guidebook and unstructured hiring procedures for the COE. This indicates that even while the church is excellent at managing its finances, it lacks formal tools like accounting manuals and appointment protocols and processes. All financial management practises should be documented for future use, the study recommended

2.9 Conceptual framework

From the empirical review, the factors that influence the performance of churches can be grouped into, proper management of churches resources, care for church members, responsible stewardship, create an inviting atmosphere and encourage recurring gifts to improve church financing.

Figure 2.2 The Impact of financial management practices on the church's financial performance



2.10 Conclusion

Theoretical frameworks and the literature under consideration have shed light on how churches manage their finances in various social and cultural situations. Every organisation needs a financial management system, as highlighted by the adoption of the stewardship theory and the RDT. The reviewed literature also sheds light on the efforts made by churches all around the world to incorporate financial management practices into their day-to-day activities.

The practise of financial management is not a recent phenomenon and can be compared to the accounts in the Bible where Judas was the treasurer and Jesus the finance manager, according to a careful review of the scant literature on the subject. This literature focuses on the financial management practises of selected churches in Kumasi, Ghana. The goal of solid financial management requires the recruitment of a suitable and skilled workforce that will adhere to established processes, policies, and procedures.

Financial management is a crucial tool in the promotion of efficient and effective resource usage. According to the literature, larger churches often provide sound financial management procedures and records. The pastor is the head and is comparable to the CEO of for-profit organisations; as such, he is expected to guide and lead the church, necessitating the necessity

for the pastor to be knowledgeable about finances. Several empirical reviews suggest that church leaders must exhibit openness, responsibility, consistency, honesty, and a strong sense of stewardship to their members in order to maintain their devotion and commitment. Churches must make sure they have effective internal control measures in place in addition to making sure that the finance function is not handled by a single individual in order to prevent or reduce financial fraud and mismanagement. In view of the aforementioned, it is crucial to evaluate the financial management system of Methodist Church Ghana in Kumasi Diocese.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

In this chapter, the primary research techniques used to conduct the study are highlighted. The research methodology outlines the methodical steps that were taken to produce findings that satisfied the study's goals. Additionally, it provides the overarching framework for the investigation. The research design, target population, sample size and sampling technique, techniques of data collecting and instrumentation, and the method of data analysis are all given a lot of attention in this chapter.

3.2 Research Design

A research design, according to Kerlinger (1969), is a technique used by researchers to gather and analyse data in order to respond to research questions or test research hypotheses. A descriptive survey will be employed in this study. A descriptive survey is a technique for gathering data that involves interviewing with or giving a questionnaire to a sample of people (Orodho, 2003). The descriptive survey research is used to characterise a subset or segment of the sampled population. Because only a portion of the population is researched, this strategy saves time and labour.

3.3 Target Population

In research methods, population is the entire aggregation of items from which samples can be drawn (Yin, 2009). The target populations of this research are 10 selected churches in Kumasi, Ghana. The study targets the pastor, steward in charge of finance, the accountant or treasurer and two members of the finance committee of these churches. The 10 churches are carefully chosen based on their location, membership composition and financial contribution to the church.

3.4 Sample size and sampling method

Since it is challenging to include the entire population in a research study, sampling is typically used. Sampling is the process of selecting a group from the target population that is thought to be representative in order to reach a broad conclusion (Marshall & Rossman, 2006). In qualitative research, deliberate sampling is frequently used to find and choose cases with plenty of relevant information on the topic of interest (Patton, 1990). This non-probability method is employed to find and choose individuals or groups of individuals who have particular expertise in or experience with a given phenomenon of interest (Metawos, 2018). In case study analysis, purposeful sampling is a useful method.

In order to undertake this research, the study purposely sampled selected churches from all circuits in Kumasi, Ghana. Purposive sampling technique was used to select respondents who are actively involved in the financial management because not all church members will be able to provide the needed answers to the questionnaire. The churches were selected because they have large congregations' majority of who are educated and occupy important positions in society and thus have a good understanding of financial management practices and systems hence will be able to critically provide the right information needed in arriving at answers to the research questions.

