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Using financial forecasting as a strategic catalyst for enhancing the financial performance of manufacturing companies in Kigali, Rwanda

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ABSTRACT

Business organizations prioritize their financial performance, channeling significant effort into achieving superior results. This pursuit often involves setting targets, managing quotas, and focusing on crucial key ratios. Financial forecasting emerges as an indispensable tool in plotting the course toward optimal performance. It stands as a strategic asset that assesses strengths and weaknesses, becoming the cornerstone of decisions across production, inventory, personnel, and facilities. In the realm of manufacturing firms, effective financial forecasting isn't just pivotal—it's the linchpin for survival, growth, and sustained success. This study delved into the financial forecasting methods commonly employed by 842 manufacturing firms in Kigali, Rwanda. A sample of 90 firms, involving Directors of Finance and Accounting staff, illuminated insights critical to understanding this landscape. Results revealed that sales and profit forecasting reign supreme, embraced by 37.78% and 38.89% of these manufacturing entities, respectively. Yet, challenges persist, notably in achieving forecast accuracy and managing associated risks. Recommendations stem from this diagnosis, suggesting the establishment of review committees dedicated to enhancing forecasting methodologies. Ensuring the credibility and reliability of this study involved employing the test-retest method to validate and solidify the consistency and accuracy of the data. This approach underpins the findings, indicating that similar research efforts would yield consistent results, reinforcing the authenticity of the depicted ground reality. To bolster financial performance without limiting operational agility in a swiftly changing business environment, the study emphasizes the need for continued improvements in forecasting processes. This includes not only refining methods but also devising strategies to navigate unforeseen challenges effectively.

Keywords: Financial performance, Financial forecasting, Strategic financial planning, Accounting staff, Manufacturing firms.

INTRODUCTION

Financial planning is a continuous process of directing and allocating financial resources to meet strategic goals and objectives. The output from financial planning takes the form of budgets. The most widely used form of budget is Pro Forma or Budgeted Financial Statements. The foundation for Budgeted Financial Statements is Detail Budgets. Detail Budgets include sales forecasts, production forecasts, and other estimates in support of the Financial Plan. Collectively, all of these budgets are referred to as the Master Budget [1, 2]. According to [1], we can also break financial planning down into planning for operations and planning for financing. Operating people focus on sales and production while financial planners are interested in how to finance the operations. Therefore, we can have an Operating Plan and a Financial Plan.

However, to keep things simple and to make sure we integrate the process fully, we will consider financial planning as one single process that encompasses both operations and financing. Financial Planning starts at the top of the organization with strategic planning. Since strategic decisions have financial implications, you must start your budgeting process within the strategic planning process. Failure to link and connect budgeting with strategic planning can result in budgets that are "dead on arrival"[1, 3]. Strategic planning is a formal process for establishing goals and objectives over the long run. Strategic planning involves developing a mission statement that captures why the organization exists and plans for how the organization will thrive in the future. Strategic objectives and corresponding goals are developed based on a very thorough assessment of the organization and the external environment. Finally, strategic plans are implemented by developing an Operating or Action Plan. Within this Operating Plan, included is a complete set of financial plans or budgets. Financial Planning is a continuous process that flows with strategic decision-making [4]. The Operating Plan and the Financial Plan will both support the Strategic Plan. The best place to start in preparing a budget is with sales since this is a driving force behind much of our financial activity. However, we have to take into account numerous factors before we can finalize our budgets [1], budgeting should be flexible, allowing modification when something changes. For example, the following will impact budgeting: The life cycle of the business, financial conditions of the business, General economic conditions, Competitive situation, Technology trends and Availability of resources [5]. Budgeting should be both top-down and bottom-up; i.e. upper-level management and middle-level management will both work to finalize a budget. We can streamline the budgeting process by developing a financial model. Financial models can facilitate "what if" analysis so we can assess decisions before they are made. This can dramatically improve the budgeting process. One of the biggest challenges within financial planning and budgeting is how to make it value-added [6, 7, 8]. Budgeting requires clear channels of communication, support from upper-level management, participation from various personnel, and predictive characteristics. Budgeting should not strive for accuracy but should strive to support the decision-making process. If we focus too much on accuracy, we will end up with a budgeting process that incurs time and costs over the benefits derived. The challenge is to make financial planning a value-added activity that helps the organization achieve its strategic goals and objectives.

