

The Effect of Financial Management on Financial Performance of the Presbyterian Church Guest Houses in Rwanda

Case Study: Bethany Guest House

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Abstract- This research intended to establish the effect of financial management on the performance of the Presbyterian Church guest houses in Rwanda; it was based on the case study of Bethany guest house. This study was guided by the general objective of evaluating the effect of financial management on the performance of the Presbyterian Church guest houses, the specific objectives were: to analyse the effect of financial literacy on the profit of Bethany guest house; to examine the effect of financial innovation on the profits of Bethany guest house and to examine the effect of financial mobilisation of Bethany Guest house.

The target population of the study was 132 who were staffs of Bethany guest house, customers and suppliers. A sample of 80 respondents was randomly selected using the simple random sampling and stratified sampling method. The researcher used questionnaires to collect data and the collected data was analyzed using Microsoft excel program and the quantitative data was presented using tables and graphs while the qualitative data was presented using descriptions in line with objectives of the study. Findings from the study showed that the financial section lacked the necessary skills to manage finances especially based on the fact that very few people were trained in financial management. Furthermore, the study revealed that there existed significant relationship between all the predictors (financial literacy (.02), financial innovations (.000) and financial mobilization (.006), and profitability of Bethany guest house. Thus, financial literacy, financial innovations and financial mobilization can significantly predict profitability of Bethany guest house. Since the obtained p values are less than the significance level (.000, .006 and 0.02 <.05), the study concluded that there is a significant positive relationship between financial literacy, financial innovations and financial mobilization and profitability of Bethany guest house. The profitability of Bethany guest house could thus be affected by how effectively an organization has been engaged in financial literacy, financial innovation and financial mobilization. Among other recommendations the study recommends are skilling the staff in financial management as well as strengthening customer care services.

Index Terms- Financial Management & Financial Performance

I. INTRODUCTION

C1.1. The background of the study
Churches around the world have been known for providing services that help people in different circumstances. In general, churches focus on spiritual aspects of life such as evangelism and other social activities. Naturally these activities are never implemented without financial inputs and so churches have to engage in income generating activities that aim at raising resources to finance the initiatives. It is against this background that the Presbyterian Church in Rwanda introduced the Bethany guest house as a way of generating revenue to sustain its initiatives.

1.1.1 The Presbyterian Church in the Rwandan history

The Presbyterian Church in Rwanda (EPR) is one of the protestant reformed churches in the world. This reformation took place in the 16th century. Presbyterian Church in Rwanda was approved by the Ministerial decree no 500/08 on November 08, 1962 and was also published in the official government journal no 22 of 1/112/1962.

The mission of the Presbyterian Church in Rwanda is to evangelize people by proclaiming the love and salvation offered by God through his son Jesus Christ. Secondly it is to manifest the love of God through concrete actions of human and social development. In the social development actions, the Presbyterian Church in Rwanda established guest houses to participate in the country development in general and to resolve its financial problems in particular.

1.1.3 Bethany guest house in Rwanda

Bethany guest house is one of the five guest houses of the Presbyterian Church in Rwanda. It was constructed in 1987. It is located near Lake Kivu in Karongi District, Western Province about 124 kms from Kigali. Its location has been credited as favorable for tourists and other persons who want to retreat.

The guest house operates under the Presbyterian Church regulation especially in trading services. During the genocide of 1994, the business activities were stopped at Bethany guest house. In 1998 the center restated its activities and the infrastructure were expanded to accommodate more clients. In 2001 the business of Bethany increased due to the tarmac road

Kigali - Karongi. This led to an increased number of tourists going to Karongi, especially those who desired to stay at Bethany. In addition to the infrastructure expansion, Bethany guest house constructed a new four floor building in order to respond to the increased number of clients.

1.2. Problem Statement

Experience has shown that the development of guest houses can be an effective component of an economic development package. Guest houses like Bethany have the capacity to help overcome financial challenges that institutions like the Presbyterian Church faces.

Despite the fact that the infrastructure at Bethany guest house was reconstructed to meet the expanding number of clients and the profit goes up. However, the success of Bethany is not well known. Undoubtedly, there is still a gap in the financial management of the Presbyterian Church Guest houses. This study titled "the effect of financial management on the performance of the Presbyterian Church guest houses in Rwanda; intended to examine the effect of financial management practice on the performance of Bethany guest house.

1.3 Objectives

1.3.1 General objective

The main objective of this research was to examine the effect of financial management on the performance of the Presbyterian Church guest houses in Rwanda

1.3.2 Specific objective

The study was guided by the following specific objectives;

1. To analyse the effect of financial literacy on the profitability of Bethany guest house
2. To examine the effect of financial innovation on the profitability of Bethany guest house
3. To examine the effect of financial mobilisation on the profitability of Bethany Guest house

1.3.3 Research questions

The research aims at responding to three main questions:

1. What is the effect of financial literacy on profitability of Bethany guest house?
2. What is the effect of financial innovation on profitability of Bethany guest house?
3. What is the effect of financial mobilisation on profitability of Bethany Guest house?

II. THE LITERATURE REVIEW

2.1 The theoretical framework

The study was based on the theory of financial management systems and other ideas incorporated to it from the theories of financial literacy and the theory of financial innovation and financial mobilization.

