

INFLUENCE OF PRINCIPALS' BUDGETARY PRACTICES ON FINANCIAL PERFORMANCE OF PUBLIC SECONDARY SCHOOLS IN MURANG'A EAST SUB-COUNTY, MURANG'A COUNTY, KENYA

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ABSTRACT

Purpose. The purpose of the study was to assess influence of principals' budgetary practices on financial performance of public secondary schools in Murang'a East Sub- County, Kenya.

Research methodology. Research adopted mixed methods approach as quantitative and qualitative and descriptive design way of achieving desired outcomes. Aimed respondents were 986 consisting of 1 County finance auditor, 31 Principals, 623 teachers, 300 members of BOM and 31 Accounts clerks or Bursars. Using Yamane's formulae, a sample of 295 respondents was established and in order to create 4 different strata stratified sampling was adopted grounded on number of zones in Murang'a East Sub- County. Each zone, 2 principals and 2 bursars or accounts clerks were chosen using simple random sampling technique for Gikindu, Gatari and Kimathi zone and 3 Principals and bursars or accounts clerks from Municipality zone due to the high concentration of public secondary schools in municipality zone compared to other three zones. At the same time, from each zone, 46 teachers were selected for Gikindu, Gatari and Kimathi zone and 48 teachers for Municipality zone. 22 BOMs were chosen using simple random sampling to eliminate biasness from Gikindu, Gatari and Kimathi zone and 24 BOM members from Municipality zone. County Financial Auditor was also considered for the research. This enabled researcher to come up with a sample of 9 Principals, 9 bursars or accounts clerks, 186 teachers, 90 BOMs and County Financial Auditor.

Findings. Research findings attested that principals in Murang'a East Sub-County do not effectively prioritize budgeting practices. Only a small portion of participants indicated that stakeholders are often involved in budgetary practices. A quarter, that is 25%, of teachers and BOM members indicated that principals very often consult stakeholders in involvement of stakeholders during budgetary practices but respondents were somewhat neutral on stakeholders' communication either written or telecommunications. The study also revealed that a small portion of teachers and BOM members strongly agreed with the view that stakeholder analysis during stakeholder involvement has enhanced reduced expenses, increased revenue, limited liabilities and employee's level of satisfaction in secondary schools.

Recommendations. Research proposes schools to fully follow well-laid procedures to engage all individuals involved in budget development, frequently communicate to concerned personnel in budgeting and head-hunt stakeholders with financial management skills to be members of budgeting committee.

Key words. *Principals, budgetary practices, financial performance.*

INTRONDUCTION

Stakeholders' involvement refers to engagement of members without whose support organization would cease to exist (International journal of managing business, 2016). Therefore, Stakeholder involvement is an important aspect of budgetary practices because participatory and performance-based budgeting should be more frequently used especially at school level since such strategies increase ownership and link budgets more closely to priorities. It should therefore be given sufficient attention. Comprehensive involvement of all stakeholders into system of consolidated financial performance in relation to budgetary practices means that stakeholders should participate in all phases of budgetary process but this is not the case in Kenyan secondary schools as evidenced by frequent misappropriations of funds, student unrest and public outcry (Kasoa,2008). What all of this indicate is that it was necessary to assess influence made by involvement of stakeholders in Principals' Budgetary Practices on Financial Performance.

STATEMENT OF THE PROBLEM

Secondary school learning plays a very critical role subjecting learners with time to gain skills, enabling them pursue tertiary education along with improving their skills leading to higher labor market competence (Ngware, Onsumu, Muthaka and Manda 2006). However, key concern for the general public and government at large is to provide and ensure accessibility to better quality education to all learners leading to higher proportions of funds being allocated to the ministry of education.

