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**FINANCIAL MANAGEMENT, CAPACITY BUILDING AND THE EFFECTIVENESS  
OF GOVERNMENT PROGRAMMES: A CASE OF NUSAF PROGRAMMES IN  
BUDAKA DLG**

**BY**

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**(BU/GS20/MBA/6)**

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## DECLARATION

### DECLARATION

I, Museule Siiraji hereby declare that this is my original work and to the best of my knowledge has never been submitted for the award of any academic qualification in any institution of learning unless otherwise acknowledged.

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## APPROVAL

### APPROVAL

We the undersigned Supervisors do confirm here that this dissertation by Museule Siiraji Registration Number BU/GS20/MBA/6 has been under our supervision and has been submitted for examination with our approval as Supervisors of the candidate in partial fulfillment for the award of a Master in Business Administration Degree of Busitema University.

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## **DEDICATION**

This study is dedicated to my family, parents and friends for their tireless endeavour towards the completion of this research.

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## **OPERATIONAL AND CONTEXTUAL DEFINITIONS**

**Programmes:** A programme is a set of associated projects executed such that resources (not limited to raw materials and people) are shared amongst projects; teams achieve larger goals, increase production and improve operational efficiency (Koenekke, 2023).

**Effectiveness of government programmes:** According to the World Bank (2018), government programs are characterized by different periodic projects designed and implemented for the development of citizens. Hence, effectiveness of government programmes implies the aspects under which designed government programmes contribute to the intended objectives by minimizing cost, meeting quality standards and expectations of beneficiaries as well as being executed within the lifespan (United Nations, 2021).

**Financial Management:** Financial management is defined as the practice of handling a company's finances in a way that allows it to be successful and compliant with regulations, taking both a high-level plan and boots-on-the-ground execution of programmes (Strutner, 2022).

**Capacity Building:** According to Pierro (2023), the concept of capacity building is linked with the idea of increasing or developing skills and competencies at an individual level, i.e. training of staff, and capacity building is a much broader concept that should be considered from a systemic perspective, which involves different clusters, as persons, organizations, institution and society that get engaged with programme interventions.

*Key words: Effectiveness of government programmes; Financial management; Capacity building*

## LIST OF ACRONYMS

DLG	District Local Government
DV	Dependent Variable
IV	Independent Variable
LLCI	Lower Level Confidence Interval
MV	Mediation Variable
NAADS	National Agricultural Advisory Services
NCNP	National Center of Neurology and Psychiatry
NGOs	Non-Government Organizations
NPA	National Planning Authority
NUSAF	Northern Uganda Social Action Fund
OECD	Organization for Economic Co-operation and Development
OWC	Operation Wealth Creation
SPSS	Statistical Package for Social Scientists
ULCI	Upper Level Confidence Interval
UN	United Nations
UNITAR	United Nations Institute for Training and Research
UWEP	Uganda Women Entrepreneurship Programme
YLP	Youth Livelihood Programme

## **Abstract**

The main purpose of the study was to examine the influence of financial management and the effectiveness of government programmes and how this relationship is mediated by capacity building in Budaka DLG in Uganda. The study specific objectives were; to assess the effect of financial management on the effectiveness of government programmes in Budaka DLG; to examine the connection between financial management and capacity building of government programmes in Budaka DLG; to establish the link between capacity building and the effectiveness of government development programmes in Budaka DLG; and to assess the mediation effect of capacity building on the relationship between financial management and the effectiveness of government programmes in Budaka DLG. The study employed a quantitative approach and a cross-sectional design; a study population of 95 NUSAF community programmes were considered. Krejcie and Morgan table (1970) was used to obtain a sample of 76 NUSAF community programmes; using a simple random sampling technique, the researcher accessed the sampled programmes. 76 community NUSAF programmes were the unit of analysis while 304 were the unit of inquiry. The study findings revealed that financial management has a positively significant impact on effectiveness of government programmes, financial management and capacity building, capacity building and the effectiveness of government programmes while capacity building partially mediates the connection between financial management and effectiveness of government programmes. Thus, in reference to the study findings, it was recommended that the government should ensure proper financial planning and budgeting that considers adequate capacity building of beneficiaries for proper programme implementation. Similarly, funds allocated to capacity building should be rightly used and this should be ensured by emphasizing and empowering programmes managers to properly adapt, lead and manage to ensure compliance to programme terms of reference.