2.1.1 Financial literacy theory

Financial literacy is mainly used in connection with personal finance matters. Financial literacy often entails the knowledge of properly making decisions pertaining to certain personal finance areas like real estate, insurance, investing, saving, tax planning and retirement. It also involves intimate

knowledge of financial concepts like compound interest, financial planning, the mechanics of a credit card, advantageous savings methods, consumer rights, time value of money. (Justin Marlowe 2014)

2.1.2 Financial innovation theory

Financial innovation is the act of creating and then popularizing new financial instruments as well as new financial technologies, institutions and markets. It includes institutional, product and process innovation. (Oliver Wyman and Clifford Chance LLP,2012)

For Bethany guest house the financial innovation, some customers use the credit card when they pay what they consume in the guest. Bethany guest house use financial technology on buying furniture or paying taxes.

2.1.3. Financial mobilization theory

The resources mobilization is the process by which resources are solicited by the program and provided by donors and partners.

In Bethany guest house; there is financial mobilization provide the financial prudence where the responsible is sensible and careful to avoid unnecessary risks in their business.

The prudence concept, do not overestimate the amount of revenues recognized or underestimate the amount of expenses. It is also conservative in recording the amount of assets, and not underestimates liabilities. The result should be conservatively-stated financial statements

In Bethany guest house all transactions of expenses and revenues were recorded daily in the book value.

2.1.4 Financial management systems

A financial management system is the methodology and software that an organisation uses to oversee and govern its income, expenses, and asserts with the objectives of maximizing profits and ensuring sustainability.

It is the processes and procedures used by an organisation's management to exercises financial control and accountability. These measures include recoding, verification and timely reporting of transactions that affect revenues, expenditure, asserts and liabilities. (Jacky Diamond and Poker Khemani, 2005)

1. The Effects of Profit

For this study, the researcher wanted to know how the profit has participated in success of Bethany guest house; and what has been the consequences even if it will realize the loss?

A positive effect of companies generating operational profits is the ability for companies to expand and grow their operations. Companies often reinvest a certain amount of profits earned from current operations into new business opportunities or expanding current operations to increase business output. For Bethany guest house; the research has found how a profit participates in growing of the Presbyterian guest houses.

2. Challenges faced by the financial management system in Bethany Guest house in meeting the profits.

Bethany guest house has infrastructures which need to be renovated. Some materials are old or not meeting the standard; they needs to be changed. The road going to the center from the main road to Bethany guest house should be tarmac. Observing

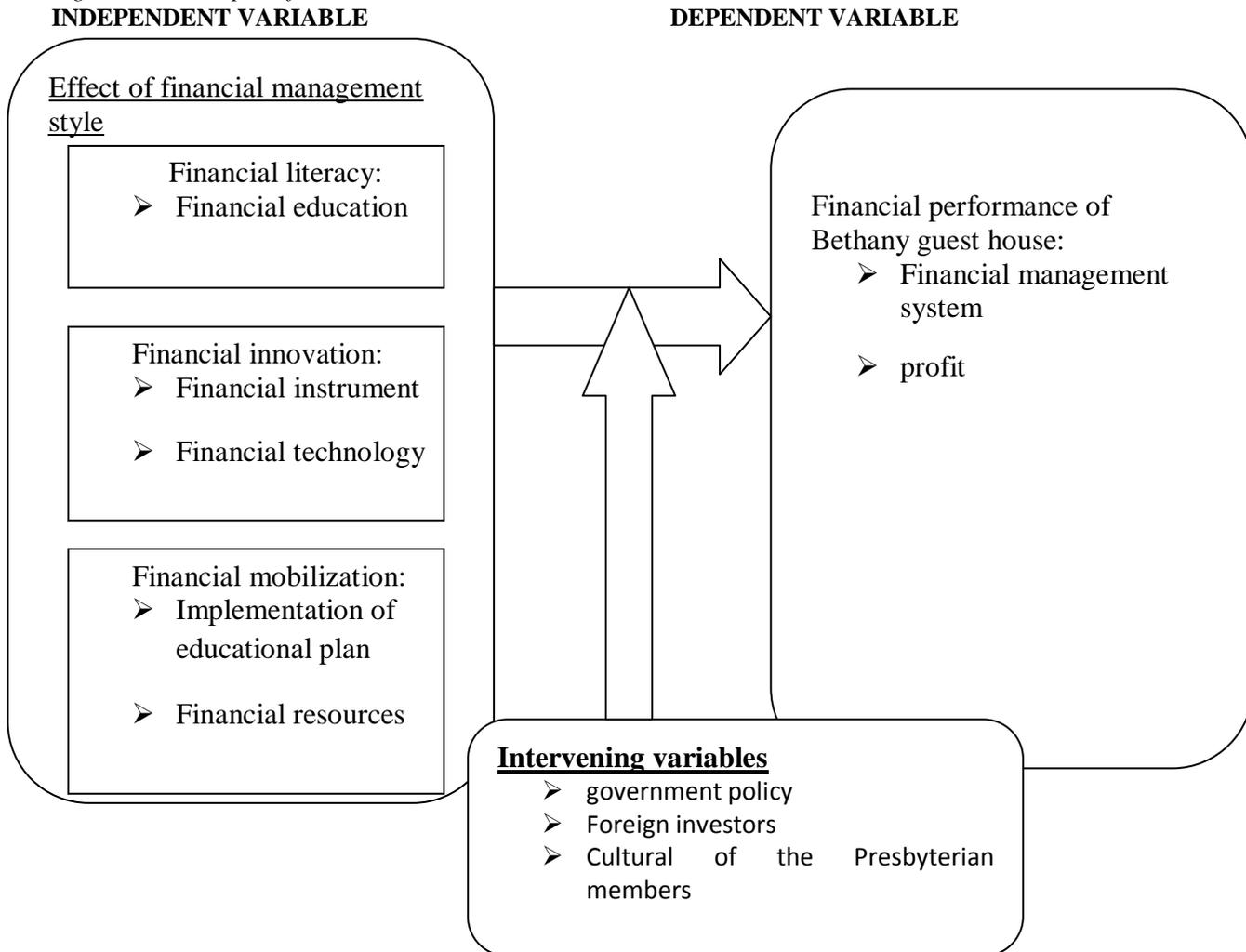
the competence of the staff and services they should deliver, you find that the staff needs to be empowered in order to meet the needs of the customer, because training and developing employees Bethany guest house improve in its services delivery and consequentially the income will increase.