The budgeting process at most companies is the most ineffective practice in management. It sucks the energy, time, fun, and big dreams out of an organization. It hides opportunity and stunts growth. It brings out the most unproductive behaviours in an organization, from sandbagging to settling for mediocrity. When companies win, in most cases, it is despite their budgets, not because of them [9]. According to [10], Although issues with the existing forecasting and budgeting process and systems are often well-known, it is important to fully document and communicate their impact to gain executive sponsorship, drive momentum for change, and ensure that the benefits are understood. This is especially true since many of the benefits are qualitative and focus on accuracy and accountability. Frequency and Timeliness Annual forecasting and budgeting cannot keep pace with today's dynamic business environment because the information produced is often out-of-date and irrelevant. Managers need to be able to understand and respond quickly to the impact of competitive forces and rapid changes affecting their business. Yet most organizations fail to forecast the financial impact of these changes fast enough. [11], the failure of forecasting is particularly painful given the ever-heightening need for it: product and service life cycles are shorter, competition can come from anywhere in the global market place and every company must be flexible and forward-looking to survive. What's more, the tools and technology to enable better forecasting have matured.

Business performance measurement (BPM) applications, now in their second or third versions, are gaining greater integration with major enterprise resource planning (ERP) applications. And these tools are at the disposal of the chief financial officer (CFO), who now takes an increasingly strategic role in the business. The purpose of this research therefore is to find out how financial forecasting influences financial performance.

Aim of the Study

The main objective of the research was to establish the impact of strategic financial forecasting as relates to the financial performance of a business organization.

Specific objectives

- To assess the methods commonly employed by manufacturing firms in the financial forecasting process.
- To identify the major obstacles encountered by the firms towards implementing successful budgets emanating from financial forecasting.
- To establish the role played by forecasting the financial performance of manufacturing firms in Rwanda.
- To explore measures that can be taken to improve further the forecasting process to achieve better financial performance.

Research Questions

(i) What methods are commonly employed by the manufacturing firms in Rwanda in their financial forecasting process?

(ii) Which major obstacles are encountered by the firms as they strive to implement successful budgets emanating from financial forecasting?

(iii) What is the role played by financial forecasting on the financial performance of manufacturing firms in Rwanda?

(iv) What measures can be taken to improve further the forecasting process to achieve better financial performance?

METHODOLOGY

Research Design

The descriptive research design method was used in this study. It involves using a questionnaire to collect data from the respondents [12]. In collecting concerned data, a questionnaire was used as the method applied to either the director of finance or the accountant of manufacturing firms. Both quantitative and qualitative research designs were used to establish the correlation between financial forecasting and financial performance.

Target Population

The target population was composed of either the directors of finance or the accountant of each manufacturing firm who were questioned depending on the designed questionnaires by the researcher. The population of the study comprised 842 manufacturing firms in Kigali. From the population, a sample was selected based on the random sampling method in distributing questionnaires. Random sampling is where all elements understudy have equal chances of being chosen, and sampling is defined as the process of selecting people or cases to take part in a research study [13].

Table 1: Rwanda Industry Registrations by Sector

SECTOR	PROVINCE					
	Kigali	**Northern**	**Western**	**Southern**	**Eastern**	**Total**
Mining and Quarrying	10	10	9	4	7	40
Manufacturing	**842**	**57**	**86**	**44**	**87**	**1116**
Construction	84	5	7	3	2	101
Total	**936**	**72**	**102**	**51**	**96**	**1257**

Source: Ministry of Commerce Rwanda (2011, p.12).

Sample Size

Sampling is the selection of a small number of respondents to represent the survey population. In this research, the purposive sampling technique was used as the main data collection method. The sample was selected from the population of 842 manufacturing industries in Kigali. The sample was selected using the Sloven sampling formula as proposed by [14].

$$n = \frac{N}{1 + N(e)^2}$$

$$n = \frac{842}{1 + 842 * (0.1)^2}$$

n= 89.38

Thus, the sample size is effectively 90 respondents.

Where:

n: Sample size;

N: Population size;

e: Error of tolerance and confidence level of 90% which produces a margin error of 0.1.

