

MAKERERE UNIVERSITY BUSINESS SCHOOL.

**CHURCH SIZE, STAFF COMPETENCY, SOCIAL CAPITAL AND THE QUALITY
OF FINANCIAL REPORTING: A CASE OF SELECTED
CHURCHES IN UGANDA.**

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DECLARATION

I, Daniel Nangalama R. Makayi do declare that, this dissertation is my original work and has not been published and/or submitted in for any award in any other University before.

Signed

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APPROVAL

This dissertation has been submitted with my approval as the University Supervisor

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DEDICATION

To my dear mother Miriam.

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First and foremost I thank the almighty God for giving the wisdom and strength that enabled me reach this level of education.

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LIST OF ABBREVIATIONS

ACCA : Association of Chartered and Certified Accountants

AICPA : American Institute of Certified Public Accountants

ANOVA : Analysis of Variance

FASB : Financial Accounting Standards Board

IASC : International Accounting Standards Committee

ABSTRACT

There is uncertainty regarding the quality of financial reporting in many churches in Uganda. Most churches experience difficulty in presenting financial reports that reflect the financial condition and results of operation in rational and meaningful manner. More than often, it is wondered how much information is enough or which information is important. The study was undertaken with a purpose of examining the relationship between church size, staff competencies and social capital on one hand as independent constructs and quality of financial reporting on the other as the dependent construct. It was a cross-sectional study with quantitative methods of data collection that was conducted in Mukono district. Stratified sampling was used to select 148 churches representing each church category from a population of 247. Data was collected using a pre-tested self-administered questionnaire. It was observed that church size, social capital and competencies explain 46.8% of the observed variance of quality of financial reporting (Adjusted R Square = 0.468).

Study findings revealed positive correlation between the independent constructs and quality of financial reporting, with church size being the strongest ($r=0.591$), followed by staff competencies ($r=0.432$,) and then social capital ($r=0.318$). This indicates that church size, staff competency and social capital boost quality of financial reporting in churches.

CHAPTER ONE

INTRODUCTION

1.1 Background:

Churches make up a significant proportion of organizational activity in many countries, and tend to control a sizeable portion of human and financial resources of society (Laughlin, 1988). In Uganda 85.8% of its population are Christians (Uganda Bureau of Statistics, 2002). A Church is a body of Christians (Oxford, 2005) usually established as non profit organization. Churches are of different sizes; and a size of a church indicates it's status and influence in society(Dale,2004).The church have been the major provider of social capital and focal point of social activities.(Suter,2002).Churches are desirous to have experienced and knowledgeable staff with expertise to handle it's financial reporting needs.(Schneider,1989). Financial reporting is a key element in communicating financial condition of the church to it's members and contributors. (Vargo as cited by Blackbeard,2006).

However, these churches are reported to have poor quality of financial reporting (Kyambadde, 2006). Although financial reporting is relevant to churches as it is to profit seeking organizations, it is an area that many churches struggle with. Few churches are believed to implement any effective accounting procedures to protect their resources, with ability to monitor progress made for variety of funds (Mubiru, 2004). All too often church money is handled in a casual way with no known controls to track and shield them from fraudulent practices (Muhumuza, 2007). The financial reports of religious organizations have been called in question by the spate of cases involving financial irregularities and mismanagement.

Lack of quality financial reporting can hinder management responsibilities of the church leaders placing them in a position whereby they are tempted to engage in questionable accounting activities and practices or could subject individuals to unwarranted accusations (Lightbody, 2000). For example, the Wall Street Journal reported that the Roman Catholic Priests and Diocesan Administrators embezzled more than \$3.5 million. These thefts were attributed to the system that relied mainly on faith to control flow of cash and lack of auditing (Fialka, 1995). Staff (1995) reported that Ellen Cook the former Treasurer of Episcopal Center in New York embezzled the \$2.2 million between 1990 and 1995. Again, Haught (1998) also reported the President of the United States National Baptist Convention, Reverend Henry Lyons was accused of embezzling \$2 million of church funds. In Uganda, according to the Monitor Newspaper (2004), an accountant of All Saints Cathedral embezzled church funds worth Uganda shillings 30 million. Again Pastor Fred Magezi of Anointed Church Kagadi in Kibaale was reported to be on run over fraud (Mugerwa, 2006). Similar accusations were levied on Pastor Simeon Kayiwa of Namirembe Christian Fellowship (Monitor, 2003).

According to the recent study, staff incompetencies and church size were seen as factors contributing to the poor quality of financial reporting (Fellowship of Christian Unions in Uganda, FOCUS, 2002). On several occasions, social capital have been pointed out as the root cause of lack of quality of financial reporting in religious organizations as members prefer to deal with purported trustworthy keepers with religious connections even if they are not adequately qualified. (Jacobs, 2005). Mubiru (2004) too, observed that church size including its resources, the competencies of its leaders together with the trust (as part of social capital) affect the

type and quality of the church's financial reporting. Irvine, (2005) argues that organization's size and the competencies of its staff assist in fulfilling church mission.

1.2 Statement of the Problem:

Although financial reporting is relevant to churches as it is to profit seeking organizations, churches often struggle with presenting financial information that is reliable, timely and relevant for decision making. Most churches experience difficulty in presenting financial reports that reflect the financial condition and results of operations in rational and meaningful manner. According to Blackbeard (2006), information is often delayed, inaccurate and relayed from person to person rather than via reports; making it hard for small churches especially to produce good quality financial records and reports useful for decision making.

Many churches in Uganda are experiencing poor quality of financial reporting and this has been attributed to church size, staff incompetence and social capital limitations experienced in these church organizations. It is for this reason that the researcher embarked on this study to establish whether there is relationship between church size, staff competencies, social capital and quality of financial reporting in Ugandan churches.

1.3 Purpose of the Study:

This study aimed at establishing the relationships between church size, staff competencies, social capital and the quality of financial reporting in selected churches in Uganda.

1.4 The Research Objectives:

- i) To establish the relationship between church size and quality of financial reporting in churches.
- ii) To establish whether there is relationship between staff competency and quality of financial reporting.
- iii) To determine the relationship between social capital and quality of Financial reporting.

1.5 Research Questions:

- i) Is there a relationship between church size and quality of financial reporting?
- ii) Is there a relationship between staff competency and quality of financial reporting?
- iii) Does social capital have a relationship with quality of financial reporting?

1.6 Significance of the Study:

- i) The study generate more academic debate to further gain an understanding into how church size, staff competencies and social capital influence the quality of financial reporting.
- ii) The study also generates information on how churches should come up with quality of financial reporting.
- iii) The findings and conclusions from the study will benefit church management in being able to design appropriate systems for good quality of financial reporting.

1.7 Scope of the Study:

The study was intended to cover church size, staff competencies and social capital as independent variables and quality of financial reporting as the dependent variable. Any other variables that affect quality of financial reporting were outside the scope of this study. Geographically the study covered the district of Mukono.

1.8 Conceptual Framework:

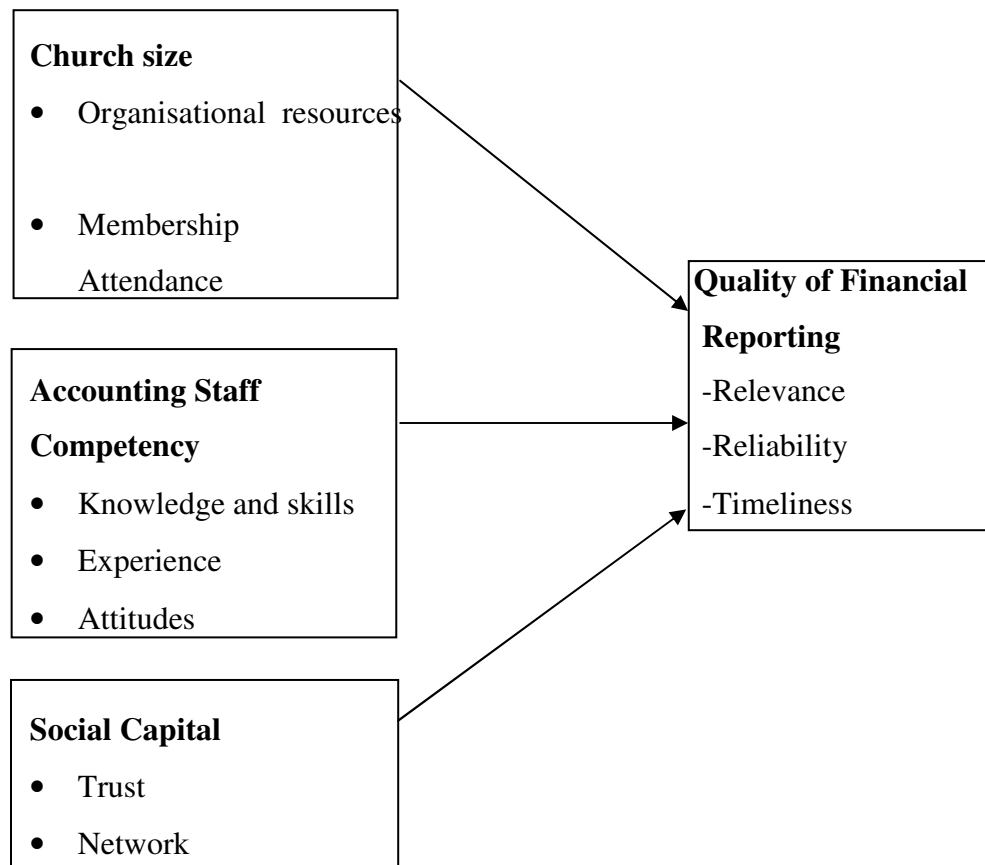


Figure 1.1: Conceptual Framework

Source: *Adopted from literature review on studies of Booth (1993), Duncan et al (1999), Hackman (1987) and Schelder (1989), Putnam (1995)*