**Table 4.7. Capacity building and effectiveness of government programmes**

	Unstandardized Coefficients		Standardized	t	Sig.
	B	Std. Error	Coefficients Beta		
(Constant)	1.518	.058		26.258	.000
Capacity Building	.607	.018	.782	27.428	.000
Model Summary					
R	.658 <sup>a</sup>				
R Square	.537				
Adjusted R Square	.536				
Std. Error of Estimate	.30410				
	F	752.297			

a. Dependent Variable: Effectiveness of Government Programmes

Source: primary data (2023)

#### **4.6 Testing for the Indirect Effect (Mediation)**

The study hypothesis (H4) stated that capacity building has no mediation effect on the relationship between financial management and the effectiveness of government programmes. Thus, the indirect effect of capacity building on the relationship between financial management and effectiveness of government programmes was tested by use of Process Macro version 4.2 in the SPSS software as suggested by Baron and Kenny (1986) and modified by Hayes (2014). According to Baron and Kenny (1986), the mediation analysis necessitates the establishment of four (4) models to support the principles of mediation as described below;

**Model I: (Path c)** stated that financial management should not be a predictor of the effectiveness of government programmes. The study findings implies that financial management significantly predict the effectiveness of government programmes ( $r=0.857$ ;  $LLCI=0.7694$ ,  $ULCI=0.8748$ ;  $p\text{-value} < 0.01$ ), indicating that with each unit of change in financial management, effectiveness of government programmes increases by 0.857 units hence rejecting the first condition of mediation analysis as shown in Table 4.8 below.

**Model II: (Path a)** states that financial management should not be a significant predictor of capacity building. The study results indicates that financial management significantly predict capacity building ( $r=0.882$ ;  $LLCI= -0.6575$ ,  $ULCI=0.7596$ ;  $p\text{-value} < 0.01$ ) implying that with

each unit change in financial management, capacity building increases by 0.882 units and this rejected the second condition of mediation analysis as presented in Table 4.8 below.

**Model III: (Path b)** asserts that capacity building should not be a significant predictor of effectiveness of government programmes. The results indicated that capacity building is a significant predictor of the effectiveness of government programmes ( $r=0.456$ ; LLCI= 0.3017, ULCI= 0.5133;  $p$ -value < 0.01) implying that each unit increase in 0.456 units increase in the effectiveness of government programmes are as a result of the change in capacity building.

The study indicated further that subsequent indirect effect on the effectiveness of government programmes is ascertained by **path a (Model II)** and **path b (Model III)** suggesting a 0.402 value which is also evidenced by the lower level confidence interval (0.2492) and upper level confidence interval (0.4314) values that have no zero between them. Thus, path c' specified that when capacity building is relatively controlled, the direct effect of financial management on the effectiveness of government programmes is positively and quantitatively significant as indicated by  $r= 0.276$ ; LLCI= 0.07227, ULCI= 0.41228;  $p$ -value < 0.01) denoting that there is no zero in between the intervals. Hence, Model I is a necessary condition for mediation analysis as asserted by Baron and Kenny (1986).

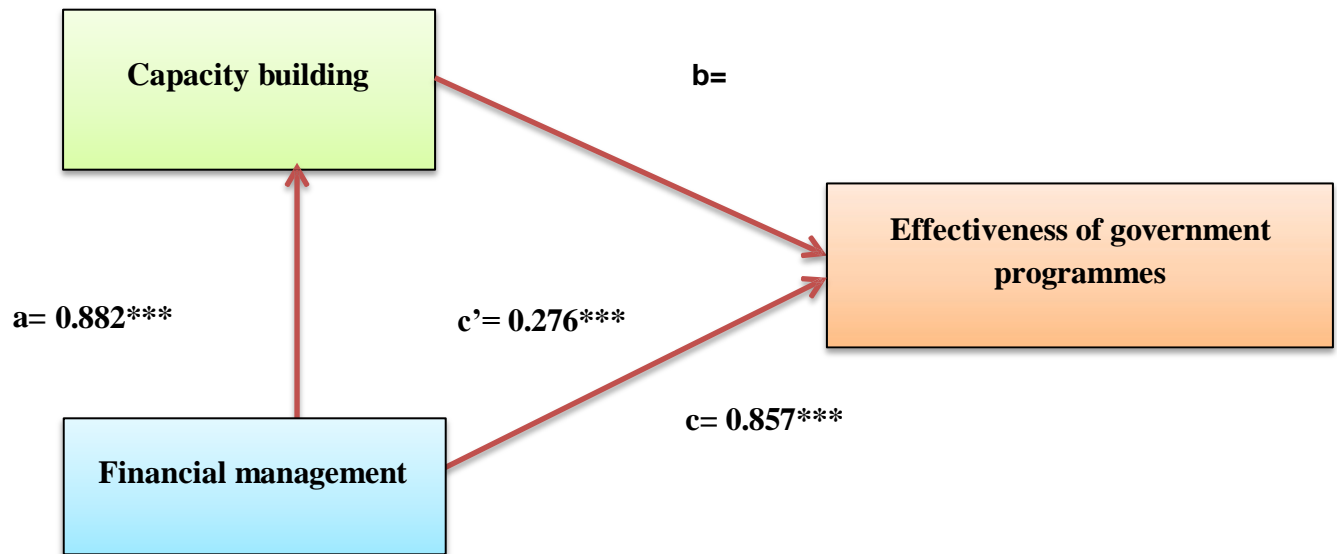
**Model IV;** suggests a verdict intended to establish the type of mediation effect for the study which should either be full or partial mediation recognized by subjecting path c to path c'. Consequently, the study results showed that financial management strongly predict the effectiveness of government programmes in **path c** ( $r=0.857$ ) than **path c'** (0.276). This showed that capacity building partially mediates the link between financial management and the effectiveness of government programmes as demonstrated in Table 4.8 below. Hence, the hypothesis that capacity building has no mediation effect on the relationship between financial management and effectiveness of government programmes is rejected.