From Table 1, the total number of manufacturing firms in Rwanda is 842. This provides a sample calculated from Sloven's formula as follows. i.e Based on Sloven's formula, the sample size equals.

The sample involved data from Kigali since it has the highest number of concentrations of manufacturing industries. This implies that data from the remaining provinces were not considered for the obvious reason indicated above. Questionnaires were distributed targeting either the Accountant or Directors of Finance.

Sampling technique

The choice of the sampling size is dependent on the feasibility and sensibility of collecting data to answer the research questions and to address the objectives. In this case, the researcher reached 90 workers out of the total population of 842 manufacturing firms.

Data collection methods

The researcher used two types of tools for data collection; documentary analysis for the secondary data and questionnaires and interviews for the primary data, the questionnaires targeted the finance directors or at least anyone knowledgeable from the firm that deals with planning and forecasting. Documentary analysis entails consulting written documents about the study published or unpublished such as balance sheets and income statements. Existing newspaper publications were also handy where available and applicable.

Data collection instruments

Data sources were from both primary and secondary data sources.

Questionnaires are a vital tool for data collection in this research, and in as much as the researcher may wish to obtain the information through asking open-ended questions, Open-ended questions can generate large amounts of data that can take a long time to process and analyze and due to this, the researcher made use of a combination of both closed and open-ended questions in the questionnaire, this ensured vital information is captured aptly.

Administration of Data Collection Instruments

The data collection instruments used were the questionnaires and a majority were

dispatched through direct contact, a few through postal mail and some respondents preferred email so that they could work at their convenience in a given time frame.

Reliability and Validity

The concept of reliability means the extent to which the same measurements of individuals obtained under different conditions yield similar results [15]. A questionnaire was used to collect data; which is a powerful method when information about people's attitudes and opinions is sought [16], the other benefit of a questionnaire to this research is the confidentiality it offers to the respondent, which can contribute to the provision of true information. Before undertaking data collection, the questionnaires were pre-tested to five respondents who were in the same position as our target population but in other departments. Reliability was ensured by conducting a pilot test before the research and assessed the consistency of the responses. Validity means the success of a method in probing and/ or assessing what it sets out to probe or assess. It is also based on the country's situation to probe the knowledge of respondents regarding the issue. Questions were developed about proven questionnaires of models that this research is taking into consideration. Use of the questionnaires with well-outlined questions was utilized. The validity was ensured by structuring the questions in a way that depicts what is in the researcher's mind and evaluating how the respondents respond to the same then adjustments made until elicited responses are in line with the context of the research.

Data analysis Procedure

The data was analyzed using the Microsoft Excel Analysis Tool pack. Some of the data was analyzed by obtaining percentages and pie charts to establish the findings. The findings on data relating to Likert`s scale required weighting to analyze and interpret, and this was also accomplished by the use of the Excel analysis tool pack which includes solver and other advanced built functions for data analysis.

Ethical considerations

The researcher considered ethics of utmost importance. Respect for Persons is what ethics is all about and [17] insists that Individuals should be treated as autonomous agents the researcher must ensure that the subject has received a full disclosure of the nature of the study, the risks, benefits and alternatives, with an extended opportunity to ask questions [18]. This formed the basis under which the researcher conducted the research as in it must comply with ethical considerations, the respondent was an invaluable asset for this research and was treated with due respect in all aspects of this research.

RESULTS

The respondent's background is useful as a build-up into credible reliable information that emanates from the informants.

Gender of the Respondents

The gender of the respondents was useful as it will be counted as useful towards the findings, summary and conclusions Table 1 summarizes the findings.

Table 2 Gender of The Respondents

S No	Gender	Frequency	Percentage (%)
1	Male	54	60.00%
2	Female	36	40.00%
	Total	**90**	**100.00%**

Source: Primary Data.

From the findings as depicted in Table 2, a majority of the respondents were of the male gender being represented by 60% proportion while the remaining 40% is of the female gender. The interpretation is that the proportions are skewed towards 50% in terms of equality. This is a clear indicator of the Rwandan Government's

effort towards nondiscrimination and all employment is warranted based on merit and fairness and as a theme, this is upheld in all spheres of productivity. The Rwandan Government is internationally reputable in this regard of safeguarding the rights of women.