From the diagram, is conceptualized that church size, accounting staff competencies and social capital affect quality of financial reporting in Ugandan churches. Other factors that may affect quality of financial reporting have been held constant. The quality of financial reporting is measured in terms of relevance, reliability and timeliness as the principal qualitative characteristics of quality of financial information. Church size is measured in terms of Organisational resources (Annual contributions) and Membership (church attendance). Accounting staff competency is measured in terms of knowledge, skills, experience and attitudes possessed by the preparers of financial reports. Social capital is based on studies of Putnam, measured in terms of Network (structural social capital) and Trust (cognitive social capital)

1.9 Organization of the Thesis:

The study is organized in five chapters. Chapter one is introduction to the study, statement of the problem, purpose of the study, research objectives, research questions, significance of the study, scope of the study, and the conceptual model. Chapter two presents a detailed review of relevant literature about church size, staff competencies, social capital and how these relate to quality of financial reporting. Chapter three provides the methodology used to obtain data, its analysis, and factors taken into consideration, and problems faced during research. Chapter four deals with findings and interpretation. Chapter five has discussions, conclusions and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction:

This section presents a review of available articles and research papers on church size, staff competencies, social capital and quality of financial reporting. It is divided into five parts. Part one deals with church size and quality of financial reporting; part two deals with staff competencies and quality of financial reporting; part three concentrates on social capital and quality of financial reporting and part four handles quality of financial reporting.

2.1 Church Size:

Churches are non-profit organizations incorporated as non-stock entities where ownership rests with members or supports of the organization (Duncan et al, 1999). Several characteristics that are unique to non-profit organizations affect the management control process and their accounting systems are a bit complicated. Funds generally come from donations, gifts, pledges and in some cases fundraising events.

As with for profit entities, a non-profit organization prepares and adopts documents such as articles of incorporation and bylaws that set forth the organization's basic mission, governance structure, and overall operating procedures. Most non-profit organizations establish a governing board, elect officers, and appoint various committees. These individuals are responsible for hiring a chief executive who directs the work of paid staff and volunteers in order to achieve the overall goals of the organization (Langan, 1998).

The size of church organisation indicates its status and influence in society (Kaldor et al, 1999). Most large churches claim that their size is as a result of the ability to satisfactorily minister to the needs of the people. Large numbers obviously indicate something is being done (Dale, 2004). Hannings (1979) contends that size has implications for ways in which organisation may be organised.

2.1.1 Determinants and Classifications of Church Size:

Several definitions have been advanced by business and management literature as regards to size in respect of organizations. Size has been defined in terms of number of people employed, capital employed, sales turnover and total assets (Astley, 1997, Belkaovi and Karpic, 1989, Trotman and Bradley ,1981) as cited by Sserwanga.

In Uganda, a firm employing 5 to 50 employees, with value of assets, excluding land, buildings and working capital of less than 50 million Ug. Shillings (US\$ 30,000 and the annual income turnover not exceeding 50 million is considered small organization. (Kasekende and Opondo, 1997)

Church Membership

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

those with members more than 500, whereas small churches to be having 500 or fewer members.

Organizational Resources

Mark Powel (2005), determinations based on the role of the church size has in the pooling of resources for more efficient use of funds. According to him, church size is grouped into Mega and satellite referring to large and small sizes respectively. Hinnings (1979) observed that the level of other resources (for example facilities and money) are necessary to support the organisation has implications in the size of the church and the way it is organised.

There is a strong linkage between the church size and financial plus other organisation resources like facilities. According to Booth (1993), membership size and financial resources are the major components of the organisational resources available to support organisational activities. While membership size and level of financial resources are analytically different categories, in practise the difference may be blurred. Quoting Booth, Irvine (2005) urges that it is difficult to distinguish between membership and financial resources since the two were inevitably linked. For purpose of this study church size shall defined in terms of church collections/contribution (turnover) and attendance. Churches with annual contribution (annual collections) of over 50 million and membership (weekly attendance) of above 500 shall be considered to be big.

2.1.2 Church Size and Quality of Financial Reporting

Church size is an important factor in the quality of financial reporting in churches. Booth (1993), suggested that membership size (as part of organisational resources) is a factor in highlighting the usefulness and play an important mediating

role in the dynamics of processes of resistance to accounting in churches. According to Booth, strong membership strengthens the dominance of religious beliefs and maintenance of status quo including the resistance to and support for accounting. However weak membership positions tend to be interpreted as sacred crisis in calling for legitimate religious solutions, hence resistance to secular management and accounting solutions (Booth, 1993). Alternatively they may provide room for secular solutions to proposal that may not be acceptable under non-crisis conditions.

Hinnings and Foster (1973) noted that if funds are short, there is a tendency to conserve and control scarce resources hence accounting. While Lightbody (2000) identified the storing mechanisms to conserve funds and shielding procedures to hide them from view. Harris (1969) too proposed that availability of resources to fund the operations of the church were the direct condition of possibility affecting the level of resistance to accounting. He further argued that shortage of financial resources results from parish membership as giving is expected to be a significant funding source for most churches.

Walker (2007), asserted that church accounting is an area that many small churches struggle with including; basic accounting of how to receive, record and track church monies including a system with ability to monitor progress made for a variety of funds.

Duncan et al (1999), identified good quality of church accounting systems due to increased membership size. According to them, increased church membership typically results in increased financial resource; a larger staff, and potential for the segregation of financial duties and individuals employed with expertise in accounting and administration. Duncan et al, 1999). Irvine (2005) observed that

accounting as a resourcing tool within the church was seen as one to set the financial target to achieve the churches goals, keep trust of whether financial realities were in order. In event of resourcing crisis, accounting was relied on to provide information about the existence of such crisis so that action could be taken to overcome it. (Irvine, 2005).

Duncan and others further revealed in their study that the internal control evaluation scores were found to differ significantly according to churches across all three denominations. One of the fundamental elements of internal control is separation of duties. Large churches generally have larger staffs and are better able to utilize full-time workers to segregate responsibilities. The results of the present study identified several controls that were approximately twice as prevalent in large churches. These controls appear to be essential and could be implemented with relative ease.

This finding is supported by Powel, (1995), based on an empirical study of the performance consequences of Total Quality Management (TQM) implementation. Fisher, (1993) who conducted a study of Australian Quality Council member companies supports this too. Fisher speculates that the larger and more established companies reported their achievement of TQM benefits than the small companies. In concluding his findings Samson (2000) says that company size tends to impede the implementation of TQM and is a significant implication for managers.

2.2 Staff Competency

Literatures reveals disagreement among scholars as to what the terminology competencies/competency means (Hefferman and Flood, 2000). The definition of competence ranges from skills, (Mc Celland, 1973; Boyatzis, 1982) behaviour

(Cockerill, Hunt and Shroder, 1995), cognition, corporate culture and personal dispositions (O'Reilly & Chartman, 1994). Competency has been defined as the ability to put skills in practice (Woodruffe, 1998) and can include attributes, what people need to know and be able to do to perform their job effectively (Armstrong, 1994).

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

According to Cooper (2000), Parry (1996), Shippmann *et al*; (2000) competencies, then, have, some or all by these characteristics:-

- Cluster of knowledge, skill, abilities, motivation, beliefs, values and interests;
- Relate to a major part of the job;
- Associated with effective and /or superior performance;
- Observable and measurable against well accepted standards;
- Linked to future strategic directions; and
- Can be improved via training and development

2.2.1 Types of Competencies:

According to Jack Bower (2005) competencies comprise of personal and functional. They can also be divided into technical and interpersonal/personal competencies (Good Stein & Davidson, 1998).

Personal competencies describe an individual's personality, emotional make-up that is long-term habitual ways in which people deal with their world, especially with work and other people (Good Stein & Davidson, 1998). Personality characteristics include:- neuroticism, extroversion, openness to new experience, agreeableness and conscientiousness (Good Stein & Davidson, 1998).

Technical/Functional Competencies are learned behaviours necessary for minimum satisfactory performance of a given job (Dingle, 1999). These competencies are most closely aligned with the value contributed by financial professionals (Jack Bower, 2004). Each job requires a different set of both technical and personal competencies.

2.2.2 Staff Competencies and Quality of Financial Reporting:

Competencies are factors contributing to the high levels of individual performance, and therefore organizational effectiveness (Armstrong, 1999). According to Jasper and Semeijn (2001), the concept of competence is defined as integrated knowledge, skills and attitudes that can be used at work to perform, which means producing output in the direction of organization goals. The current use of the term can be traced back to MC Clelland (1973) who saw competencies as components of performance associated with important life outcomes and as an alternative to the traditional traits and intelligence approaches to predicting human performance. Competencies used in this way refer to broad psychological or

behavioural attributes that are related to successful outcomes, be they on the job or in life in general. Building on this body of work, Boyatzis (1982) defined competency as “an underlying characteristics of a person which results in superior and or effective performance in a job.