**Table 4.8. Mediation results for financial management, capacity building and effectiveness of government programmes**

Model		r	Se	T	p	LLCI	ULCI
Model I	Constant	3.4825	1.9019	1.8311	.0000	-.2620	7.2269
Path c	Financial Management	.857	.0268	30.7273	.0000	.7694	.8748
	R	.8822					
	R-sq	.7783					
	F	944.1645					
	P	.001					
Model II	Constant	42.5629	1.8435	23.0878	.0000	38.9333	46.1925
Path a	Financial Management	.882	.0259	27.3204	.0000	.6575	.7596
	R	.8574					
	R-sq	.7351					
	F	746.4042					
	P	.001					
Model III	Constant	41.1438	1.6862	24.4000	.0000	37.8238	44.4637
Path b	Capacity Building	.456	.0537	7.5854	.0000	.3017	.5133
Path c'	Financial Management	.276	.08674	7.4606	.0000	.07227	.41228
	R	.8843					
	R-sq	.7819					
	F	480.4105					
	P	.001					
Direct effect of financial management on effectiveness of government programmes							
Effect	Se	t	P	LLCI	ULCI		
.276	.08674	7.4606	.0000	.07227	.41228		
Indirect effect(s) of financial management and effectiveness of government programmes							
Effect	Se	LLCI	ULCI				
.402	.0460	.2492	.4314				
<b>N=69</b>							

**Source:** primary Data (2023)

**Figure 4.1: Summary of mediation results**



Source: Primary data (2023)

## CHAPTER FIVE

### DISCUSSIONS, CONCLUSION AND RECOMMENDATIONS

#### 5.1 Introduction

This study aimed at investigating the influence of financial management effectiveness of government programmes and how this relationship is mediated by capacity building. This study analyzed results to assess the link between financial management and effectiveness of government programmes, financial management and capacity building, capacity building and effectiveness of government programmes. The study employed a cross-sectional research design due to its cost friendliness and time efficiency

To ascertain the viability of the study objectives, the researcher subjected the collected data onto Pearson's correlation coefficient in SPSS. Also, linear regression was conducted to ascertain the applicability of the study hypotheses. Similarly, process macro by Hayes (2022) was utilized to run a mediation matrix and determine the mediation effect of capacity building on the connection between financial management and effectiveness of government programmes.

Statistical findings collected using self-administered questionnaires and analyzed using SPSS software indicated that; financial management is positively related to effectiveness of government programmes, capacity building is positively affected by financial management, and also capacity building is positively and significantly related to effectiveness of government programmes. Similarly, the study findings reflected a partial mediation of capacity building in the link between financial management and effectiveness of government programmes.

Therefore, the subsections below include the discussion, conclusions, and recommendations based on study findings as depicted in the chapters above. This chapter is structured in five subsections including; 5.2) Discussions in relation to study objectives and hypotheses; 5.3) Conclusion, 5.4) The recommendations; 5.5) The Study limitations, and 5.6) Areas for further study.