The Age Group of the respondents

The age group of the respondents was of significance to the researcher in two ways, one way is towards the assessment of the credibility of the data and the second towards the build-up of the matter at hand in concluding and recommending a way forward in a later section of the dissertation. Table 2 summarizes the findings.

Table 3: Age Group of the Respondents

S No	Age Group	Frequency	Percentage (%)
1	18-29	3	3.33%
2	30-39	17	18.89%
3	40-49	63	70.00%
4	50- Above	7	7.78%
	Totals	**90**	**100.00%**

Source: Primary Data

From the findings as summarized in Table 3, a larger proportion of the personnel involved with financial forecasting matters is concentrated in the age categories of 30 – 39 years and 40 – 49 Years as represented by 18.89% and 70% respectively. This can be looked at as implying that forecasting issues are handled by seasoned personnel with ample experience in financial matters relating to firms.

Work Experience

The working experience of the respondents was important to the researcher as a means of building confidence in the data collected and as such useful. Table 4.3 summarizes the findings.

Table 4: Work Experience in Forecasting

S No	Experience (Years)	Frequency	Percentage (%)
1	1 to 5	77	85.56%
2	6 to 10	11	12.22%
3	11 and Above	2	2.22%
	Totals	**90**	**100.00%**

Source: Primary Data (2016)

From the findings as outlined in Table 4.3, the work experience of the respondents is more in favour of a few years which is 1 – 5 years at 85.56%. This interprets aspects of a young and growing economy and perhaps the background of the country historically which from the aftermaths is picking up and rising to the occasion in all sectors of the economy and manufacturing firms not excluded.

Level of Education

The academic qualification of the respondents was useful for the research. Table 4.4 Summarizes the findings.

Table 5: Level of Education

No	Level of Education	Frequency	Percentage (%)
1	Secondary A Level	7	7.78%
2	Bachelors, Degree	68	75.56%
3	Post Graduate	15	16.67%
	Totals	**90**	**100.00%**

Source: Primary Data (2016)

It is explicitly clear from the findings that the majority of the respondents have a bachelor's Degree and above accounting for over 90% of the sample size. This is compounded together with the aspect of experience in section 4.2.1.3 where it seems lacking or indicating just a few years of experience then finds solace in the qualifications. The respondents are qualified and up to the task.

Industry Description

The target Industry must be placed into focus and the researcher wanted to be Guaranteed that the attention is maintained to the target Industry. Table 6 summarizes the findings.

Table 6: Industry Description

No	Industry Description	Frequency	Percentage (%)
1	Manufacturing	89	98.89%
2	Service	-	-
3	Processing	-	-
4	Agricultural	-	-
5	Others	1	1.11%
	Totals	**90**	**100.00%**

Source: Primary Data (2016)

Indeed, from the data, 98.89% of the firms are manufacturing. 1.11% indicated as others is insignificant to the general findings of this research.

Market Shares

The status of the firm in the market is of paramount importance to the researcher as a means of gauging the influence the firm has on the economy. Table 7 summarizes the findings.

Table 7: Market Shares

S No	Market Shares	Frequency	Percentage (%)
1	Small	3	3.33%
2	Medium	42	46.67%
3	Large	45	50.00%
	Totals	**90**	**100.00%**

Source: Primary Data (2016)

From the findings, a majority of the firms are medium to large comprising 96.67 %.

Profitability in Annual Revenues

This information was also useful to the researcher towards drawing conclusions and recommendations at the end of the dissertation. Table 8 provides a summary of the findings.

Table 8: Profitability in Annual Revenues

S No	Annual Revenues	Frequency	Percentage (%)
1	0 - 50 M	2	2.22%
2	51- 100 M	24	26.67%
3	101-400M	34	37.78%
4	401- Above	30	33.33%
	Totals	**90**	**100.00%**

Source: Primary Data (2016)

Evidence of Forecasting

It was vital to establish from the onset if forecasting is practised. This information is vital also for the concluding section. Table 9 indicates the findings.

Table 9: Evidence of Forecasting

S No	Forecast Practiced?	Frequency	Percentage (%)
1	Yes	54	60.00%
2	No	36	40.00%
	Totals	**90**	**100.00%**

Source: Primary Data (2016)

The findings show that a majority of firms practice forecasting as an essential component of their activities. A few are of the contrary opinion. The inference could be that this is a senior management practice and perhaps not all-inclusive.