3.5 Data Sources and Instruments.

3.5.1 Primary Data.

The gathering of new information is known as primary research. The persons who are directly active in the church's finance ministry provided the raw data that was used as the main source for this particular research. Pastors, stewards, accountants, and members of the finance committee are some of these people. The information gathered covered a range of subjects, including their overall perceptions of the 10 selected churches' financial management system,

the effectiveness and efficiency of the internal control system in ensuring financial control and accountability, the difficulties encountered during the church's financial management system's implementation, and the system's applicability in the modern era. Interviews and questionnaires were the main tools utilised to gather the primary data.

3.5.1 a. Questionnaire

In this study, research questionnaires with both open-ended and closed-ended questions were used. The combined questionnaire method was utilised to allow respondents to freely contribute to the research without feeling constrained in how they expressed their ideas. Pastors, stewards in charge of finances, church accountants or treasurers, and members of the finance committee all received questionnaires. This is so that they can participate in the church's decision-making process when it comes to financial matters and are actively involved in the church's financial management.

3.6 Method of Data Analysis.

3.6.1 Quantitative Approach

In this study, the target population received questionnaires. For the closed-ended questions, a Likert scale was used, with the options being Agree (A), Neutral (N) and Disagree (D). Respondents were requested to choose the option that best reflected their preferences in order to respond to the study questions about the effectiveness and efficiency of the church's current financial management system as well as how the system has contributed to the achievement of the church's mission and vision.

3.7 Tools for Analysis

To accomplish the research's goals, the data gathered in this study through questionnaires was analysed with Excel and descriptive statistics using the Statistical Package for Social Sciences (SPSS) programme. Using such a package makes it easier to describe how the data are organised, where the mean is located, and how widely they are dispersed from one element of the data to another (Leedy, 1989).

CHAPTER FOUR

DATA ANALYSIS

4.0 Introduction

This chapter of the study presents an analysis of the data, findings and interpretation of the results obtained from the data collected on the field. The first section provides the demographic characteristics of the respondents, as well as the churches' demographics in relation to the respondents. The second section describes the nature of leadership training in Methodist Church, Kumasi diocese. The third section also outlines the leadership assessment of the financial management systems of the church. The fourth and fifth sections present the challenges faced in managing the financials of the church and some suggestions made by the respondents for improvement respectively.

4.1 Demographic Characteristics of Respondents

The information was gathered from a sample of 100 respondents in the 10 selected churches (10 from each church). According to Table 4.1, the respondents' primary demographic features include their age, sex, educational attainment, position in the church, and length of membership. The sample was dominated by men, who made up 74% of respondents, and by women, who made up 26% of respondents. The majority of church leadership is often comprised of men at all levels of the hierarchy, which accounts for the sample's larger male to female ratio.

The majority of respondents (32% of respondents) and 28 respondents (28 of respondents) were between the ages of 40 and 49 and 50 and 59 respectively. The sample largely consisted of adults, as seen by the respondents' average age of around 47 years. This is also typical of the church's overall leadership, as the majority of its members are between the ages of 40 and 60.

53 percent of respondents had bachelor's or diploma-level degrees, according to data on respondents' educational backgrounds. The data also reveals that only one respondent (or 1% of

respondents) had completed their primary schooling whereas roughly 35% of respondents had postgraduate certification.

This indicates that most of the respondents (88%) received tertiary education, indicating that they were largely literate.

In terms of time spent with the church, the respondents had been members for an average of 16 years. The bulk of responders (48%) had been members of the church for over 15 years, suggesting that they were at least somewhat knowledgeable of its financial operations. Only 5% of respondents, though, had been attending the church for under a year

Table 4.1: Demographic Characteristics of Respondents

Variable	<i>f</i>	<i>%</i>
Sex		
Male	74	74
Female	26	26
Age		
Below 30	6	6
30-39	20	20
40-49	32	32
50-59	28	28
60 and above	14	14
Educational Level		
Primary	1	1
Secondary	11	11
Graduate	53	53
Post Graduate	35	35