## **5.2 Discussion of Findings**

Under this subsection, the study results are discussed based on study objectives as observed below;

### **5.2.1. Financial management and effectiveness of government programmes**

The study examined the relationship between financial management and effectiveness of government programmes as the first objective. The study revealed that financial management is positively linked to effectiveness of government programmes implying that financial management transfers its inputs of planning, budgeting, accounting and reporting into cost, time, satisfaction and quality to determine the effectiveness of government programmes

Thus, the above findings concur with the work of Blattman (2018) who suggested that proper financial management practices not limited to budgeting, accountability, and planning informs the effectiveness of programme implementation both in profit-oriented ventures and non-profit investments. This study findings do not deviate from the report by Akinnibi (2023) who asserted that financial management is crucial for any kind of programme implementation because it helps in the achievement of programme goals, managerial decision making, maintains financial stability, maximize stakeholder value and so improving transparency and accountability which is key for programme effectiveness. Similarly, the study findings concur with the findings from the Uganda - Inspectorate of Government (2022) as cited in the Uganda Ministry of Ethics and Integrity report (2022) stated that Uganda loses over UGX 20 trillion every year in poor financial management practices during implementation of State based programmes resulting into ineffective implementation of government programmes.

Also, the findings are in congruence with Sajjan (2022) who reported in his study that financial management helps in ensuring that the funds are used effectively and efficiently in achieving the enterprise's goal. The study findings cannot also be deviated from PFH-Private University of Applied Sciences (2022) which suggested that financial management is a pathway to achieve programme goals and objectives and so helps in acquiring and managing funds, funds allocation, provides insights to make critical financial decisions, cuts down financial costs, planning the future growth of the organization.

The study results concur with the words of Neubourg (2009) in his Livelihood portfolio theory which stated that governments provide assets to households for development in terms of social capital but the State has the responsibility to manage the utilization these free cost development programmes' finances for effective programme delivery. Thus, the proper planning, budgeting, accounting and report plays a critical role in the delivery of quality, timely, cost efficient and satisfactory government programmes in communities.

### **5.2.2. Financial management and capacity building**

The study examined the relationship between financial management and capacity building as the second objective. The study findings showed that financial management has a significant impact onto capacity building. This study further revealed that planning, budgeting, accounting and reporting are major determinants of change in adaptive capacity, leadership capacity, management capacity and technical capacity to influence capacity building towards the attainment of effective government programmes

It should be noted that these findings agree with the earlier study results of Bala et al. (2015) who suggested that different organizations wasted programmatic funds due to absence of necessary managerial knowledge and skills within the organization and among programme beneficiaries. Similarly, these study findings are in agreement with those of Abdikariin (2020) who reported that capacity building through training seminars and workshops usually help to ensure that Local Governments attain effective programme funds usage and management of deliverables to the people at the grass root or beneficiaries. Furthermore, the study findings concur with Kabir (2013) who suggested that financial management requires capacity building of financial managers and users, but also capacity building requires finance which must be put to proper use.

Consequently, the findings concur with Lammert et al. (2015) who reported in their study that capacity building to effect programme related change in developing Countries has been inadequate due to limited funding and poor management of the limited funds channeled for knowledge and skills development among beneficiaries and programme coordinators. Also, the study findings are in agreement with those of Legovini and Rutkowski (2022) who indicated that it is critical for institutions to invest and manage finance for capacity building and empowerment

of stakeholders as an initiative to attain institutional programmes. These study findings also agree with the assumptions of stakeholder theory (Freeman, 1983) which reflect that the major focus an institution should be put onto stakeholders through involving them in programmes, building their capacity as well as understanding their value. Consequently, these study findings asserts that planning, budgeting, accounting and reporting are critical features for the government to attain effective and efficient capacity building of programme stakeholders including direct beneficiaries.

### **5.2.3. Capacity building and effectiveness of government programmes**

Study objective three aimed at assessing the connection between capacity building and effectiveness of government programmes. The study revealed that capacity building has an impact on the effectiveness of government programmes. Thus, these study findings indicated that the change in programme cost, time, quality and satisfaction is derived by adaptive capacity, leadership capacity, management capacity and technical capacity.

These study findings harmonize with those of Mahdavi et al. (2022) who suggested that the first and major cause of failed State and Partner based programmes on the Globe is limited emphasis and applicability of capacity building before and during programme implementation. Consequently, these findings concur with those of UNITAR, 2022 (n.d) which reported that capacity building of community beneficiaries helps to create awareness about the programme, and promotes evidential embracing of government programmes which results into effective implementation. Similarly, these study findings agree with the work of Kabir (2013) who asserted that capacity building does not only provide knowledge to programme stakeholders to know about the programme or provide skills but a crucial factor for improving programmes implementation and effectiveness.

Subsequently, the study results revealed a connection with the findings by Family Life Education Program (2020) who in their study posited that Uganda has been experiencing ineffective programme outcomes due to limited attention towards capacity building in relation to the designed programmes. Additionally, the findings are in congruence with those of Bala et al. (2015) and Eja and Ramegowda (2019) who indicated that governments World over have