Today many guest houses are coming up as competitors to Bethany guest house. This becomes a challenge to Bethany guest house, Bethany guest house has no access of permanent internet connection, due to the electricity which is not constant. In addition to this the website of Bethany guest house doesn't have enough information.

2.2 Conceptual framework

The conceptual framework shows the linkage between financial management style and the financial performance of Bethany guest houses; with regard to other studies conducted, the effect of financial management style was taken as an independent variable and the financial performance of Bethany guest houses as dependent variable. Taking into account the fact that the more development of financial management style there is, the more the performance of Bethany guest houses increases; there is a link between the dependent and the independent variables as illustrated below

Figure 2.1: Conceptual framework



The framework above shows a causal relationship between the effect of financial management style (independent variables) and financial performance of Bethany guest houses (dependent variable).

III. RESEARCH METHODOLOGY

3.1 Introduction

In detail this study presents the tools and techniques that were used to investigate the research issues in the field. It includes spelling out the area of the study and study population. It further describes the methods and techniques used in choosing the sample size and selection instruments like questionnaire,

interviews and documentation to be used. It also includes data processing, analysis and problems that were encountered in this research, finally this chapter provides the back ground against which the findings and conclusions of the study will be examined and appreciated regarding their reliability and validity.

3.2 The research designs

According to Churchill (1992), a research design is a framework or a plan for the study used as a guide in collecting and analyzing data. Therefore, the researcher used descriptive method design which is a method of collecting information by interviewing or administering a questionnaire to a sample of individuals. This study used qualitative and quantitative, statistic, analytic and comparative method design. After being collected the data will be analyzed.

3.3 The target population

This research study was conducted among 200 people in the following categories: staff of Bethany guest house, customers and suppliers, in order to get the effect of profit in success of Bethany guest house. The questionnaire and interview was given to 132 people.

3.4 Sampling techniques and illustrations

The sample size has been determined by using Alain Bouchard formula as follow:

We have $n_c = n : (1+n : N)$ where $n_c =$ The sample to be determined;

$$n_c = 1 + \frac{n}{N} = 1 + \frac{N+n}{N} = \frac{N}{1} \times \frac{N}{N+n} = \frac{N \times n}{N+n}$$

$N =$ the number of whole population ; $n = 132$, the target of population, $N = 200$, the total population , $n_c =$ the simple size

$$n_c = 1 + \frac{132}{200} = 1 + \frac{200+132}{200} = \frac{200}{1} \times \frac{200}{200+132} = \frac{200 \times 200}{200+132}$$

$$; n_c = \frac{26400}{332} = 79.5 \cong 80$$

According to the formula given by Bouchard, in our study, the simple size is conducted on 80 respondents classified in the category of staff, customers and suppliers. The selection of respondents was done by Simple random sampling. While selecting the sample size of the study, the researcher selected 18 respondents among staff, 44 among customers and 18 among suppliers.

In the study, the researcher used the purposive sampling technique to choose specific respondents whom he expected to have the information regarding the research topic. Simply, the researcher chose the people who have knowledge about business and profit regarding to the topic.

3.5 The Instruments

Both primary and secondary of data was used. The primary data collection is interviews and questionnaires given to the staff of the Presbyterian Church guest house, customers and suppliers. The secondary data were all information collected from library, journals, internet newspapers and financial report from Bethany guest houses.

3.6 Data collection procedures

The data collection process was done through field visits, telephone, interviews, observation and review of existing literatures. The researcher used different method such us questionnaire, interview, observation method.

IV. DATA ANALYSIS AND PRESENTATION OF FINDING

4.1. Profile of respondents

Based on the findings, respondents at vocational trainings participated in this research at a highest rate of 30%. The respondent at secondary level are 27,5%. Those at university level are 26,2% , respondents at primary level represent 13,7% and those at adult education represent 0,2%.