Source: From field data 2023

Table 4.2: Church related demographics of respondents

Church Demographics Length stay with Church	<i>f</i>	<i>%</i>
Less than a year	5	5
1-5 years	12	12
6-10 years	15	15
11-15 years	20	20
Above 15 years	48	48
Position in the church		
Administrative Officer	22	22
Caretaker	15	15
Church/ Organizational leader	17	17
Finance/ Audit officer	19	19
Clergyman	26	26
No Leadership position	1	1

Source: From field data 2023

Table 4.2 shows the demographics length of stay with church. Majority of the respondents, which is 48 of the respondents (48%) has been with the church for a very long time (above 15 years). 5 respondents (5%) have been with the church for less than a year, 12 respondents (20%) said they have been with the church for 1-5 years, 15 respondents (15%) have stayed with the church for 6-10 years and 20 respondents (20%) have been with the church for 11-15 years.

According to the data above, the Methodist church seems to trust people who have stayed with the church for a long period of time with positions. This explains why majority of the respondents have stayed in the church for more than 15 years.

Also, the table presents the demographics of the respondents with respect to their positions in the church. The data revealed a large pool of leadership positions which were classified into five major classifications as indicated below:

Administrative officers: Society and Circuit Stewards, Property Stewards, Secretaries to leaders meeting and Quarterly Meeting.

Caretakers: Caretakers of nursery (i.e. children which are being nurtured).

Church / Organizational Leader: Leaders of various organizations in the church such as the choir, Singing Band, Men's Fellowship as well as members of the Leaders Meeting, Bible Class leaders etc. Clergy: These are the Resident Ministers, Superintendent Ministers and Diocesan Ministers.

Finance / Audit Officers: Auditors, Finance Stewards for the Society.

The largest proportion of the sample (about 26 percent of respondents) were clergymen, 22 percent were administrative officers, 19 percent were finance/audit officers 17 percent were church/organizational leader, 15 percent were caretakers and the least proportion of positions (1 percent of respondents) held no leadership position in the church.

4.2 Research questions on objectives

Table 4.3: Assessment of Financial Management Practices

Financial management practices	Agree		Neutral		Disagree	
	<i>f</i>	%	<i>f</i>	%	<i>f</i>	%
Receipts are recorded immediately they are received	62	62	20	20	18	18
The church work to develop financial strategies that encourage church members to responsibly donate money to the congregation.	68	68	21	21	11	11
Financial management practices is entrusted with financial committee and treasurer instead of just the clergy.	57	57	5	5	38	38
Accountants are hired to reconcile book of accounts each year	28	28	0	0	72	72
The church takes part in investments	38	38	5	5	57	57
The church reinvest proceeds from investments	35	35	2	2	63	63
There are physical documentation that accompanies checks	72	72	1	1	28	28

Source: From field data 2023

According to Table 4.3, 62 respondents (62%) agreed that receipts are recorded immediately they are received; 20(20%) were neutral and 18(18%) disagreed. This indicates that majority of the respondents record receipts immediately they are received. Majority of the respondents

(68%) agreed that the church work to develop financial strategies that encourage church members to responsibly donate money to the congregation; 21(21%) were neutral and 11(11%) disagreed. This proves the fact that the church develop ways that push their church members to give to the church. 57 respondents (57%) agreed that financial management practices is entrusted with financial committee and treasurer instead of just the clergy; 5 respondents (5%) were neutral and 38 (38%) disagreed. This means that the church does not entrust the financial management practices with the clergy, but rather the competent people who can handle finances of the church. 28 (28%) agreed that accountants are hired to reconcile book of accounts each year 0 were neutral and 72 respondents (72%) disagreed. This shows that churches do not hire accountants to reconcile the books of accounts each year and this is not a good practice. 38 respondents (38%) agreed that the church takes part in investments; 5 respondents (5%) were neutral and 57 (57%) disagreed. 35 respondents (35%) agreed that the church reinvests proceeds from the investments; 2 respondents (2%) were neutral and 63 (63%) disagreed. 72 respondents (72%) agreed that physical documentation accompanies checks; 1 respondent (1%) was neutral and 28 (28%) disagreed.