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

Walker (2007) observes that in many small churches volunteers and lay people carry out most of financial reporting work without any real knowledge of accounting systems. They often wonder how much information is enough and which information is important.

Competence in managing any business demands an understanding of the basic accounting statements, which reflect the results of operation and present financial position. Management decisions must be weighed in terms of their effect on these statements (Schnelder,1989). In order for the financial reports to be valuable, there is a need for experienced and knowledgeable staff with expertise to handle most reporting needs. From basic bookkeeping to in-depth reporting and analysis, adhering to professionalism, integrity as established by accounting standards (Schnelder, 1989).

2.3 Social Capital:

Social Capital is a social science concept used in business, economics, organizational behavior, political science, public health and sociology that refers to

connections within and between social networks, that social networks have value. Social Capital does not have a clear undisputed meaning, for substantive and ideological reasons (Foley and Edwards, 1997; Adler and Kwon 2002). Concepts relevant to social capital have a long history dating back to work of Durkheim, Simmel, Marx and Weber (Baum and Ziersch, 2003).

In its current use, there are two schools of thought regarding the definition of social capital. The first school influenced by the work of Robert Putman (1995) who conceived social capital as a community level resource and defined it as features of social organization such as networks, norms and social trust that facilitates coordination and co-operation for mutual benefits. Here Social capital is seen as a public good. Putman refers social capital as the nature and extent of one's involvement in various informal networks and formal organizations that is the way community members interact.

The second school draws on the work of Bourdieu (1986), who defined social capital as the aggregate of the actual and potential resources (advantages) which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognitions. Social capital is referred to as resources (such as information, ideas, support) that individuals are able to procure by virtue of their relationship with other people. These resources (capital) are social in that they are only accessible in and through these relationships.

Luigi and Paula (2001) too refer social capital as advantages and opportunities accruing to people through membership to certain communities or groups. It is described as a resource of individuals that emerges from social ties and can be referred to as features of social life – networks, norms and trust that enables

participants to act together more effectively to pursue shared objectives (Luigi & Paula,2001) This is supported by Fukuyama (1995) who describes social capital as the ability of people to work together for common purposes in groups and organizations. He added that social capital is the existence of certain set of informal values or norms shared among members of group that promote co-operation among them.

Coleman (1988) argues that social capital involves a variety of entities with to elements in common. They all consist of some element of social students and they facilitate certain actions and actors whether corporate, groups community or persons. He goes on to argue that social capital is composed of obligations, trust, networks, norms and information channels and appropriate social organization. Adler & Kwon (2002) defines social capital as good will, trust available to individuals and groups. He further argues that it's structure and content of the actor's social relations which affects flows in form of the information, influence and solidarity it makes available to the actor (members).

2.3.1 Types of Social Capital

According to Christian (2008), social capital can be anchored in the distinctions between structural and cognitive social; and between bonding ,bridging and linking social capital.

Structural and Cognitive Social Capital

Baum & Ziersch (2003) suggests that structural and cognitive elements of social capital can be distinguished. they explain that structural forms relate to social structures such as net works and associations; and cognitive forms of social capital

relate to the more subjective or intangible elements such as trust and norms of reciprocity.

Structural social capital facilitates mutually beneficial collective action through established roles and social net works supplemented by rules, procedures and precedents; while cognitive social capital which includes shared norms, values, attributes and beliefs, predisposes people towards mutually beneficial collective action (Krishina & Uphoff 2002). Cognitive and structural forms of social capital are commonly connected and mutually reinforcing (uphoff and Wijayaratna, 2000). Christian (2008) describes social capital as membership in association and net work (i.e structural social capital) trust and adherence to norms (i.e cognitive social capital) and collective action (out put measure).

Bonding, Bridging and Linking Social Capital

Putnam categorizes social capital between bonding and bridging. According to him, bonding social capital refers to the value assigned to social net works between homogenous groups of people, while bridging refers to that social net works between socially heterogeneous groups.

According to Baum & Ziersch (2003), Bonding capital refer to the horizontal tight knit ties between individuals or groups sharing similar demographic characteristics ,while bridging and linking social capital refer to ties cut across different commodities / individuals. Linking social capital in particular refers to vertical connections than span differences of power. However, he argues that despite the analytical utility of such distinction, it is not easy to distinguish the different types of social capital.

Kozel and Parker (2000) asserts that Bonding refers to intra-community ties closely related to thick trust, as opposed to bridging of thin trust which involves inter – community ties that cross divides ,social ,economic status etc.

2.3.2 Levels of Social Capital

There are divergent views in literature regarding levels of social capital ; some authors posits social capital at individual level, some organization level ,some at community level and others have more dynamic view. Kilby (2002) states that social capital exists within levels or scales as one feels belonging to a given social structure like community ,family ,profession, country organization ethnicity ,adding that social capital belongs to the group and can be used by group or individuals within the group.

Social capital is also said to be located at level of the individual, the informal social groups, the formal organization, the community, the ethnic group and even the Nation (Bankston and Zhou, 2002). Coleman, 1988; Portes 1998; Potriam, 1995).Brewer (2003) states that although social capital was originally conceived as a community wide concept, it should be observable at individual level. The general consensus is that social capital is identifiable from individual level to the level of community, adding that it is evident at any level where there is identification and belonging. He further argues that social, capital can be analyzed into Micro (individual) ,Meso (group/organization) and Macro (community/ social) .The goods produced by Social capital can be at different levels of social structure; meaning it can be a private or public good depending on the level.(Onyx and Bullen,2001)

Community Social Capital level

Putnam conceived social capital as a community level resource and defined it as features of social organization such as net works, norms and social trust that facilitates co-ordination and co-operation for mutual benefit and is seen as a public good. This is where social capital is examined on a more macro level in terms of its impact on well being of communities, societies or regions (Bourdieu,1986;Coleman, 1990; Putman, 1993).Community social capital looks at the density of associational life or frequency of community collective actions. It considers the requirement of trust or collaboration with other community members (World Bank, 2002)

According to Newton (2001), social capital is not an attribute of individuals but context -dependent aspects of community; essentially social and collective property of social system. This was in agreement with the works of Edwards and Foley (1998) who stated that the difference between human and social capital is that, social capital thinks in the relation between individuals and groups not in individuals perse. They added that Social capital encompasses bonding, bridging and net work,

Organizational social capital level

Also referred to as meso or group level, here social capital is defined as the value to an organization in terms of the relationship formed by its members for the purpose of engaging in collective action (Fred, 2000; Nahapiet & Ghosal ,1998). These organizations can be formal or informal, open or closed. The major dimensions here are Trust and Associability.

Individual Social Capital level

This is the lowest level also referred to as micro, and has been defined as resources embedded in one's relationship with others. The emphasis in this case is on

the actual or potential benefits that one accrues from his/her net work of formal and informal ties with others (Burt, 1992). Burt further asserts that it is the friends, colleagues and more general contacts through whom you receive opportunities to use your financial and human capital; adding that is brokerage opportunities as in a net work.

2.3.3 Determinants and Dimensions of Social Capital

Many scholars agree that it is important to recognize that social capital is a multi-dimensional in nature and frequently defined in terms of the groups, networks norms and trust that people have available to them for productive purposes.

Coleman (1998) argues that social capital is composed of obligations, trust, net works, norms, information channels, identity, moral infrastructure and appropriate social organizations. The World Bank report (2002) identifies dimensions of social capital as net works and groups, trust and solidarity, social cohesion and inclusion, empowerment and political action information and communication, and sociability. The organizational theorists Nahapiet and Ghoshal (1998) have proposed a three dimension model of social capital as structural ,cognitive and relational . Hazleton and Kennan (2000) had a similar approach except that they included a content (communication) dimension rather than cognitive.

Social Net work

Net work refers to the ties between individuals or groups and could be considered as structural elements of social capital and has been distinguished as informal and formal. Formal net works include those developed through formal organizations such as voluntary organizations and association. Informal net works such as friendship; family, neighbor and work related ties provide resources such as

social support. (Baum & Ziersch, 2003) .Net work is seen as a circle of close friends ,that is people one feels at ease with ,can talk about private matters or call upon for help . The size of net work is considered through a number of close friends. Social capital has also been distinguished as bonding, bridging or linking. Further differentiations are made on basis of their size, density and extent to which they are open or closed (Stone, 2001).

Adrich,(1979) described a Net work as a total pattern of relationship within a group of organizations acting in order to achieve common goals. Seibert and Liden (2001) defined a net work as a pattern of ties linking a defined set of social actors, where each social actor can be described in terms of his / her links with other social actors in net work.

In all these definitions emphasis is on relationship between actors with a common purpose. Net work is a web of relationships that generate economic value and other benefits through exchange between two or more individuals, groups or rganizations, dissemination of information and facilitates collective decision making.

Trust

Trust is essential to understanding social capital and relates to the cognitive side of social capital and is defined as decision to give most people a benefit of doubt (Campbell, 1994). There are 3 types of trust namely trust with familiars that exist within established relationship and net works; Generalized /social trust which is extended to strangers; and Institutional trust which relates to basic forms of trust in formal institutions of governance.