4.1.1. Gender of respondents

The study has shown that male were 51 which is equivalent to 63.7% of the selected sample population while females were 29 equivalents to 36.3%.

4.1.2. Age of structure of the respondents

Respondents were divided into 4 age groups, from 25 up 65 years old. The majority of respondents were between 25 to 35 years old who represent 40% of respondents and 35 to 45 years old who represent 25%, 45 to 55 years old who represent 6.3% of the respondent and 55 to 65 years old who represent 8.7% of respondent

4.1.3. Experiences level

Based on the findings, 72.2% of respondents represent the person who was not trained in financial management. 23.8% of respondents have got the training in financial management. Also the study shows that 12,5% of respondents were trained in accounting, 8.8% of respondents are trained in saving, 7.5% of respondents were trained in investing, 3.8% of respondents were trained in tax planning and 1.2% of respondents were trained in insurance. This explains that in the area of financial management there are few persons who were trained in.

4.2 The effect of financial management on the performance of Bethany Guest House

Findings have shown that the majority of respondents are in the range of the age between 25 and 65 years with the total of 80 respondents which present 100 % of the whole respondents. The majority of the respondents is male gender and presents 63.7 % of the whole respondents while the majority respondents are aged between 25years old and 35 years old which represent 40% of the whole number of respondents. According to the educational level of respondents, the study showed that the large number of respondents followed the vocational training 30% of the whole respondents are the results shows that the majority of respondents are single 52.5% . The married represent 40%.

4.2.1. The effect of financial literacy on profit of Bethany Guest House.

The results shown that 76, 2% of respondents represent the category of people who was not trained in financial management. This explains that those 23, 8% are the ones in charge of financial management for Bethany guest house.

Based on the analysis in the tables, in the financial management, there are few persons who were trained in financial management 12, 5%, while the others were not trained in this area of finance. However, maybe there are some persons who can get the job in financial management without being trained in

financial management. This can create mismanagement system at Bethany due to the unskilled people in the financial management. Tools used in communication at Bethany

The researcher wanted to know the tools of communication used at Bethany guest house in order to collaborate and provide good services to the customers and suppliers. Based on the data provided by the table 9, the service offered at Bethany is mostly on the accommodation 28, 8% restaurants 27, 5% and conferences 22, 5%. Other services have to be improved such as swimming 12, 5%, ironing 5% and internet 2, 5%.

The tool used mostly in communication at Bethany is internet and news paper; while television, radio and mobile phone come in the second step. Good communication can improve more the business at Bethany and being reached by many clients in our days of technology, where internet is the most tools used in communication over the world.

The result show that the correlation between financial literacy and profitability of Bethany Guest house is presented in table below where there we establish the relationship between financial literacy and profitability of Bethany quest house, correlations, and Regression squared were computed.

Table 4.10.a: Correlation between financial literacy and profitability of Bethany Guest House

Pearson correlation		Profitability of Bethany Guest house
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	Profitability of Bethany guest house	1.000
Financial literacy	Training in Financial Management	.27
	Better Services delivery to customers and suppliers	.48
	Good communication with customers and suppliers	.43

Source: Primary data, 2015

According to the findings presented in table above, the relationship between various financial management attribute and profitability of Bethany guest house was determined. The relationship between the extent to which Bethany guest house respondents are trained in financial management and profitability of Bethany guest house was .27, better services delivery (.48) and good communication with the customers and suppliers (.43). Although there was notable relationship, the correlation between financial literacy attributes and profitability of Bethany guest house was generally weak. In order to establish the extent to which the predictive variable influences the variability of the dependent variable, adjusted r^2 was determined.

Table 4.10.b: Model Summary for Financial literacy and profitability of Bethany guest house

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.626(a)	.39	.226	.70158

Predictors: Financial literacy attributes

Source: Primary data, 2015

As shown by the model summary in table adjusted R squared is .226. This shows that financial literacy to some extent influences the variability of financial profitability. Thus, various financial literacy attributes can be used to predict financial profitability of Bethany guest house. The findings proved that there is a positive correlation between independent variables and dependent variable with $R = 0.626$ and the research confirms that 39 % ($R^2 = 0.39$) of the variation in financial profitability of Bethany guest house can be explained by the variation in financial training received by the workers, better services delivery to the customers and suppliers and to the best methods of communication with the customers.

4.2.2. The effect of financial innovation on profit of Bethany guest house

The study explains that the tools which attract customers and let people to come at Bethany Guest house. Those tools are:

the lack Kivu view which comes at the first step, while the customer care comes at the last stage.

It could be excellent if customer care could occupy more than lack Kivu view. This could increase the number of client at Bethany Guest house.

The Christian faith based also is another important tool which attracts clients at Bethany Guest house. According to the table no 11 in chapter 4, 87% of respondents said that, financial innovation system exist at Bethany Guest house. Also the study has shown that the suppliers of Bethany Guest house receive the command order for Bethany guest house at 78% before sending their furniture as shown in the table no 12 in chapter 4 and the delivery note is given at Bethany Guest house at 66, 2% as the table no 13 in chapter 4 demonstrates it; when furniture is bought in gross quantity. For the 33%, the delivery note is not needed because the furniture is bought in details..