Looking at the responses from the respondents on the various financial management practices in the church, the church is aware of most financial management practices in the church and practice them.

Table 4.4: Assessment of the Challenges of financial management practices

Challenges	Agree		Neutral		Disagree	
	<i>f</i>	%	<i>f</i>	%	<i>f</i>	%
Financial management policies created are inconsistent	58	58	24	24	18	18
Failure in the implementation of existing policies.	67	67	10	10	23	23
The leaders lack training on financial practices	62	62	12	12	26	26
There is difficulty in creating reserve funds for unexpected expenses	64	64	8	8	28	28
The church do not set aside portion of funds for maintenance and repairs	55	55	11	11	34	34
The church knows no or little knowledge on the tax laws and regulations that comes with it.	83	83	8	8	9	9
Old and no modern technology for keeping financial records	49	49	34	34	17	17

Source: From field data 2023

According to table 4.4, 58 respondents (58%) agreed that financial management policies created are inconsistent; 24 (24%) were neutral and 18 (18%) disagreed. This means that the church face challenges in making financial policies they have created consistent and this makes it hard for it be adopted. This is why majority of the respondents also find difficulties in implementing the existing policies. According to survey, 67 respondents (67%) agreed that failure in the implementation of existing policies; 10 (10%) were neutral and 23 (23%) disagreed. 62 respondents (62%) agreed that the leaders lack training on financial practices; 12 (12%) were neutral and 26 (26%) disagreed. 64 respondents (64%) agreed that there is difficulty in creating

reserve funds for unexpected expenses; 8(8%) were neutral and 28(28%) disagreed. 55 respondents (55%) agreed that the church do not set aside portion of funds for maintenance and repairs; 11(11%) were neutral and 34(34%) disagreed. 83 respondents (83%) agreed that the church knows no or little knowledge on the tax laws and regulations that comes with it; 8 (8%) were neutral and 9 respondents (9%) disagreed. 49 respondents (49%) agreed that old and no modern technology for keeping financial records; 34 (34%) were neutral and 17(17%) disagreed. According to the responses collected, majority agrees to the challenges said to be face by the church who practice financial management and these challenges if not dealt with can distract the effective application of financial management practices to influence the financial performance of the church.

Table 4.4: Effects of practicing financial management

Effects	Agree		Neutral		Disagree	
	<i>f</i>	%	<i>f</i>	%	<i>f</i>	%
Practising financial management significantly reduce the risk of financial problems	88	88	11	11	1	1
Financial management provide more information that helps to manage all aspects of stewardship of resources	69	69	18	18	13	13
Financial management provides more support for those in leadership and management of the church.	64	64	19	19	17	17
Proper financial management practices allows the church provide an attractive environment for church members to confidently give their tithes and offerings.	80	80	13	13	7	7

Source: From field data 2023

According to table 4.4, majority of the respondents agreed that practicing financial management in the church affects the financial performance of the church. 88 respondents (88%) agreed that practising financial management significantly reduce the risk of financial problems; 11 respondents (11%) were neutral and 1 respondent (1%) disagreed. 69 respondents (69%) agreed that financial management provide more information that helps to manage all aspects of stewardship of resources; 18 of the respondents (18%) were neutral and 13 respondents (13%) disagreed. 64 respondents (64%) agreed that financial management provides more support for those in leadership and management of the church; 19 respondents (19%) were neutral and 17 respondents (17%) disagreed. 80 respondents (80%) agreed that proper financial management practices allows the church provide an attractive environment for church members to confidently give their tithes and offerings; 13 respondents (13%) were neutral and 7 (7%) disagreed.

According to survey responses, majority agreed that, practising financial management significantly reduce the risk of financial problems, financial management provide more information that helps to manage all aspects of stewardship of resources, financial management provides more support for those in leadership and management of the church and proper financial management practices allows the church provide an attractive environment for church members to confidently give their tithes and offerings.