Tishira (1996) contends that trust is a pivotal antecedent for effective relational management and it indicates a willingness arising from confidence

including belief in good intent and concern of exchange . According to Royter,Wezerlsand Bloemer (1998),trust develops as a result of host of reasons including collaborative relationship, secure delivery ,low failure rates, advice up to date information exchange. Impliedly up to date information could include quality of financial reporting.

Information channels

Access to information is recognized as central to helping communities and groups to have a stronger voice in matters affecting their well being (world Bank ,2002). This explores the ways and means by which individuals receive information and their access to communication infrastructure. Information channels, according to Hoffman, Hoelscher and sheriff (2005) are social net works within organizations that connect them to the outside world . This dimension of social capital consists of personnel relationships that people develop with each other through a history of interactions.

Burt (1992) describes social capital in terms of net works and discussed ramifications of structural holes. Structural holes are those areas of net works not well connected, which hamper information flow. One of the benefits of high levels of social capital is limiting structural holes within organization net work.

Social norms

Social norms provide for social control in an organization/community. They are general internalized sets of accepted behavior for members within a net work .Social norms are common belief system that allow participants communicate their ideas and increase efficiency of action and reduce external unknowns (Adler and Kwan, 2000)

Obligations and expectations

Lesser (2000) viewed this dimension of social capital as positive interaction that occurs between individuals in a network. These interactions have been viewed as positive largely because of levels of trust and reciprocity that they are engendered (Putman,1993).

Within a net work, obligation and expectation lead to collective trust, which becomes a potential form of expectation asset (knes and cammerer, 1994, Nahapiet and Ghoshal ,1998). Collective trust allows group members to rely on each other, cooperation, coordination, mutual confidence and leads to reduction of transactional costs and inefficiencies.

Identity

This group identity increases perceived opportunities for information exchange and enhance frequency of cooperation (Lewicki and Buncker,1996). In contrast ,where identity is not present there are significant barkers to information sharing ,learning and knowledge creation (child and Redrique ,1996 Pettigrew 19973,simon and Davis,1996).

Moral Infrastructure

A moral infrastructure is identified as the structure or net work, which allows an organization to encourage norms of conduct within the organizations scope of influence . These net works, whether existent within organization or within community provide an additional pathway for net work actors to learn of the trust worthiness of individual actors within the net work.

Reciprocity

Reciprocity also a cognitive element of social capital refers to the provision of resource (information inclusive) by an individual or group to another, and repayment of resource of equivalent value by these recipients to original provider. High levels of social capital gives rise to high level of reciprocal relationship and so give more cooperative and well functioning societies (Newton, 1997).

Social cohesion and inclusive/Exclusion

Communities are not entities, but rather are characterized by various forms of division and difference that can lead to conflict. It looks at the nature and extent of these differences, the mechanisms by which they are managed.

Empowerment and Political action

Members are empowered to the extent they have a measure of control over institutions and processes directly affecting them. It considers the members' sense of happiness, personal efficiency, capacity to influence both local and public institutions. It is the capability of members to participate in, negotiate with, influence, control and hold accountable institution that affect them (World Bank, 2000).

Relational Dimension

The amount and nature of expectations and obligations are central features in understanding the organizations relations with publics and influence of communications. Relationships within role theory are frequently explained in such terms (Hazleton and Kennan,2000).

2.3.4 Social Capital and Quality of Financial Reporting

The church as focal point of social activities has been the major provider of social capital for over 2000 years by using holistic approach, a recognizant that a person requires support for mental ,physical and spiritual dimension (Suter ,2002). Churches build and sustain social capital though strengthening congregations as civic institutions, and encouraging religious collaboration.

The importance of Social capital is that it's presence makes possible a kind of action that is beneficial and which can be highly advantageous to those individuals, groups, or organizations that posses it in sufficient quality. Social capital is considered as a resource (such as ideas information, support) that individuals are able to procure by virtue of relationship with other people (World Bank, 2002).

Social capital enhances the ability of members of community or organization to communicate among each other; with other communities and members of their net work that live outside their community (Baum & Zierch,2003).Social capital increases access to information and helps to disseminate information including Financial reporting ,reduce opportunistic behavior and facilitate collective decision making.

Hasleton and Kannan (2000) make communication a central feature of social capital. Their work draws from Nahpiet and Ghoshal (1998) and identifies three dimensions: structure, relationships, and a communication dimension. The structural dimension contains three elements: access, referral, and timing. Access indicates the degree to which individuals believe that they have a usable connection to individuals within a network that can produce effective action. Referral indexes the degree to which people can find information they need through existing network connections

currently available to them. Timing refers to the degree to which individuals can get information in an appropriate time frame connected to the issue at hand.

With regard to relational dimension Kennan and Hazleton (2000) suggest three components:- obligations, trust, and the strength of the tie that exists between relational partners. Obligations emerge where connections form between individuals. One is obligated to repay a debt, return a call, or offer help when it had previously been extended. Trust is an expectation that individuals will exhibit behavior that is consistent with expectations. A strong connection between people, groups, or organizations would include time emotional intensity, intimacy, and reciprocity.

On trust, Fussell, Harruson – Rexrode, Kennan and Hazleton (2006) argue that the behavior of employees is associated with trust and access. Employees will not risk new behaviors with unknown consequences. The same authors argue that information in social capital is associated with timing, access, and trust. A repeated theme is the availability of information in a time so as to be useful with regard to current issues and concerns. Information (including financial) to be informative and therefore of quality must be available when employees and perceive its potential utility to be high. In conclusion, the same authors argue that trust is required for information to be shared and its contents accepted as true and factual. Where these elements of social capital are in short supply information exchange issues may prove costly for organizations.

According to Evans and Carson (2005) social capital may be described as those assets residing in social relationships and networks. Relational networks are believed to allow individuals to work together more efficiently and effectively.

Quality, productive relationships centered on co-ordinate and collective effort are considered critical to group functioning (Guzzo and Shea 1992, Hackman, 1987). Social capital is characterized by relationship ties that provide vital information, trust, support, and a shared perspective. These resources are embedded in-group member relationships and are utilized to enhance group processes, which in turn enhance overall group performance.

Putnam (1993) argued that social capital might influence the performance of organization. He argued that at the individual level, social capital can influence career success and the creation of human capital. At the inter and intra- firm level, social capital can facilitate inter-unit resource (including information exchange) and product innovation. Many studies (Gabbay and Zuckerman, 1998, Hansen, 1998; Chong and Gibbons, 1997; Uzzi, 1997) found that social capital may reduce transaction costs, enhance cooperation, facilitate entrepreneurship and formation of start up companies, and strengthen supplier relations, regional production networks, and inter-firm learning.

Foley and Edwards (1999) regard social capital as networks plus resources. It seems that networks are fundamental in social capital because networks can provide resources, which may facilitate investment, can provide access to information, and reduce transactional cost. For example, trust is one of the resources, but it may be the result of networks.

In trying to link accounting practise and spiritual values, Irvine (2005), argued that all organisations even those with sacred agenda, need to confront the reality of money and accounting if they are to achieve success. If they are unable to obtain or account for resources they need for their mission, their ability to fulfil that

mission is likely to be compromised. (Irvine, 2005). Jacobs (2005) too, commented on the biblical view of stewardship stating that, the problems with church finances is because members prefer to deal with trusted bookkeepers with religious connections even they are not adequately trained.

2.4 Financial Reporting:

Financial reporting is largely an effort to assess financial performance, that is, how well or poorly the organization has performed, with money entrusted to it (Miller, 2003). Financial reporting is considered as part of organizational accountability for financial decisions, which include rising and spending money, as well as making promises that have financial consequences (Miller, 2003). According to Sserwanga, (2002), financial reporting or disclosure refers to deliberate release of financial information, numeric or qualitative on voluntary or involuntary basis through financial statements, financial reports for both internal and external use. Serebe, (1996), states that the financial reports contains summaries and analysis of financial records of the organization. He further asserts that the process of preparing financial statements and communicating them to different users/audiences is what is referred to as financial reporting. According to Walker (2007), financial reporting includes how to receive, record and track church funds, adding that it is any system with ability to monitor progress made for variety of church funds.

2.4.1 The Role of Financial Reporting in Church Organizations:

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

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

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

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

2.4.2 Quality of Financial Reporting

There are several conflicting definitions by various groups, as concerns quality of financial reporting (Miller, 2003).

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

The 1994 AICPA special committee on financial reporting (Jenkins Committee) did not refer to the quality of financial reporting but rather “quality of earning”. It appears that quality is related to both ability to predict and the relevance of information (Miller, 2003). In identifying quality, the Jenkins committee used several concepts that emphasise users’ needs, such as understanding the nature of organisation business and performance, changes affecting the organisation, management perspective and others (Miller, 2003).

The Financial Analysis Federation (FAF), base their definition on the disclose efforts over a fiscal year on various financial disclosures and statements; published information such as, press releases and fact books. Analysis evaluates timeliness details and charity of information presented.

Standard and Poors consider accounting quality as a factor in establishing an industrial bond issue rating. Firms that consistently make timely and informative disclosures are considered less likely to withhold relevant unfavourable information.