At Bethany guest house, 85% of respondents said that the invoice is given to Bethany guest house after purchasing some

furniture. The 15% which remains explain that some furniture was purchased where they have no invoice.

The study has demonstrated that at Bethany, two main modes are used in payment. Cash payment 46, 2% and check bank payment 45%. Even if the cash payment facilitates the easier payment, it can facilitate the loss of money too, where money cannot reach to the account. The use of visa card which is on 2, 5% and mobile money, should be encouraged to be used at Bethany us tool of payment as the technology advances and discourages the cash payment.

The study has demonstrated that Bethany guest house established the payment request before expending money at the rate of 53% of respondents. The remaining percentages can explain that Bethany does not do the payment request regularly before expending money. Briefly the business at Bethany is well done because all accounting document were done and given to the supplier or clients. Concerning the kind of audits used at Bethany in order to improve the financial innovation, the study has demonstrated that Bethany uses both audits (internal and external).

The result shows that the correlation between financial innovation and profitability of Bethany Guest house is presented in table below where the correlation between financial innovations and profitability of Bethany guest house was established.

Table. 4.21.a: Correlation between financial innovations and profitability of Bethany Guest House

Pearson Correlation		Profitability of Bethany Guest House
	Profitability of Bethany Guest House	1.000

Financial innovations		
Existence of tools attracting clients		.56
Presence of innovation system		.44
Establishment of the commend order to the suppliers		.30
Give the delivery note		.28
Invoice given after purchasing		.34
Mode of payment		.42
Payment request before expending money		.27
Kind of Audits used		.41
Ways used to improve the financial innovation		.57
Existence of personal in charge of customer care		.49

Source: Primary data, 2015

Referring to the findings presented in table 21.a, upon determining the relationship between various financial innovations attributes, the study established a positive relationship between profitability of Bethany guest house and the existence of tools attracting clients (.56), presence of innovation system (.44), establishment of the commend order to the suppliers (.30), Give the delivery note (.28), Invoice given after purchasing (.34), Mode of payment (.42), Payment request before expending money(.27), Kind of Audits used (.41), Ways used to improve the financial innovation (.57) and existence of personal in charge of customer care (.47). The correlations showed some level of relationship between financial innovations and profitability of Bethany guest house although a moderate one. In order to establish the extent to which the predictive variable influences the variability of the dependent variable, adjusted r^2 was determined.

Table 4.21.b: Model Summary for Financial innovations and profitability of Bethany guest house

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.823 (a)	.677	.128	.71676

Predictors: Financial innovations

Source: Primary data, 2015

As shown by the model summary in table 21b, adjusted R squared is .128. This shows that financial innovations to some extent influence the variability of financial profitability. Thus, various financial innovations can be used to predict profitability of Bethany guest house. The findings proved that there is a positive correlation between independent variables and dependent variable with $R= 0.823$ and the research confirms that 67.7 % ($R^2 = 0.677$) of the variation in financial profitability can be explained by the variation in financial innovations of Bethany guest house. Therefore, the financial innovations have positive effect on profitability of Bethany guest house.

4.2.3. Effect of financial mobilization on the profitability of Bethany Guest House

Mobilization plays a good role in improving and pulling resources together within the business. This job of mobilization of customers normally is done through good care services provided. This study shows that, 41, 2 % of respondents have shown the necessity of a person in charge of customer care management at Bethany Guest house and 20% of respondents said that , in order to provide a better services the person will mobilize customers at Bethany guest house. But in order to have a good mobilization of customers, the level of the personnel of the staff, look at on the competitors and the location of Bethany guest house all of these need to be taken into consideration. The decision makers should reject any of these elements.

On the reduction or discount for regular customers, the study has shown that 85% of respondents said that there is a reduction or discount for regular customers at Bethany guest house. This is good for Bethany guest house to maintain their clients. According to the money receiver at Bethany guest house, it is better to have one person in charge of receiving money in order to make the financial management efficient. In order to be efficient in management, Bethany guest house uses different programs 30% sage 100, 22, 5% of Microsoft excel and 21, 2% of Microsoft word. This is a good culture to use those programs to record all financial data at Bethany Guest house.

This study has demonstrated that revenue of Bethany guest house are based on two main services such as restaurant 49,6% while accommodation gave 47,1%. In year 2013 the income of Bethany Guest house decreased from 33, 2% in 2012 to 31% in 2013. But in year 2014 it has increased from 31% to 35, 8%. This implies that the Bethany guest house improved its financial management uses. The calculation of the gross profit at Bethany was high in year 2012 comparing to other years.

The balance sheet and the cash flow of Bethany Guest House show clearly that in 2013, the incomes decreased from 33.2% in 2012 to 31%. Even if those revenues increased in 2014 from 31% to 35.8%, the study shows that the management committee had not been aware of this situation. The researcher advises to review the system of management used by our guest house.

In Bethany guest house the business operations are realized according to the expenses. Those expenses are the amount of assets consumed from the performance of business operations and thus are the opposite of revenue. The major cost used are : Transport cost, salaries, water and electricity, petty cash, tax paid, communication, maintenance, office furniture, restaurant furniture and cost of material. The study shows that the expenses

in 2012 were 26.6%, in 2013 were 35.9% while they were 37.4% in 2014.