Is Forecasting Done Before the Business Cycle?

It was necessary to establish from the onset if forecasting is practised before the business cycle. This information is vital also for the concluding section. Table 10 indicates the findings.

Table 10: Is Forecasting Done Before the Business Cycle?

S No	Pre Business Cycle Forecasting	Frequency	Percentage (%)
1	Yes	50	55.6%
2	No	40	44.4%
	Totals	**90**	**100.0%**

Source: Primary Data (2016)

A majority of the firms indicate that before any business cycle, financial forecasting is done. A few may not be involved. This is rather a bit unreasonable and the assumption is forecasting may be confused with the term budgeting which is an integral part of any firm on an annual basis. Nevertheless, the practice may be lacking the serious attention it deserves.

Method of forecasting used

The method of forecasting used was invaluable for the research as a means of establishing the implementation of financial forecasting. Table 11 provides a summary of the findings.

Table 11: Method of Forecasting Used

S No	Method of Forecasting	Frequency	Percentage (%)
1	Sales Forecasting	34	37.78%
2	Profit Forecasting	35	38.89%
3	Cost of Sales Forecasting	12	13.33%
4	Judgmental	3	3.33%
5	Statistical Forecasting	6	6.67%
	Totals	**90**	**100%**

Source: Primary Data (2016)

Findings indicate that sales forecasting and profit forecasting are the most popular methods for financial forecasting at 37.78% and 38.89% respectively and combined they comprise 76.67%. Cost of sales is also accorded a considerable share at 13.33%. These methods are popular perhaps because a lot of firms are keen on profitability as a primary driver of their business undertakings. Sales and cost of sales are also the key ingredients that lead to the ultimate goal of being profitable.

Judgmental and statistical are also not ignored.

To Identify the Major Obstacles Encountered by the Firms Towards Implementing Successful Budgets Emanating from Financial Forecasting. Challenges to Financial Forecasting

The challenges encountered that can hamper financial forecasting are essential in the context of the research topic as its findings can be useful in aiding the way forward as a recommendation. Table 12 indicates the findings.

Table 12: Challenges to Financial Forecasting

S No	Challenges	Frequency	Percentage (%)
1	Forecast Accuracy	30	33.33%
2	Time	17	18.89%
3	Commitment of Senior Management	5	5.56%
4	Personnel	6	6.67%
5	Risks and Uncertainties	23	25.56%
6	Costs	9	10.00%
	Totals	**90**	**100%**

Source: Primary Data (2016)

As depicted in the findings in Table 12 and summarized also in Figure 11, Risks uncertainties and time form the top challenges to financial forecasting at 47.78% and 23% respectively. As anticipated in a normal business cycle, risks and uncertainties that prevent a business from achieving its financial goals are commonplace and the only thing a business can do is attempt to minimize the impact of identified risk. What is projected in forecasts cannot at any time fully tally with what occurs on the ground.

From a simple outlay, the respondents were to rank the areas of attention and the findings are as summarized in Table 13.

Table 13: Data on Rankings

S No	Areas Ranked	Rank Indicated					Total
		1	2	3	4	5	
1	Strength of balance sheet	11	10	34	32	3	90
2	Increased profitability	25	41	11	12	1	90
3	Cash flow	22	45	11	12	0	90
4	Risk and Uncertainty	7	6	37	30	10	90
5	Improved performance	1	1	1	33	54	90
6	Ratios	26	34	20	5	5	90
	Totals	**92**	**137**	**114**	**124**	**73**	

Source: Primary Data (2016)

Table 14: Impact of Forecasting Data Analysis and Ranking

S No	Areas Ranked	1	2	3	4	5	Total	Weight	RII	Rank
1	Strength of balance sheet	11	10	34	32	3	90	264	0.586667	3
2	Increased profitability	25	41	11	12	1	90	347	0.771111	1
3	Cash flow	22	45	11	12	0	90	347	0.771111	1
4	Risk and Uncertainty	7	6	37	30	10	90	240	0.533333	4
5	Improved performance	1	1	1	33	54	90	132	0.293333	5
6	Ratios	26	34	20	5	5	90	341	0.757778	2
	Totals	**92**	**137**	**114**	**124**	**73**				

Source: Primary Data (2016)

Increased profitability and cash flow were given a relative importance index of 0.77111 and a weight of 347 out of a maximum possible of 450 points. Cash flow and increased profitability dominate the rest as key drivers for business and hence attention on forecasting.