According to Coopers (2012), in the financial year 2012 to 2013, 21% of the total government revenue was directly channeled to ministry of education. But there is a serious challenge of financial performance in Kenyan public secondary schools because there are unprecedented high fees despite of billions of shillings being channeled to ministry of education by national government (Magak,2013). Also, on issues concerning ability in financial attainment to achieve educational obligations poor judgements have been aligned in opposition to Kenyan education system as well as applicability on curriculum and cost based on provision of education (Glennerster and Mbiti,2011). In addition, Adan (2017) on financial performance of public schools in Mandera County observed that schools rarely follow set budget formulation procedures. However, Muricho and Chang'ach (2013) note it is a government mandatory obligation enhancing financial achievement attributed to public secondary schools by ensuring productive use of resources. According to Ministry of Education (2020) fee guidelines indicate that for

Free day public high school each learner receives an allocation of ksh 22,244 but some parents cite lack of funds to transit their pupils to high schools due to hiking charges (Samantha and Wario, 2020).

According to Beatrice (2019) in Kiharu constituency Murang'a East Sub- County school projects were not brought into completion as planned. For example, in the financial year 2015 to 2016 only 2 projects were completed out of 6. Furthermore, in the financial year 2017 to 2018 only 4 projects were completed out of 13 and there exist situations of misappropriation of resources despite existence of budgeting regulations and procedures from ministry for education. What all this means for financial performance in public secondary schools is a complex problem but what the authors above seem to be pointing to is a need to assess influence of principals' budgetary practices on financial performance in secondary schools.

RESERCH OBJECTIVES

1. To assess influence of stakeholders' involvement on financial performance in public secondary schools in Murang'a East Sub- County.
- 2.To assess influence of budget preparation on financial performance in public secondary schools in Murang'a East Sub- County.
- 3.To assess influence of budget monitoring and evaluation on financial performance in public secondary schools in Murang'a East Sub- County.
4. To assess influence of budget reporting on financial performance in public secondary schools in Murang'a East Sub- County.

RESEARCH HYPOTHESES

The study was guided by the following hypotheses;

Ho1 There is no significance influence of stakeholders' involvement on financial performance of public secondary schools in Murang'a East Sub- County.

Ho2 There is no significance influence of budget preparation on financial performance of public secondary schools in Murang'a East Sub- County.

H03 There is no significance influence of budget monitoring and evaluation on financial performance of public secondary schools in Murang'a East Sub- County.

H04 There is no significance influence of budget reporting on financial performance of public secondary schools in Murang'a East Sub- County.

THEORETICAL REVIEW

The financial prudential theory

The study was guided by finance management theory known as financial prudential theory advanced by Koller (2004), which is fundamental financial theory on non-profit institutions finance management. Koller proposes that maximization of stakeholder's involvement value is the greatest critical aim of any non-profit making institution hence only those grants benefiting all stakeholders financially has to be acknowledged. This argument is in agreement with this theory in that lack of externalities as well as influence from outside institutions should always maximize its resources as well work within acceptable limits. In addition, the theory proposes that institutions should pursue not only interest of stakeholders but also for everyone affected and involved in the environment. Therefore, in order to assure judicious utilization of resources and answerability, school principals plan and conduct budget preparation for their institution's financial management in as far as education is concerned, deals with expenses of education, revenue sources designed to offset cost as well as how to spend revenue generated in a wise way so as to achieve educational goals. However, two basic presumptions are made in order to obtain value creation as single objective for association, the absence of externalities and monopolies.

There is no single firm can increase value if it fails to consider involvement of its stakeholders. Managers ought to accept long run business value maximization as procedure for making important tradeoffs among its stakeholders. An enlightened vision on stakeholder and shareholder theory specifies long-term value maximization as firm's main objective and therefore solves problems that come from multiple objectives that corporations face (Jensen 2001). In a school context, motive of using this theory in this study was that it justifies the fact that financial management has to be framed in the social and cultural context in which this branch of knowledge exercises a basic and believable role in circulation of school's financial information.