Considering the financial report 2012 -2014 of Bethany guest house, the study realized the positive result because the expenses were higher than revenues. The calculation of the working capital shows that the business has been running well at Bethany guest house. This explain that there is a profit. It is interesting to indicate that the guest house has the audit. The findings show that the internal audit is regularly done by EPR while the external audit is made by the cabinet of auditors and Rwanda Revenue Authority.

4.2.4 The shortcomings faced by Bethany Guest house the way forward

Bethany Guest House meets different challenges due to its geographical location, its system of management and the fiscal context of the country. The study shows five main challenges scored as follows: the ccompetition with other hotels 48.7%, the lack of experience of employees 15%, the management system 13.8%, Inflation 12.5%, and low educational of employees 10%. Another challenge is the lack of clients because of their belief. In fact, there are some clients who go elsewhere simply because they don't agree with the doctrinal way of the church. The interviewees added the inadequate service on the list of challenges met by Bethany Guest House.

The ways to put forward are the replacement of the employees, the review of prices the introduction of new product and the increase of the marketing level. Our findings show also that the Bethany guest house must do a regular maintenance of the infrastructure.

The result shows that the correlation between financial mobilization and profitability of Bethany Guest house is presented in table below where the correlation between financial mobilization and profitability of Bethany guest house was established.

Table 4.28.a: Correlation between financial mobilization and profitability of Bethany Guest House

Pearson Correlation		Profitability of Bethany Guest House
	Profitability of Bethany Guest House	1.000

Financial mobilization	Presence of personal in charge of marketing	.36
	How does Bethany mobilize its customers	.11
	Appreciation of its services	.23
	Discount for regular customers	.18
	Accounting program used	.09

Referring to the findings presented, the strength of the association between various financial mobilizations attributes and profitability of Bethany guest house was varied. The study established a positive relationship between profitability of Bethany guest house and the presence of personal in charge of marketing (.36), how does it mobilize its customers (.11), appreciation of its services (.23), discount for regular customers (.18) and the accounting program used(.09).

The overall results showed that there was some level of association between financial mobilization and profitability of Bethany guest house. In order to establish the extent to which the predictive variable influences the variability of the dependent variable, adjusted r^2 was determined.

Source: Primary data, 2015

Table 4.28.b: Model Summary for Financial mobilization and profitability of Bethany guest house

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.606(a)	.37	.188	.70464

Predictors: Financial mobilizations

As shown by the model summary, adjusted R squared is .188. This shows that financial innovations to some extent influence the variability of financial profitability. Thus, various financial innovations can be used to predict profitability of Bethany guest house. The findings proved that there is a positive correlation between independent variables and dependent variable with $R = 0.606$ and the research confirms that 37 % ($R^2 = 0.37$) of the variation in financial profitability can be explained by the variation in financial mobilization of Bethany guest house. Therefore, the financial innovations have positive effect on profitability of Bethany guest house.

The analysis of the effect of financial management on profitability of Bethany guest house is done by using Regression model as it is mentioned in table 29.

In the multiple regression models we determine the relative importance of each Independent Variable in predicting Dependent Variable, regression model equation was computed. Constant and the standardized coefficients (B) (the coefficients of the estimated regression model) were used to interpret the parameter coefficients.

Table 4. 29: Coefficients of the factors influencing the profitability of Bethany guest house

Model	Predictors	Standardized Coefficients	Sig.
		Beta	
1	(Constant)	2.17	

	Financial literacy	0.029	.02
	Financial innovations	0.016423	.000
	Financial mobilization	0.01137	.006

Source: Primary data, 2015

A constant term (2.17) is interpreted as the profitability level that would be expected if all three independent variables (financial literacy, financial innovations and financial mobilization) were equal to zero. The result in the regression model implies the following: all independent variables, namely financial literacy, financial innovations and financial mobilization are positive as the model shows. This means that they provide positive predictive values implying that if the result of the variable (parameter) is 100% increased, and then the profitability (dependent variable) increases by the magnitude of the co-efficient of the independent variable. This is a direct proportionality. In regard to the nature of relationship between profitability and various predictors, the study, as shown by Table 29 summarizes the level of significance (sig.) for all the predictors.

The study revealed that there existed significant relationship between all the predictors (financial literacy (.02), financial innovations (.000) and financial mobilization (.006), and profitability of Bethany guest house. Thus, financial literacy, financial innovations and financial mobilization can significantly predict profitability of Bethany guest house.

Since the obtained p values are less than the significance level (.000, .006 and 0.02

<.05), the study concluded that there is a significant positive relationship between financial literacy, financial innovations and financial mobilization and profitability of Bethany guest house. The profitability of Bethany guest house could thus be affected by how effectively an organization has been engaged in financial literacy, financial innovation and financial mobilization.

V. SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS

5.1.1. The effect of financial literacy on profit of Bethany Guest House.

The results show that 76, 2% of respondents represent the category of people who was not trained in financial management. This explains that those 23, 8% are the ones in charge of financial management for Bethany guest house.

In the financial management, there are few persons who were trained in financial management 12, 5%, while the others were not trained in this area of finance. However, maybe there are some persons who can get the job in financial management without being trained in financial management. This can create mismanagement system at Bethany due to the unskilled people in the financial management.