Quality financial reporting must be the natural consequence of quality work performed by:- management, auditors, and accounting setters. Objectivity, accuracy and fairness lead to credible information. Annual reports credibility depends on the degree to which it is correct, complete and objective. Disclosure, and transparency are important elements of high quality financial reporting (Miller, 2003).

For financial information to serve the intended objective, it should be of good quality to enhance good decision making (Krishnamcorthy, et al 2002 as cited by Sserwanga). Lee (1982) states that the aim of corporate reporting is the provision of information about company performance and resources to aid the making of various decisions.

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

2.4.3 Qualitative Characteristics of Financial Reporting:

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

Relevance

As seen earlier, according to FASB concepts statement 2, relevance and reliability are considered to be primary quality characteristics (Miller, 2003).

Accounting information is relevant if it has the ability to influence economic decision of the users and is provided in time to influence those decisions. Relevant information has the predictive or confirmatory value (Lewis & Pendril, 1996). The predictive value of information is manifested when it helps the users to evaluate or assess past, present or future events. Conversely confirmatory value is when it helps users to confirm or correct their past evaluation and assessments. (Lewis & Pendril, 1996). Stoner et al (1995) states that the information the board receives must have relevance to their responsibilities and task.

Reliability

According to Miller 2003, this is another primary quality characteristic. Information is said to be reliable if:- it can be depended on by users to represent faithfully what it either purports to represent or could be reasonably be expected to present; it is free from material error; complete within the bounds of materiality; and produce has been applied in exercising judgement and making of necessary estimates. Dydcuman (1998), as cited by Sserwanga argues that external decision-makers should be able to count on the reliability of all accounting information in financial statements.

Timeliness

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

Understandability

Barker (2003), asserts that the problems in financial reporting are often planned on rules, because in trying to out low the system of smoothing which covered many sins, the rule makers have been accused of simply making figures more volatile and less understandable.

The importance of understandability is emphasised in IASC (2000), framework that an essential quality of information provided in financial statement is that it should be presented in such away that it is readily understandable by users. According to Lewis and Pendril (1996), understandability is divided into components:- Users abilities; and aggregation and classification. The preparers of financial statements are entitled to assume that users have a reasonable knowledge of business and economic activities and accounting, and a willingness to study with reasonable diligence the information provided. Secondly, as far as aggregation and classification is concerned, the presentation of financial information should ensure that items are aggregated and classified appropriately.

Materiality

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

Comparability

Information about an entity is much more useful if it can be compared with similar entities in order to evaluate their relative importance. Additionally, the

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

2.4.4 Constraints and Trade Offs on the Application of Qualitative Characteristics:

The challenge accountants, encounter while compiling financial reports, is the ability to balance and reconcile between the characteristics that seem to be in conflict, and can not be achieved simultaneously.

Lewis and Pendil noted that information that is most relevant can turn out not to be reliable and vice versa. On several occasions it is appropriate to use the information that is most relevant of which ever information is reliable Sanga, Duncan and Moores(1998), addressed the similar issue of trade off between relevance and reliability, concluding that a positive association exist between the two with minimum levels of reliability necessary to achieve relevance.

Timeliness of information does cause conflict of relevance and reliability, because delay in providing information can make it out of date, which will affect it's relevancy. Yet reporting on the transactions and other events before uncertainties involved are considered may affect the information reliability. On the contrary leaving information out of financial statements because of reliability concerns may affect the completeness and therefore reliability of the information provided.

Tension also exists between neutrality and prudence. Whilst neutrality involves freedom from deliberate or systematic bias, prudence is a potentially biased concept that seeks to ensure that under conditions of uncertainty, gains and assets are not overstated.

Lewis and Pendril (1996), further illustrate the problem of presenting information, which is relevant, reliable and comparable in a way that is understandable by all users. However, information that is relevant and reliable should not be excluded from the financial statements simply because it is too difficult for some users to understand.

2.5 Conclusion

Financial reporting is a key element in communicating the condition and performance of finances in the church, to its members and contributors. However, most churches especially small ones are reported to have poor quality of financial reporting. Most studies show that big churches which are able to employ competent accounting staff tend to produce better financial reports compared to small ones. . Social capital enhances the ability of members of church community to communicate; that is to say the ease to access and disseminate information including financial reporting. All this implies that church size, staff competency and social capital influence the quality of financial reporting in Churches.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This section specifies research design, sampling design, sample size, and techniques of data collection, measurement, data processing and analysis and highlights the limitations found during the study.

3.1 Research Design

To achieve the objectives of the study, the researcher used the cross-sectional survey method. A cross sectional survey was used in order to obtain a snapshot data on study variables. This was combined with descriptive and analytical research designs. The descriptive nature of it was to focus on understanding of a sample survey in which responses of self-administered questionnaires were described to provide a clear picture. The analytical perceptive was involved in analyzing results from responses given in the questionnaires and actionable recommendations were then made. Both primary secondary and secondary sources of data were used.

3.2 Study Population

The target group for the study was individual churches, whereby a church was considered as a Unit of Analysis. The study population comprised of 247 churches of different denominations in the district of Mukono (Evangelical Fellowship of Uganda, EFU, 2004).

3.3 The Sample Size and Selection

A sample size of 148 different churches was determined basing on Krejcie and Morgan (1970), rule thumb for estimating sample size. This sample size is further supported by Bailey (1994), who stated that any research with a sample of 100 is regarded as adequate irrespective of population size.

The strata were composed of the different church categories (denominations). The number of churches included in each stratum (church category) was determined basing on Christian population for each category in Uganda. (UBOS, 2002).

Table 3.1: Summary of the Sample Size

Strata	Population (Churches)	Sample (Churches)
Catholics	104	61
Anglicans	79	47
Pentecostal	47	28
Others	17	12
Total	247	148

Source: EFU (2004), UBOS (2002)

3.4 Sampling Method:

A stratified sampling procedure was used to select the churches so as to ensure representativeness and minimize bias, whereby the strata were composed of different church categories. The churches were the main targets for the study. From each of the sampled churches, two respondents were selected. The first respondents was a person identified by the church leadership as the staff in charge of preparing financial reports, and the second was a member of the church governing body.

3.5 Data Collection Sources:

Data was collected from two sources:-

- i) Secondary data; this was the source from a review of related literature from journals, published reports, newspapers, and in-house documents for the selected churches and publications by different church organizations.
- ii) Primary data; this was through self-administered questionnaires to respective respondents of the selected churches.

3.5.1 Primary Data:

The researcher by asking the respondents through self-administered questionnaire, gathered this data. Self-administered questionnaires were used to obtain personal assessment responses. These instruments were used to extract vital information needed to establish the degree to which church size, staff competencies and social capital affect the quality of financial reporting.

3.5.2 Secondary Data:

The main sources of this data were the Internet, Newspapers, churches, and church organizations.

3.5.3 Instruments:

The researcher used self-administered questionnaires on respondents from the sample. The questionnaires were divided into two parts: Part A was answered by the Accounting staff/volunteer in charge of accounting function and Part B was answered by a member of the governing body.

3.6 Measurement of Variables:

Three independent variables were identified namely; church size, staff competencies and social capital. The dependent variable was quality of financial reporting. A structured questionnaire was used to quantify primary data from individual respondents.

Church Size

Church size was measured basing on two dimensions; Membership(weekly attendance) and Organisational resources(annual collections) using a category scale type (Uma Sekaran, 2003).

Accounting Staff Competencies

Three components of staff competencies; knowledge and skills, experience and attitudes were tested basing on items adopted from Jasper and Semeij (2001), using a 5-point Likert Scale ranging from (5) Very High to (1) Not applicable.

Social Capital

Trust and Network were measured for Social Capital using a five point Likert scale running from (5) Strongly Agree to (1) Strongly Disagree. The items were adopted from Buller & Onyx (1998) and Putnam (1995)

Quality of Financial Reporting

Quality of financial reporting was measured basing on items; relevance, reliability and timeliness (ASC 2000). The researcher adapted the five-point Likert-type scale as used by Morgan and Hunt (1994), anchored “Strongly Agree”, “Agree”, “Undecided”, “Disagree” and “Strongly Disagree”

3.7 Validity and Reliability:

For the validity, experts in the field were consulted about the content of the instruments, ambiguity of question items and their relevancy. Thereafter, the instruments were given to raters who rated the relevancy of each item and Content

Validity Index (CVI) was computed using the following formula:-

$$CVI = \frac{K}{N} = \frac{66}{66} = 1.00$$

Where CVI = Content Validity Index

K = Total Number of items rated as relevant

N = Total Number of items in the questionnaire

The reliability of the instrument was established by computing the Crobach

Correlation Coefficient using a computer programme known as “Statistical Package for Social Scientists”.

Reliability analysis showed the following results for the respective variables. For church size it was .9623, for staff competence was .9431, for social capital was .8626 and quality of financial reporting was .9431. (See table 3.2 below):-

Table 3.2 Reliability Test Table

Variable	Alpha	Number of Cases
Church Size	.9623	22
Staff Competencies	.9431	22
Social Capital	.8626	22
Quality of Financial Reporting	.9431	22

Source: Primary

This instrument was found reliable because all the variables had values greater than 0.5.