In a nut shell, financial management practices are important since they influence the financial performance of the church.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

The major findings discovered from the analysis of data using descriptive analysis include the following:

1. The various financial management practices in the church
2. There are challenges involved in adopting financial management practices in the church
3. There is a positive relationship between financial management practices and the financial performance in the church

This study is evident that financial mismanagement issues in the church have increased recently. When churches are involved in such financial scandals, there are a number of grave repercussions. These events are typically attributable to a lack of or inefficiency in the processes used for financial management to maintain responsibility and control. The goal of this study was to evaluate the financial management practices of Methodist Church Ghana, Kumasi diocese (10 selected church branches) and how it affects their performance as a church.

According to the report, the churches have systems in place for managing finances that are intended to ensure responsibility and control. The system's installation has uncovered several practical issues that their head offices must address for resolution. The data analysis has gone into great detail about these difficulties.

5.2 Conclusion

In conclusion, the churches have a robust financial management system in place to prevent mismanagement and misuse of church funds. The Church's Accounting Policies and Procedures Manual contains instructions that guarantee best practises in stewardship, accountability, consistency, and transparency.

The financial management practices of the churches depend on the honesty of church employees to accurately report and forward funds raised at the various levels of income generating. In other instances, this integrity is compromised when church employees incur cash expenses prior to the recording of generated revenues in the accounting records. Additionally, because the manual's content was not developed in consultation with all parties involved and certain important specifics regarding the calibre of training and trainers, as well as the background knowledge of employees regarding the finances of the Church, are missing from the manual, many workers are not yet familiar with its contents. Additionally, certain employees spend too much time on certain committees, and women and young people with the necessary skills are rarely given the chance to serve in the Church's financial management practices.

5.3 Recommendations

- The report recommends proper and regular financial training led by qualified resource persons to help leaders comprehend church regulations and instil in them appropriate current financial management abilities. To ensure that leaders uphold these values, which are crucial for the smooth operation of the church's financial system, it is crucial to include trainings and seminars on integrity, honesty, transparency, and accountability in the training process.
- Church leaders should assist churches who lack the necessary staff, like as accountants, to oversee their financial responsibilities in the recording and production of their accounts. This will make sure that the church's policies are known and that the proper groundwork is laid for these Societies to follow the policies and directives once they are in good standing and are able to employ the services of qualified individuals.

- The interference of unforeseen occurrences and directives from the church's branches, that entail financial commitments outside of authorised expenditure, should be minimised.
- Since tithes, offerings, and contributions make up the majority of a church's income, which is not 100% guaranteed, churches should create flexible budgets to make implementation simple and lessen the financial load on the congregation.
- This study's data show that some leaders appear to have complete discretion over how financial resources are allocated; for instance bishops are given the exclusive right to decide how funds are spent at that level. This can occasionally encourage the abuse of authority, thus precautions must be taken to make sure that such powers are curtailed but not entirely removed.
- At each level of the church, there should be financial benchmarks that must be met before making any financial decisions. This will cut down on the amount of discretionary behaviour that occurs in the church. This will guarantee effective cash management procedures. These financial thresholds should also contain the cash restrictions.
- This study will suggest that members of committees that oversee finances have their terms of office clearly defined in order to prevent leaders nominated to these positions from holding them for indefinite periods of time, which might have disastrous effects on the church's financial management system.
- An increase in revenue generation will result in a proportional increase in the sums that make up the various percentages under the church's present percentage structure. In order to ensure that members are well-versed in these matters, it is crucial for the church to organise intensive training on donating. Doing so could enhance members' financial commitment, which will help assuring the availability of sufficient cash to support the church's operations.

- It is advised that concrete measures be taken to allocate a specific percentage of leadership positions within the Church to women and youth who are qualified and possess the necessary skills to devote themselves wholeheartedly to that cause, in response to the discovery that fewer women and young people hold positions of leadership within the Church.
- This study also suggests that the church maintain consistent financial management policies and also make sure they are well implemented.
- The church should available modern technology and required resources to support financial management practices.
-

5.4 Suggestion

No one is an island, so I strongly advise further research on the subject to cover a larger sample in order to be able to extract more information and draw a more accurate conclusion

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QUESTIONNAIRE SAMPLE

The Impact of Financial Management Practices on the Financial Performance of Methodist Church Ghana, Kumasi Diocese

Dear respondent, this research is being carried out by final year students of Christian Service University College. This questionnaire is designed to assist in the collection of data which will examine the financial management practices of 10 church branches of the Methodist Church Kumasi diocese and how they affect their performance.