Tools used in communication at Bethany

The researcher wanted to know the tools of communication used at Bethany guest house in order to collaborate and provide good services to the customers and suppliers. Based on the data provided, the service offered at Bethany is mostly on the accommodation 28, 8% restaurants 27, 5% and conferences 22, 5%. Other services have to be improved such as swimming 12, 5%, ironing 5% and internet 2, 5%.

The tool used mostly in communication at Bethany is internet and news paper; while television, radio and mobile phone come in the second step. Good communication can improve more the business at Bethany and being reached by many clients in our days of technology, where internet is the most tools used in communication over the world.

5.1.2. The effect of financial innovation on profit of Bethany guest house

The study explains that the tools which attract customers and let people to come at Bethany Guest house. Those tools are: the lack Kivu view which comes at the first step, while the customer care comes at the last stage.

It could be excellent if customer care could occupy more than lack Kivu view. This could increase the number of client at Bethany Guest house.

The Christian faith based also is another important tool which attracts clients at Bethany Guest house. According to the table no 11 in chapter 4, 87% of respondents said that, financial innovation system exist at Bethany Guest house. Also the study has shown that the suppliers of Bethany Guest house receive the command order for Bethany guest house at 78% before sending their furniture as shown in the table no 12 in chapter 4 and the delivery note is given at Bethany Guest house at 66, 2% as the

table no 13 in chapter 4 demonstrates it; when furniture is bought in gross quantity. For the 33%, the delivery note is not needed because the furniture is bought in details.

At Bethany guest house, 85% of respondents said that the invoice is given to Bethany guest house after purchasing some furniture. The 15% which remains explain that some furniture was purchased where they have no invoice.

The study has demonstrated that at Bethany, two main modes are used in payment. Cash payment 46, 2% and check bank payment 45%. Even if the cash payment facilitates the easier payment, it can facilitate the loss of money too, where money cannot reach to the account. The use of visa card which is on 2, 5% and mobile money, should be encouraged to be used at Bethany as tool of payment as the technology advances and discourages the cash payment.

The study has demonstrated that Bethany guest house established the payment request before expending money at the rate of 53% of respondents. The remaining percentages can explain that Bethany does not do the payment request regularly before expending money. Briefly the business at Bethany is well done because all accounting document were done and given to the supplier or clients. Concerning the kind of audits used at Bethany in order to improve the financial innovation, the study has demonstrated that Bethany uses both audits (internal and external). Based on the table 19 in chapter 4, the financial innovation on the profit at Bethany, has been classified by the study as follow: - qualification of personnel which represents 33% of respondents:

- Acknowledgement of competitors occupies the second place by 30% of respondents
- Improve the marketing takes 27, 5%.

If these 3 ways could be fulfilled, the financial innovation on profit at Bethany guest house will go higher. Both 3 ways have to be used together, not separately.

To conclude, at Bethany guest house there is an effect of financial innovation on profit, because it has many tools which attracts clients and financial documents were used to improve the financial management.

5.1.3 The effect of financial mobilization on profit of Bethany guest house.

In this section, the study demonstrated that 93,8% of respondents said that at Bethany there is a person in charge of marketing. The person in charge of marketing in business is very important person. Any business can improve if it has not that person.

Also mobilization plays a good role in improving and pulling resources together within the business. This job of mobilization of customers normally is done through good care services provided. This shows that, 41, 2% of respondents have shown the necessity of a person in charge of customer care management at Bethany Guest house and 20% of respondents said that, in order to provide a better services the person will mobilize customers at Bethany guest house. But in order to have a good mobilization of customers, the level of the personnel of the staff, look at on the competitors and the location of Bethany guest house all of these need to be taken into consideration. The decision makers should reject any of these elements.

On the reduction or discount for regular customers, the study has shown that 85% of respondents said that there is a reduction or discount for regular customers at Bethany guest house. This is good for Bethany guest house to maintain their clients. According to the money receiver at Bethany guest house, it is better to have one person in charge of receiving money in order to make the financial management efficient. In order to be efficient in management, Bethany guest house uses different programs 30% sage 100, 22, 5% of Microsoft excel and 21, 2% of Microsoft word. This is a good culture to use those programs to record all financial data at Bethany Guest house.

This study has demonstrated that revenue of Bethany guest house are based on two main services such as restaurant 49,6% while accommodation gave 47,1%. In year 2013 the income of Bethany Guest house decreased from 33, 2% in 2012 to 31% in 2013. But in year 2014 it has increased from 31% to 35, 8%. This implies that the Bethany guest house improved its financial management uses. The calculation of the gross profit at Bethany was high in year 2012 comparing to other years.

The balance sheet and the cash flow of Bethany Guest House show clearly that in 2013, the incomes decreased from 33.2% in 2012 to 31%. Even if those revenues increased in 2014 from 31% to 35.8%, the study shows that the management committee had not been aware of this situation. The researcher advises to review the system of management used by our guest house.