3.8 Data Processing and Analysis

3.8.1 Data Processing:

Data collected was first edited then coded, classified and entered into a computer for analysis. The processing of data enabled the researcher to check for completeness and accuracy, upon which coding was done.

3.8.2 Data Analysis

The SPSS programme was used for data analysis. Correlation and regression tests were used to establish existence and nature of relationship between church size, staff competencies, social capital and quality of financial reporting. A multi co-

linearity analysis was done to examine the extent of inter relatedness amongst the independent variables. ANOVA test was carried out as well.

3.8.3 Challenges/Problems Encountered

Like previous researchers, the researcher faced a challenge in selecting the social capital type definition and level measurement. Baum and Ziersch(2003) states that there are several debates about whether social capital can be measured at individual or community level. However a multi dimensional approach was used, which considered Structural (Networks) and Cognitive (Trust) components. The respondents were selected from Financial reports preparers (Accounting staff) and users (members of the church council) on assumption that they will represent interests of wider community in the activities of the church.

Some respondents were reluctant to fill in the questionnaires and this was attributed to the fact that most of them were sensitive and had a lot of suspicion on releasing financial information of their respective churches to outsiders. Even then the researcher managed to get information from them by constantly reminding them and even calling on them at their churches and homes.

Time and financial resources were equally not enough for the researcher. Thus the study had to be limited to a few churches in Mukono District.

Despite these limitations the quality of the research findings was not affected.

CHAPTER FOUR

PRESENTATION OF FINDINGS

4.0 Introduction

A total of 148 churches were surveyed and their findings form the major part of this chapter. This chapter deals with analysis, presentation and interpretation of data collected from the respondents. The analysis is organized around the descriptive and inferential statistics plus their interpretations. Various statistical estimates had to be used to present the findings of the research with a view to reflect the responses it takes to answer the research questions. The Pearson Correlations were presented later in the chapter to test for the relationships and the regression model was used to determine the magnitude to which church size, competencies and social capital can explain or determine the quality of financial reporting. In the end of the chapter, the Analysis of Variance (ANOVA) results were presented to rank the various characteristics/groups of the respondents by study variable.

The following were the guiding objectives of the study:-

- To explain the relationship between church size and quality of financial reporting in the churches.
- To explain whether there is relationship between staff competency and the quality of financial reporting.
- To determine the relationship between social capital and quality of financial reporting.

4.1 Response rate

Out of the 148 sets of questionnaires administered to selected churches, 92 responses were answered and returned by respondents. This gives the response rate of 62% and non response rate of 38%.

4.2 Sample Characteristics:

This shows the general characteristics of the sample collected. This is in relation to the education level by gender, period with church by domination of the respondents.

4.2.1 Education Level by Gender:

The cross tabulations were used to present education and gender categories of the respondents as shown in Table 4.1 below:-

Table 4.1 Distribution of Education and Gender

			Gender		Total
			Male	Female	
Education	O-Level	Count	3	5	8
		Row %	37.5%	62.5%	100.0%
		Column %	4.9%	16.1%	8.7%
	A-Level	Count	7	2	9
		Row %	77.8%	22.2%	100.0%
		Column %	11.5%	6.5%	9.8%
	Tertiary	Count	21	13	34
		Row %	61.8%	38.2%	100.0%
		Column %	34.4%	41.9%	37.0%
	University	Count	30	11	41
		Row %	73.2%	26.8%	100.0%
		Column %	49.2%	35.5%	44.6%
Total	Count	61	31	92	
	Row %	66.3%	33.7%	100.0%	
	Column %	100.0%	100.0%	100.0%	

Table 4.1 show that 44.6% of the respondents had studied up to University level, 37.0% up to Tertiary Institutions 9.8% up to “A” level and only 8.7% up to “O” level. Among the respondents who had studied up to University level, the majority were the males (73.2%) and the females formed only 26.8% of this category. In addition females who formed 33.7% of the sample had the greater proportion educated up to the tertiary level of education (41.9%) and one 6.5% of these females were educated up to the advanced level of education.

4.2.2 Period with Church by Denomination Cross Tabulation:

The cross tabulation below was generated to present the church denomination by period spent with the church among the respondents responsible for the financial reports of the church.

Table 4.2 Period with Church by denomination

			Church denomination				Total
			Catholic	Protestant	Pentecostal	Others	
Period with church	Less than 1 yr	Count	3	2	2	1	8
		Row %	37.5%	25.0%	25.0%	12.5%	100.0%
		Column %	10.7%	5.9%	10.5%	9.1%	8.7%
	1-2 yrs	Count	6	8	4	2	20
		Row %	30.0%	40.0%	20.0%	10.0%	100.0%
		Column %	21.4%	23.5%	21.1%	18.2%	21.7%
	3-4 yrs	Count	5	7	6	2	20
		Row %	25.0%	35.0%	30.0%	10.0%	100.0%
		Column %	17.9%	20.6%	31.6%	18.2%	21.7%
	5 yrs & Above	Count	14	17	7	6	44
		Row %	31.8%	38.6%	15.9%	13.6%	100.0%
		Column %	50.0%	50.0%	36.8%	54.5%	47.8%
Total	Count	28	34	19	11	92	
	Row %	30.4%	37.0%	20.7%	12.0%	100.0%	
	Column %	100.0%	100.0%	100.0%	100.0%	100.0%	

Results revealed that most of the respondents were from the Protestant church (37.0%), followed by respondents from the Catholic Church (30.4%), then the Pentecostal church (20.7%) and least represented among these respondents were the respondents from the other churches who formed 12.0%. In addition, it was noted that the church type which had the greatest proportion of longest serving members in the sample (5 years and above) was still the Protestant church whose members constituted 38.6% of the church persons responsible for the financial reports of the church.

4.3 Variable Statistics:

The table 4.3 below presents descriptives, which together with questionnaire in the appendix seek to establish the perceptions of respondents regarding variables under study. These were measured using; mean, min – max and standard deviation of the responses depending on how the questions for each variable were anchored.

Table 4.3: Variable Statistics

Variable	Min	Max	Mean	Std. Deviation
Church Size	1.00	3.00	1.93	0.80
Org. Resources/Annual Collectn	1.00	3.00	1.93	0.80
Membership/Weekly Attendance	1.00	3.00	1.99	0.82
Competency	1.00	5.00	3.82	0.86
Knowledge & Skills	1.92	5.00	3.69	0.70
Attitudes	1.67	5.00	3.84	0.67
Experience	1.00	3.00	2.45	0.70
Social Capital	1.00	5.00	3.86	1.15
Trust	2.67	5.00	4.16	0.49
Networks	1.80	4.80	3.68	0.74
Quality of Financial Reporting	1.43	5.00	3.32	0.88
Relevance	1.58	5.00	3.62	0.82
Reliability	1.42	5.00	3.60	0.83
Timeliness	1.43	5.00	3.32	0.88

4.3.1 Church Size:

This measure sought to find the size of churches in terms of membership (weekly church attendance) and organization resources (annual collections).

Attendance was anchored as; below 100, 101-500 and above 500. For contributions/collections, anchoring was between; less than 10 million (highest negative) to above 50 million (highest positive).

Respondents revealed that on average annual collections range from 10,000,000 – 50,000,000 (mean = 1.93), while weekly attendance is usually been 101 – 500 (Mean = 1.99).

4.3.2 Accounting Staff Competencies:

Under this measure, questions relating to knowledge, skills and attitudes were anchored on 5 point scale weighted between Not applicable (highest negative) to Very high (highest positive). For experience, period was grouped as: - less than a year, 1-3years, above 3 years. Results show competencies having a mean of 3.82 indicating the fact that competencies are relatively high among persons responsible for church financial reporting. In addition the majority had a moderate experience of 1-3 years (mean = 2.45) and they also had relatively high levels of knowledge and general skills (mean = 3.69), and attitudes (mean = 3.84).

4.3.3 Social Capital:

Social capital which had trust and networks as it's components, was measured using a 5 point anchor ranging from strongly disagree (highest negative) to strongly agree (highest positive).

Respondents agreed that social capital do exist in churches (mean = 3.86). Equally, results indicate that trust (mean = 4.16) and network (mean = 3.68) have a mean close to 4, confirming their existence.

4.3.4 Quality of Financial Reporting:

A 5 point Anchor ranging from strongly disagree to strongly agree was used in the measure for quality of financial reporting at its components.

Timeliness of financial reporting in churches were found not up to desired standard (Mean = 3.32) as respondent expressed uncertainly regarding the construct. However respondents agreed on the relevance and reliability of financial reporting with means of 3.62 and 3.60 respectively. Findings further show that the scores for quality of financial reporting as whole to be 3.32. This means that respondents were uncertain regarding the quality of financial reporting in Uganda churches.

4.4 Relationships between the Study Constructs:

To investigate the relationships among the constructs, a zero- order correlation table was generated. Using the Pearson Correlation Coefficient, Table 4.4 below presents the results of the relationships.

Table 4.4: The Relationship between the Constructs

	Church Size	Competencies	Social capital	Financial Reporting
Church Size	1.000			
Competencies	.232*	1.000		
Social Capital	.062	.167	1.000	
Financial Reporting	.591**	.432**	.318**	1.000
* Correlation is significant at the 0.05 level (2-tailed).				
** Correlation is significant at the 0.01 level (2-tailed).				