Please do note that the finding of this research are solely meant for academic purposes and all responses will be treated with utmost confidentiality. Please tick the appropriate box to indicate your preferred response.

SECTION A

Demography

Sex

- ☐ Male
- ☐ Female

Age

- ☐ Below 30
- ☐ 30-39 years
- ☐ 40-49 years
- ☐ 50-59
- ☐ 60 and above

Educational level

- ☐ Primary
- ☐ Secondary

- Graduate
- Postgraduate

Length of stay with the church

- Less than a year
- 1-5 years
- 5-10 years
- 6-10 years
- 11-15 years
- Above 15 years

Position in the church

- Administrative officer
- Caretaker
- Church/ Organizational leader
- Finance/ Audit officer
- Clergyman
- No leadership position

SECTION B

Financial Management Practices

Please rank agreement or disagreement to the following statements. 1- Agree (A), 2- Neutral (N) and 3- Disagree (D).

Receipts are recorded immediately they are received

1. Agree (A)
2. Neutral (N)
3. Disagree (D)

The church work to develop financial strategies that encourage church members to responsibly donate money to the congregation.

1. Agree (A)
2. Neutral (N)
3. Disagree (D)

Financial management practices is entrusted with financial committee and treasurer instead of just the clergy

1. Agree (A)
2. Neutral (N)
3. Disagree (D)

Accountants are hired to reconcile book of accounts each year

1. Agree (A)
2. Neutral (N)
3. Disagree (D)

The church takes part in investments

1. Agree (A)
2. Neutral (N)
3. Disagree (D)

The church reinvest proceeds from investments

1. Agree (A)
2. Neutral (N)
3. Disagree (D)

There are physical documentation that accompanies checks

1. Agree (A)
2. Neutral (N)
3. Disagree (D)

SECTION C

Challenges associated with financial management practices

Please rank agreement or disagreement to the following statements. 1- Agree (A), 2- Neutral (N) and 3- Disagree (D).

Financial management policies created are inconsistent.

1. Agree (A)
2. Neutral (N)
3. Disagree (D)

Failure in the implementation of existing policies.

1. Agree (A)
2. Neutral (N)
3. Disagree (D)

The leaders lack training on financial practices.

1. Agree (A)
2. Neutral (N)
3. Disagree (D)

There is difficulty in creating reserve funds for unexpected expenses

1. Agree (A)
2. Neutral (N)
3. Disagree (D)

The church do not set aside portion of funds for maintenance and repairs

1. Agree (A)
2. Neutral (N)
3. Disagree (D)

The church knows no or little knowledge on the tax laws and regulations that comes with it

1. Agree (A)
2. Neutral (N)
3. Disagree (D)

Tithe and offering money is used ineffectively

1. Agree (A)
2. Neutral (N)
3. Disagree (D)

Old and no modern technology for keeping financial records.

1. Agree (A)
2. Neutral (N)
3. Disagree (D)

SECTION C

Effect of financial management practices on financial performance

Please rank agreement or disagreement to the following statements. 1- Agree (A), 2- Neutral (N) and 3- Disagree (D).

Practising financial management significantly reduce the risk of financial problems

1. Agree (A)
2. Neutral (N)
3. Disagree (D)

Financial management provide more information that helps to manage all aspects of stewardship of resources

1. Agree (A)
2. Neutral (N)
3. Disagree (D)
4. Financial management provides more support for those in leadership and management of the church.

1. Agree (A)
2. Neutral (N)
3. Disagree (D)

Proper financial management practices allows the church provide an attractive environment for church members to confidently give their tithes and offerings.

1. Agree (A)
2. Neutral (N)
3. Disagree (D)

Financial management practices contributes to better decisions making.

1. Agree (A)
2. Neutral (N)
3. Disagree (D)