In Bethany guest house the business operations are realized according to the expenses. Those expenses are the amount of assets consumed from the performance of business operations and thus are the opposite of revenue. The major cost used are : Transport cost, salaries, water and electricity, petty cash, tax paid, communication, maintenance, office furniture, restaurant furniture and cost of material. The study shows that the expenses in 2012 were 26.6%, in 2013 were 35.9% while they were 37.4% in 2014.

Considering the financial report 2012 -2014 of Bethany guest house, the study realized the positive result because the expenses were higher than revenues. The calculation of the working capital shows that the business has been running well at Bethany guest house. This explain that there is a profit. It is interesting to indicate that the guest house has the audit. The findings show that the internal audit is regularly done by EPR while the external audit is made by the cabinet of auditors and Rwanda Revenue Authority.

5.1.4 The shortcomings faced by Bethany Guest house the way forward

Bethany Guest House meets different challenges due to its geographical location, its system of management and the fiscal context of the country. The study shows five main challenges scored as follows: the ccompetition with other hotels 48.7%, the lack of experience of employees 15%, the management system 13.8%, Inflation 12.5%, and low educational of employees 10%. Another challenge is the lack of clients because of their belief. In fact, there are some clients who go elsewhere simply because they don't agree with the doctrinal way of the church. The interviewees added the inadequate service on the list of challenges met by Bethany Guest House.

The ways to put forward are the replacement of the employees, the review of prices the introduction of new product and the increase of the marketing level. Our findings show also that the Bethany guest house must do a regular maintenance of the infrastructure.

5.2. CONCLUSION

This research has been carried out in the area of financial management under the title "the effect of financial management on the performance of the Presbyterian church guest houses, a case study for Bethany Guest House". The general objective was to evaluate the effect of profits on the performance of the Presbyterian Church's guest houses in financial management.

To achieve this major objective, the researcher used the following specific objectives:

To analyse the financial management systems for realising profit on the performance of Bethany guest house.

To find out how the revenues and expenses contribute to the financial literature, financial prudence, financial mobilisation and financial innovation of Bethany guest house

To examine the challenges faced by Bethany Guest house in meeting the profits on the performance by Bethany guest house.

The research report has been organized into five chapters. After a general introduction, the researcher looked at existing related literature for clarifying key concepts of the study. The third chapter dealt with methodological approaches while the fourth one was about data analysis and presentation of findings. The last chapter dealt with the discussion of the results, the general conclusion and recommendations.

To carry out this study, the researcher adopted interpretive research paradigm using a descriptive research design. Mixed methods combining both qualitative and quantitative approaches were used to assess the effect of profits on the performance of the Presbyterian Church guest houses. Thus, the researcher attempted to respond to three research questions related to three objectives of this research.

Concerning the first objective about the analysis of the financial management systems for realising profit on the performance of Bethany guest house, respondents very highly appreciated the system of management used by Bethany Guest House.

The researcher pointed out some strengths of Bethany Guest house. Some of them are the customer care service, the geographical location which attracts clients, good collaboration with the clients who accept to deliver their articles on credit, and the updated accounting program used is Microsoft Excel and sage 100.

For the second objective about how the revenues and expenses contribute to the financial literature, financial prudence, financial mobilisation and financial innovation of Bethany guest house, it has been found that the restaurant and accommodation are the highest benefit services for Bethany Guest House. Conference room and other services like swimming, internet and telephone must be improved because their present respectively 2.9% and 0.4% of all revenues. The balance sheet and the working capital of Bethany Guest House show clearly that in 2013, the incomes decreased from 33.2% in 2012 to 31%. Even if those revenues increased in 2014 from 31% to 35.8%, the

study shows that the management committee had not been aware of this situation.

Concerning the challenges, Bethany Guest House meets different challenges due to its geographical location, its system of management and the fiscal context of the country. The study shows five main challenges which are: the competition with other hotels, the lack of experience of employees, the management system, inflation and low educational of employees. Another challenge is the lack of clients because of their belief. The interviewees added the inadequate service on the list of challenges met by Bethany Guest House.

The ways to put forward are the replacement of the employees, the review of prices the introduction of new product and the increase of the marketing level. Our findings show also that the Bethany guest house must do a regular maintenance of the infrastructure.

The study revealed that there existed significant relationship between all the predictors (financial literacy (.02), financial innovations (.000) and financial mobilization (.006), and profitability of Bethany guest house. Thus, financial literacy, financial innovations and financial mobilization can significantly predict profitability of Bethany guest house.

Since the obtained p values are less than the significance level (.000, .006 and $0.02 < .05$), the study concluded that there is a significant positive relationship between financial literacy, financial innovations and financial mobilization and profitability of Bethany guest house. The profitability of Bethany guest house could thus be affected by how effectively an organization has been engaged in financial literacy, financial innovation and financial mobilization.

5.3. RECOMMENDATIONS

i. We recommend that the management committee of Bethany Guest House should increase its efforts in advertising on television, internet, newspapers and radio. To attract more clients, the Presbyterian Church should add new buildings, buy touristic boats and engage new staff which can deal with shortcomings revealed by the study.

ii. To review the system of management used by Bethany guest house for analyzing the financial management

iii. To improve its customer care services and make a good road which goes to Bethany from the main road.

iv. To make a comparative research among faith based guest houses in order to continue building more strong business in our society.

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