4.4.1 To Explain the Relationship between Church Size and Financial Reporting in the Churches

Results revealed a significant and positive relationship between church size and Financial reporting ($r = .591^{**}$, $p < .01$). This implies that the greater the church size, the greater the resultant quality of financial reporting. This could be explained by the fact that with greater numbers, congregations tend to have enough resources and proper accounting systems that are key to the financial reporting process.

4.4.2 To Explain Whether there is relationship between Staff Competency and the Quality of Financial Reporting

It was observed that the competency of a person responsible for financial reporting has a statistically significant effect upon the quality of financial reporting, since a positive relationship was observed to exist between competencies and the quality of financial reporting ($r = .432^{**}$, $p < .01$). This implies that the greater the staff competency, the better the consequent quality of the financial reporting.

4.4.3 To Determine The Relationship between Social Capital and Quality of Financial Reporting:

Social capital and quality of financial reporting were also observed to be positively and significantly related ($r = .318^{**}$, $p < .01$). This also implies that with greater levels of social capital, we can expect an enhanced quality of financial reporting among the churches in the survey.

4.5 Regression Model

Regression analysis was used to determine the extent to which the predictors i.e. Church size, social capital and competences could explain Quality of financial reporting of the churches.

Table 4.5: Multiple Regression Analysis

Regression Model									
	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
Model					R Square Change	F Change	df1	df2	Sig. F Change
1	.698	.487	.468	.64324	.487	26.247	3	83	.000
Dependent variable: Quality of Financial Reporting. Predictors: (Constant), Staff Competency, Social Capital, Church Size									
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Multi Co linearity Statistics		
Model		B	Std. Error	Beta			Tolerance	VIF	
	(Constant)	.458	.379		1.209	.230			
	Church Size	.565	.090	.512	6.283	.000	.932	1.073	
	Social Capital	.191	.062	.246	3.086	.003	.972	1.029	
	Competences	.263	.085	.257	3.113	.003	.907	1.103	

It was observed that the predictors can explain up to 46.8% of the observed variance in the Quality of Financial Reporting (Adjusted R Square = .468). In addition, the regression model was significant ($P < 0.01$). The most significant predictor of quality of financial reporting was church size (Beta=0.512, $P < 0.01$).

Variance Inflation Factor (VIF) Results

As the variance inflation factor increases, so does the variance of the regression coefficient, making it an unstable estimate. Large VIF values are an indicator of multi-collinearity. Multi-collinearity becomes a problem since variables are highly correlated in a multiple regression analysis and it is difficult to identify the unique contribution of each variable in predicting the dependent variable because the highly correlated variables are predicting the same variance in the dependent variable. In this situation, the “overall” p-value may be significant but the p-value for each predictor may not be significant (Garson, 2009). The Variance inflation factor, VIF values in this case were all lower than 4 indicating that the variables were actually independent and were not similar and thus multi-collinearity was not a problem i.e. Church Size (VIF=1.073), Social Capital (VIF=1.029) and Competences (VIF=1.103)

4.6 ANOVA Results:

4.6.1 ANOVA Results for Congregation by Variable:

ANOVA results for church attendance by variable indicated that there are significant differences for the respondents on church size and financial reporting. ($P < 0.01$)

Table 4.6: Church Congregation by Variable

		Mean	Std. Deviation	Std. Error	F	Sig.
Church Size	Below 100	1.0000	.00000	.00000	527.713	.000
	101-500	1.9667	.18257	.03333		
	Above 500	2.8667	.34575	.06312		
Competencies	Below 100	3.6000	.81368	.14856	2.761	.069
	101-500	3.7667	1.00630	.18372		
	Above 500	4.1000	.66176	.12082		
Social Capital	Below 100	3.5806	1.25895	.22611	2.689	.074
	101-500	4.2333	.93526	.17075		
	Above 500	3.7667	1.16511	.21272		
Financial Reporting	Below 100	2.5172	.62784	.11659	29.443	.000
	101-500	3.6325	.82260	.15018		
	Above 500	3.7786	.59091	.10788		

In the majority of cases, congregations above 500 were found to have a highest mean score. On financial reporting, churches with above 500 members (Mean = 3.7786) were observed to outperform those with 101-500 members (Mean = 3.6325) and those with Below 100 members (Mean = 2.5172).

4.6.2 ANOVA Results by Period in Financial Reporting Activities by Variable:

The ANOVA results in the table below for the period that staff members have been in the financial reporting activities by variable indicated that there were no significant differences between the members who have been in the financial reporting activities for the various periods on social capital, competencies and financial reporting except on church size. So the period for which staff members have been in the financial reporting activities of the church do not create significant differences in the social capital, competencies and financial reporting that the churches consequently realize. In all cases churches having staff members with period above 3 years had the highest mean score.

Table 4.7: Period in Financial Reporting Activities by Variable

		N	Mean	Std. Deviation	Std. Error	F	Sig.
Church Size	Less than 1yr	10	1.3000	.48305	.15275	5.135	.008
	1-3 yrs	32	1.8438	.76662	.13552		
	Above 3 yrs	49	2.1224	.80707	.11530		
Competencies	Less than 1yr	10	3.3000	.82327	.26034	2.952	.057
	1-3 yrs	31	3.7419	.92979	.16700		
	Above 3 yrs	49	3.9796	.77701	.11100		
Social Capital	Less than 1yr	10	3.5000	1.64992	.52175	.998	.373
	1-3 yrs	32	3.7500	1.21814	.21534		
	Above 3 yrs	49	4.0000	.97895	.13985		
Financial Reporting	Less than 1yr	10	2.8571	.98515	.31153	2.536	.085
	1-3 yrs	30	3.2048	.79909	.14589		
	Above 3 yrs	49	3.4820	.88547	.12650		

4.6.3 ANOVA Results for Place of Learning Accounting Knowledge and Skills by Variable:

ANOVA results for place of learning accounting knowledge and skills by variable in the table below indicated that there are significant differences between the respondents on financial reporting and church size. On financial reporting ($P = .002 < 0.01$), it was noted that the church staff who had acquired their accounting knowledge and skills from an Educational Institution (Mean = 3.4974) fared better than those who had acquired their skills from Work (Mean = 2.9549) and those who had acquired from other places besides the aforementioned places (Mean = 2.3714). In all cases educational institutions as a place of learning had the highest mean score.

Table 4.8: ANOVA results for Place of Learning Accounting Knowledge and Skills by Variable:

		N	Mean	Std. Deviation	Std. Error	F	Sig.
Church Size	Educational Institution	66	2.0606	.78208	.09627	3.646	.030
	Work	19	1.6842	.82007	.18814		
	Others	6	1.3333	.51640	.21082		
Competencies	Educational Institution	65	3.8462	.88795	.11014	.136	.873
	Work	19	3.7895	.85498	.19615		
	Others	6	3.6667	.51640	.21082		
Social Capital	Educational Institution	66	3.8636	1.14873	.14140	.004	.996
	Work	19	3.8421	1.21395	.27850		
	Others	6	3.8333	1.16905	.47726		
Financial Reporting	Educational Institution	65	3.4974	.85058	.10550	6.546	.002
	Work	19	2.9549	.77380	.17752		
	Others	5	2.3714	.79923	.35743		

4.6.4 ANOVA Results for Holding of Professional Accountancy Qualification by Variable:

Results in the table below for holding of professional accountancy qualification by variable indicated that there are significant differences on financial reporting and church size between church staff members who have Professional Accountancy Qualification and those who do not have. In most cases holding of professionals qualifications had a higher mean score.

Table 4.9: Holding of Professional Qualifications by Variable

		N	Mean	Std. Deviation	Std. Error	F	Sig.
Church Size	Yes	41	2.3171	.78864	.12316	20.880	.000
	No	50	1.6200	.66670	.09429		
Social Capital	Yes	41	3.6585	1.29634	.20245	2.254	.137
	No	50	4.0200	.99980	.14139		
Competencies	Yes	40	3.9750	.65974	.10431	2.330	.130
	No	50	3.7000	.97416	.13777		
Financial Reporting	Yes	41	3.5314	.86809	.13557	4.598	.035
	No	48	3.1364	.86444	.12477		

On financial reporting it was observed that those who have Professional Accountancy Qualifications (Mean = 3.5314) fared better than those who do not have (Mean = 3.1364).

CHAPTER FIVE

DISCUSSION CONCLUSION AND RECOMMENDATIONS

5.0 Introduction:

The concepts of church size, competency, social capital and quality of financial reporting have gained prominence in the financial management today. However, markedly little studies have been done to determine the effects of church size, staff competencies and social capital on the quality of financial reporting.

This study set out to explain the effects of church size, staff competency and social capital on the quality of financial reporting. A conceptual model was developed that explains how church size, staff competencies and social capital can affect the quality of financial reporting. This chapter discusses the findings, draws conclusions and provides recommendations for policy implementation and further areas of research. The findings and discussions have been done as per the research questions and objectives set at the beginning of the study.

5.1 Discussion and Interpretation of the Findings

The results show that there is a strong correlation among all the constructs responsible for determining quality of financial reporting, namely; church size, staff competency and social capital and this is supporting research objectives one, two and three. The Pearson correlation coefficient showed consistently a significant positive correlation. This implies that a high level of any of the components will lead to enhancement in another component. An increase in church size will lead to staff competence.