Impact of Forecasting

The respondents were also to rank the areas of attention in line with financial forecasting and the findings are summarized in Table 15.

Table 15: Impact of Forecasting Data

	Performance Indicators	5	4	3	2	1	
		VH	H	M	L	VL	Total
1	Profitability	30	32	24	4	0	90
2	Increased Sales	25	42	12	11	0	90
3	Cash Flow	34	20	14	10	12	90
4	Balance Sheet Strength	14	13	12	11	40	90
5	Net Worth	12	11	43	22	2	90
		115	118	105	58	54	

Source: Primary Data (2016)

Table 16: Impact of Forecasting Data Analysis and Ranking

	performance Indicators	5	4	3	2	1				
		VH	H	M	L	VL	Total	Weight	RII	Rank
1	Profitability	30	32	24	4		90	358	0.795556	1
2	Increased Sales	25	42	12	11	0	90	351	0.78	2
3	Cash Flow	34	20	14	10	12	90	324	0.72	3
4	Balance Sheet Strength	14	13	12	11	40	90	220	0.488889	5
5	Net Worth	12	11	43	22	2	90	279	0.62	4
		115	118	105	58	54				

Source: Primary Data (2016)

From the findings and the data analyzed, Profitability and increased sales form the highest priority and therefore the results conclude them as ranked number 1 and two respectively. The strength of the balance sheet is last on the list with even less than 50% of the score. A lot of effort is concentrated on profitability which is also a subset of sales. Cash flow cannot be isolated as it is an integral part towards sales and profitability. Perhaps to remark also, net worth and balance sheet strength are highly influenced by increased sales which drives profitability.

Areas of Attention for Superior Results

The areas of attention to achieve superior results for a successful firm were also reasonable to explore. This is what makes or breaks companies. Table 17 summarizes the findings.

Table 17: Areas of Attention for Superior Results

S No	Areas of Attention	Votes	Percentage (%)
1	Strength of balance sheet	9	10%
2	Increased profitability	19	21%
3	Cash flow	19	21%
4	Risk and Uncertainty	9	10%
5	Improved performance	21	24%
6	Ratios	12	13%
	Totals	**89**	**100%**

Source: Primary Data (2016)

The findings show that Increased profitability, Cash flow and Improved performance are the key contenders for the top slot scoring 21%, 21% and 24% respectively. These are the areas that pinpoint the early signs of success. It is also important to note that all areas are key as opined by the respondents and hence significant.

Explore Measures That Can Be Taken to Improve Further the Forecasting Process to Achieve Better Financial Performance.

Improving Forecasting Process for Better Financial Performance

The aspect of improving the financial forecasting process for better financial performance is a very important aspect of the subject matter. It bears a lot of significance, especially for the manufacturing firms. Being an open-ended question, a lot was aired by the respondents yet it revolved around a certain area of convergence of ideologies

i.e. relating to certain effective ways of improving the forecasting process.

Table 18 summarizes the findings which had to be gathered then sorted, compiled and analyzed to infer meaning.

Table 18: Improving Forecasting Process

S No	Ways of improving forecasts	Weight (Recurrences)	Percentage (%)
1	Budgeting	83	45%
2	Proper Planning	27	15%
3	Focus on critical data	19	10%
4	Automate	3	2%
5	Make time to do it right	11	6%
6	Review and improve	40	22%
	Feedback Tally (Recurrences)	183	100%

Source: Primary Data (2016)

From the feedback as depicted and summarized in Table 18, Budgeting, Review and improvement, proper planning and a focus on critical data were the strongest recurring themes having a percentage weight of 45%, 22%, 15% and 10% respectively. The rest added up to 8% in total weight by percentage.

DISCUSSION

General information

This section deals with each research objective in line with the research topic. The research topic is titled Forecasting as a strategic driver for the financial performance of Business and the case study examines manufacturing firms in Rwanda. This section will deal with the findings as they fulfil the objectives outlined below.