Agency theory

The study was also guided by Agency theory (Jensen and Meckling, 1976). It states that an organization connection remains when principal employ bursar to carry out specific duties or services on behalf of principal. In keeping with agency theory, rivalry emanate among principal and agent. This comes from opposing interests among these two individuals. On one hand agent struggle to maximize rewards for their work or if reward is provided minimize work. On the other hand, principal desire to minimize payment. It is noted that disagreements of interests between these two individuals leads to organizational challenges. These organizational discrepancies are likely serious and mostly occur in public schools. For instance, financial administration in public secondary schools, parents along with government as well other financiers are the principals while principal together with bursar are agents. Government via TSC and parents through BOM employ services of principal along with bursar accordingly.

Principal together with bursar are assigned with judicious management of resources allocated to schools and paid salaries as well as allowances for carrying out their services. In a school context, budgeting processes require that budgetary requisitions are monitored and evaluated with thoroughness, beginning from principal which involve preparing of new budgets for each year and budget reporting. The principal ought to table requisitions for the resource in a manner that ensures that funds are allocated on criteria of cost-benefit analysis or cost effectiveness analysis that aims at guaranteeing worth for funds spent. However, effective oversight and budget reporting implementation ought to ensure that public funds are managed productively to limit misappropriation and wastages. Discrepancies among parents or government and principal or bursar yields creation of performance contracts to arbitrate organizational associations. Aforementioned is in concession with government of Kenya appeal as well a condition for all employees with public schools to sign performance contracts.

EMPIRICAL REVIEW

Stakeholder in school management is any individual interested in welfare and achievements of a school together with its learners. In addition, stakeholder can be viewed as institutions representing specific categories of people such as teacher union, parent-teacher associations together with institutions representing Principals (Great schools Partnership, 2014). In a word, stakeholders have individual as well as professional and communal concern over school and its learners. Msila, (2014) echoes that stakeholders are those people who share authorized interest

and who contribute to success of a school. Therefore, a stakeholder is a person, a collection of people or an institution that affect and is interested in a certain system such as a school who directly affect decision making and can improve learning environment of school for greater benefits through proper financial performance (Studybay, 2021).

In research carried out in Korea to assess influence of stakeholders' involvement on gratification in job for principals, Lopez, (2009) acknowledge a high positive correlation for stakeholders' involvement and performance in job of Korean principals. Lopez in addition, shown financial planning on stakeholders' participation in school budgets turns out as a motivation and seal of approval to educators as well other staffs in schools to foresee appropriate practices to achieve desired goals while Tilale, (2011) in a research conducted in South Africa on assessment of productiveness of financial practices in institutions in Lejweputswa Education District proposes that school fraternity has to ensure persons with needed competencies are nominated to School Governing Bodies. However, a person with appropriate financial management abilities who could be co-opted to chair finance committee and suitable individuals with necessary competencies in financial managements who are parents should be headhunted to serve on SGB. Thus, Tlale, (2011) affirm that stakeholders are integral part of financial budgeting and developing a budget is a process and involves multiple steps one of them being involving stakeholders. Moreover, research exploration in Homa`-bay sub-county Kenya proposed that it was necessary to mobilize all principals to adhere to school guidelines because it was found that some principals ignored them completely did not follow them. For example, it was found that there were frequent active meeting forums for engagement of stakeholders through BOM meetings and annual and sometimes termly parent meetings in most public schools. However, principals had most influential power as in most occasion meetings were held as a formality therefore necessary to enlighten BOM on their active roles as oversight authorities (Odongo, Thinguri and Mugwe, 2020).

In Murang'a County the situation is not different as according to Ministry of Education, (2010) suggests that Principal at the beginning of each year should provide a budget calendar, the budget calendar should comprise a plan indicating various responsibilities assigned to different stakeholders, duration when each aspect is due, time of presentation of the tentative budget and adoption but Principal should not work alone has to engage with other stakeholders. What all of these means for public secondary schools is that stakeholder's involvement and financial

performance is a complex challenge with numerous variables. These authors however seemed to be pointing to a need of involving stakeholders in principals’ budgetary practices to improve on financial performance.