5.1.1 Church Size and Quality of Financial Reporting

The findings revealed a strong positive correlation between church size and the quality of financial reporting thus confirming the first research objective. These findings are in line with the work of Booth (1993), who suggest that a strong church membership strengthens the dominance of religious beliefs and maintenance of status quo including the resistance to and support for accounting.

Similarly, Duncan et al (1999) identified that good quality of church accounting system was due to increased church membership size. According to them, increased church membership typically results in increased financial resources; a larger staff, and potential for the segregation of financial duties and individuals employed with expertise in accounting and administration. Duncan et al (1999) further argues that large churches generally have larger staffs, and are better able to utilize full-time workers to segregate responsibilities. All these imply that church size has a big role to play in the quality of financial reporting. It also means that growth in church size should be encouraged and promoted.

5.1.2 Staff Competency and Quality of Financial Reporting

The study revealed a strong positive correlation between staff competencies and quality of financial reporting, this confirming the second research objective. This indicates a direct and positive relationship between the two components of staff competencies and quality of financial reporting and their importance in the minds of church members and among the churches. The Pearson coefficient showed a significantly positive correlation between the components of staff competency and quality of financial reporting. This conforms the studies done by Armstrong (1999) who suggests that competencies are factors contributing to the high levels of

individual performance, and therefore, organizational effectiveness. The findings further confirm the studies of Pickett (1998), who argues that competencies are used in the workplace to perform a variety of behaviours and activities which in turn produce outputs (products and services) that are provided to others.

Similarly, Schnelder (1989) suggests that in order for the financial reports to be valuable, there is a need for experienced and knowledgeable staff with expertise to handle most reporting needs. From basic bookkeeping to in-depth reporting and analysis, adhering to professionalism, integrity as established by accounting standards. These imply that church organizations should ensure that they promote staff competencies through training programs and recruiting church staff who have the experience, expertise and the required qualification to handle financial matters.

5.1.3 Social Capital and Quality of Financial Reporting

There was a positive correlation between social capital and quality of financial reporting, hence conforming the third and last research objective. This is in line with the findings of Putnam (1993), who argues that social capital might influence the performance of organization. This is further supported by Guzzo and Shea (1992) and Hackman (1987), who suggest that social capital is characterized by relationships that provide vital information, trust, support and a shared perspective. These resources, according to these authors, are embedded in group memberships and are utilized to enhance group processes, which in turn enhance overall group performance. Further support is by the studies of Gabbay and Zuckerman (1998), Hansen (1998) and Chong & Gibbons (1997) who found that social capital may reduce transaction costs, enhance cooperation, facilitate entrepreneurship and

formation of companies, and strengthen supplier relations, regional production networks, and inter-firm learning.

Similarly, the studies of Evans, and Carson (2005) indicate that social capital are those assets residing in social relationships and networks. Relational networks are believed to allow individuals to work together more efficiently and effectively. Quality, productive relationships centered on coordinated and collective effort are considered critical to group functioning. All these studies mean that if church organizations want to get good quality of financial reporting, then they must not only encourage social capital, but promote it within and among the different churches.

5.2 Conclusions and Recommendations

5.2.1 Church Size and Quality of Financial Reporting

A significant positive correlation existed between church size and quality of financial reporting. This means that church size strongly determines quality of financial reporting. With an appropriate church size in place churches are in position to produce and receive quality of financial reporting. This could be attained by encouraging new members to join the church and also encourage more donations /contributions from its members and outside it. This will help to increase the level of quality of financial reporting.

5.2.2 Staff Competencies and Quality of Financial Reporting:

A significant positive relationship existed between staff competencies and quality of financial reporting. This means that staff competencies strongly influence quality of financial reporting, and therefore if promoted by church leadership it would lead to quality of financial reporting. This can be achieved through offering of training programs to the church leadership; and recruitment of knowledgeable,

experienced and highly qualified church staff, with right attitude to work. This will contribute to the proper maintenance and production of financial reports that are of quality.

5.2.3 Social Capital and Quality of Financial Reporting:

The study established that there was a significant positive correlation between social capital and quality of financial reporting. This means that social capital influences the quality of financial reporting, if encouraged and promoted in and among churches. If the church leadership can develop and promote all aspects of church dealings with its members that instill trust and network among themselves and towards the church; then there will be quality of financial reporting.

5.3 Recommendations for Further Research:

The need to establish quality of financial reporting in churches is a vital way forward for those churches that would like to be well established with big numbers of church members. Since church organizations deal in financial matters where church members are interested in knowing how church finances are utilized, quality of financial reporting should be achieved through building big and strong church size, social capital and staff competencies.

The scope of this study was mainly in Mukono geographically. Further research should be done to cover the entire country and also to expand to other religious organizations.

The study only considered church size, staff competencies and social capital and their effects on quality of financial reporting in churches. Further studies should look at other factors that may influence quality of financial reporting in Churches like Jurisdictional conflict and Administrative hierarchy.

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Appendix 1

MAKERERE UNIVERSITY BUSINESS SCHOOL

A) QUESTIONNAIRE FOR PERSONNEL RESPONSIBLE FOR PREPARATION OF FINANCIAL REPORTS.

Dear Respondent,

I am in the final year of my studies at Makerere University and as part of my requirements for the completion of the Master’s programme, I am conducting a study on church size; staff competencies, social capital and the quality of financial reporting. As one of the church members or employee, your opinions are very important to this study. The information you provide will be used for academic purpose only, and will be treated with confidentiality.

Demographic characteristics:

- 1. Sex of respondent Male Female

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

- 3. Church name.....
- 4. Church Type Catholic Protestant Pentecostal Others

- 5. Designation.....

- 6. How long have you been with this church?
Less than a year 1-2years 3-4years 5years and above

CHURCH SIZE

How big is your church in respect to annual church collections?

Tick appropriately

- 1. Below Shs 10,000,000
- 2. Shs. 10,000,000 – 50,000,000
- 3. Over 50,000,000

How big is church in terms of Sunday attendance

Tick appropriately

1. Below 100
2. 101-500
3. Above 500

SOCIAL CAPITAL

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

5 Strongly agree 4 Agree 3 Uncertain 2 Disagree 1. Strongly disagree

		5	4	3	2	1
1	I feel proud to be a member of this church.					
2	If I need help I would ask any member of the church for help.					
3	When I go out, I visit fellow church members					
4	My fellow church members come to visit me.					
5	My fellow church members interact with each other.					
6	We continuously attract new church members to our church.					
7	Most members in my church participate in church activities					
8	Members are free to each irrespective of status, education, age etc					
9	My church helps members access spiritual and social services					
10	My church interacts with other churches of similar goals outside it's location					

		5	4	3	2	1
11	Most people in my church can be trusted					
12	I feel quite confident that my church members will try to treat me fairly.					
13.	I can rely more on my fellow church members than church leaders					
14.	Our fellow church members are open and frank with one another all the time					
15.	I believe whatever my fellow church members tell me or promise to do					
16.	If I get a problem, my fellow church members would not let me down.					
17	People in my church trust one another					
18	I do not need to be too careful in my dealings with my fellow members of my church					

COMPETENCIES

How long have you been involved in financial reporting activities?

Less than a year 1-3 Years Above 3 Years

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

Educational Institution Work Others

Do you hold any professional Accountancy qualification? Yes No

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

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

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

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

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

MAKERERE UNIVERSITY BUSINESS SCHOOL

B) QUESTIONNAIRE FOR RECEIVERS OF FINANCIAL REPORTS

Dear Respondent,

I am in the final year of my studies at Makerere University and as part of my requirements for the completion of the Master's Programme, I am conducting a study on church size, staff competencies, social capital and the quality of financial reporting. As one of the church members or employee, your opinions are very important to this study. The information you provide will be used for academic purposes only and will be treated with confidentiality.

Demographic characteristics:

1. Sex of the respondent Male Female

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

3. Church Name

4. Church type: Catholic Protestant Pentecostal Others

5. Designation.....

6. How long have you been in this Church?
Less than year 1-2 years 3 4 years 5 years and above

QUALITY OF FINANCIAL REPORTING

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

5) Strong Agree 4) Agree 3) Uncertain 2) Disagree 1) Strongly disagree

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

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

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

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

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

5) Strongly Agree 4) Agree 3) Uncertain 2) Disagree 1) Strongly Disagree

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

THANK YOU



Appendix 2
MAKERERE UNIVERSITY BUSINESS SCHOOL

P.O. BOX 1700, Kampala, Uganda
Tel: +256-41-381112 General Line +256-41-381120 Fax: +256-41-505921

Graduate and Research Centre

Sept 10, 2007

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

RE: NANGALAMA DANIEL Reg. No. 2004/HD10/2565U

This is to introduce to you the above named, a Masters of Science in Finance and Accounting student in this School. He is undertaking research in partial fulfillment for the requirement of the award of a Masters Degree in Accounting and Finance on the topic "Relationship between Church size, Social Capital, Staff Competencies and Quality of Financial Reporting. Case Selected Churches in Uganda."

Any assistance rendered to him will be highly appreciated.

Yours Sincerely,


Esther Babirye

Graduate and Research Centre