Objective one: To assess the methods commonly employed by manufacturing firms in the financial forecasting process.

Findings indicated that sales forecasting and profit forecasting were the most popular methods for financial forecasting at 37.78% and 38.89% respectively and combined they comprise 76.67%. Cost of sales is also accorded a considerable share at 13.33%. These methods are popular perhaps because a lot of firms are keen on profitability as a primary driver of their business undertakings. Sales and cost of sales are also the key ingredients that lead to the ultimate goal of being profitable.

However, it is worth noting that little attention is accorded to Judgmental and statistical methods.

To identify the major obstacles encountered by the firms towards implementing successful budgets emanating from financial forecasting.

As depicted in the findings, Risks uncertainties and time form the top challenges to financial forecasting at 47.78% and 23% respectively. As anticipated in a normal business cycle, risks and uncertainties that prevent a business from achieving its financial goals are commonplace and the only thing a business can do is attempt to minimize the impact of identified risk. What is projected in forecasts cannot at any time fully tally with what occurs on the ground.

Objective Three: To establish the role played by forecasting the financial performance of manufacturing firms in Rwanda.

From the findings and the data analyzed, Profitability and increased sales form the highest priority and therefore the results conclude them as ranked number 1 and two respectively. The strength of the balance sheet is last on the list with even less than 50% of the score. A lot of effort is concentrated on profitability which is also a subset of sales. Cash flow cannot be isolated as it is an integral part towards sales and profitability. Perhaps to remark also, net worth and balance sheet strength are highly influenced by increased sales which drives profitability.

The areas of attention to achieve superior results for a successful firm were also reasonable to explore. The findings show that increased profitability, Cash flow and

improved performance are the key contenders for the top slot scoring 21%, 21% and 24% respectively. These are the areas that pinpoint the early signs of success. It is also important to note that all areas are key as opined by the respondents and hence significant.

Objective Four: To explore measures that can be taken to improve further the forecasting process to achieve better financial performance.

The aspect of improving the financial forecasting process for better financial performance is very important as pertains to the subject matter. It bears a lot of significance, especially for the manufacturing firms. Being an open-ended question, a lot was aired by the respondents yet it revolved around a certain area of convergence of ideologies i.e., relating to certain effective ways of improving the forecasting process.

CONCLUSION

Forecasting is an integral area that has implications for a firm's financial performance. Notwithstanding, some key areas were ignored as others were given innumerable attention. A majority accorded sales forecast and profitability much weight, of which as a researcher I don't dispute yet the invaluable statistical approach was given little attention as compared to its significance in determining the right course of action. The means to improving financial performance also had Budgeting, Review and improvement, proper planning and a focus on critical data as the strongest recurring themes. In conclusion, among the obstacles indicated as depicted in the findings, risks uncertainties and time form the top challenges to financial forecasting at 47.78% and 23% respectively.

As anticipated in a normal business cycle, risks and uncertainties that prevent a business from achieving its financial goals are commonplace and the only thing a business can do is attempt to minimize the impact of identified risk.

Recommendations

To consistently manage performance, companies need timely and accurate forecasts that can guide decision-making in near real-time as well as support strategic goals in the long run. The best forecasting practices are highly flexible – able to model multiple scenarios and adjust to rapidly changing conditions. When executed correctly, forecasting can help a firm streamline processes, respond to changes, evaluate business drivers, and improve processes and workflows. The best forecasts are built on accurate, relevant data in addition to a healthy dose of process automation.

In today's dynamic business environment, forecast accuracy should be managed and measured as each forecast is prepared and that is weekly, Monthly, quarterly etc. To help oversee the process of financial forecasting, a review committee can be set up with guidelines that shape and improve methods that will impact the accuracy of future forecasts.

Suggestions for Further Study

A similar study should be conducted that will involve the firms registered in the four Rwandan provinces and establish the situation of such firms that are not within Kigali, for this can give a much more accurate picture of the whole industry. Future research should also concentrate on new areas such as the barriers or challenges to financial forecasting and a firm's growth. These areas are important because when companies grow, several challenges must be faced and ultimately overcome. By using the findings from this and future studies, manufacturing companies, especially in Rwanda, would be able to progressively grow and emerge as vital players within the industry, either locally, regionally or even at a global scale earmarked for excellent practices.

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