CONCEPTUAL FRAMEWORK

Independent variable

Dependent variable

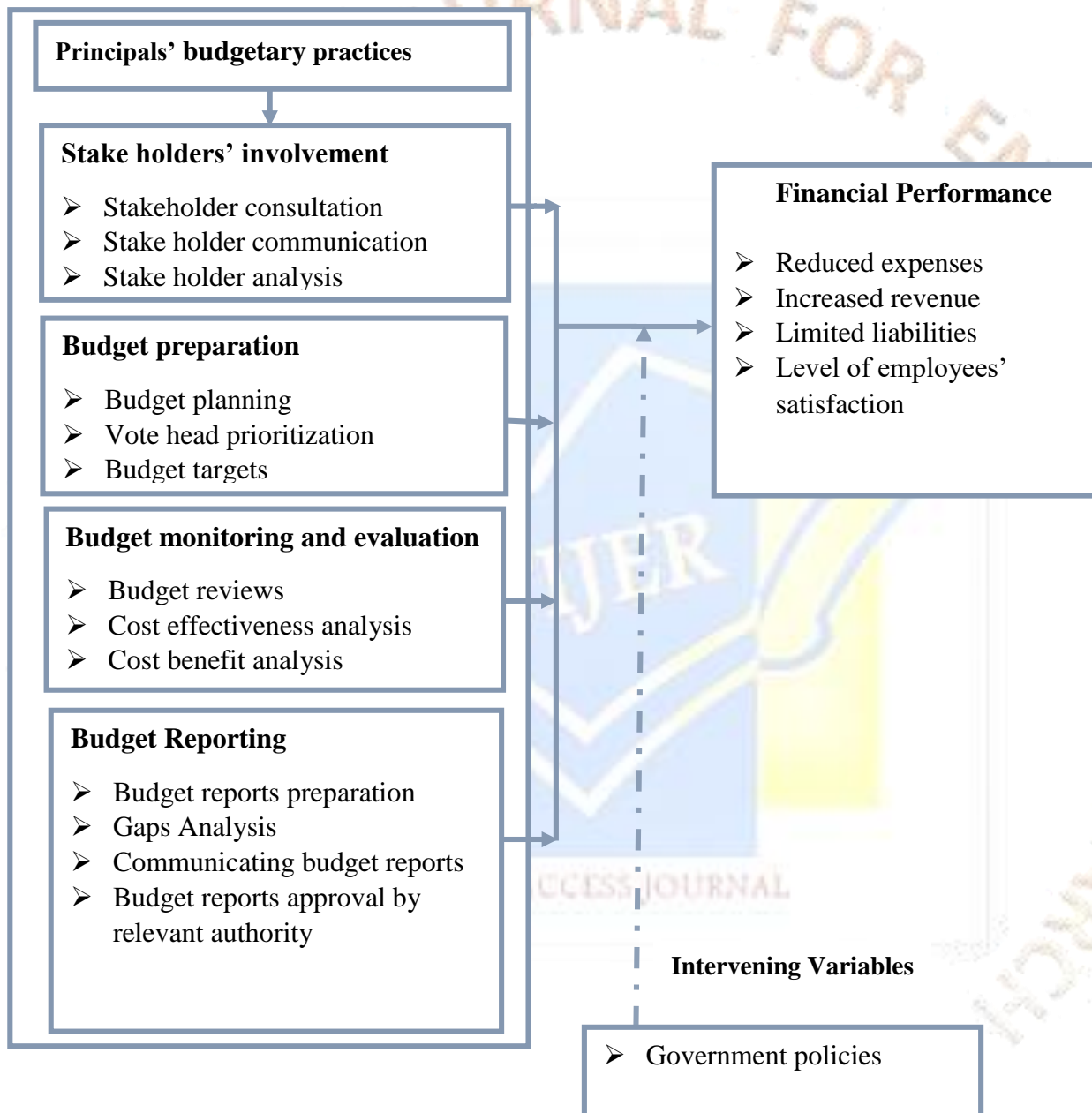


Figure 2

Conceptual Framework

RESEARCH METHODOLOGY

Research adopted mixed methods approach as quantitative and qualitative information was collected using questionnaires, interviews schedule together with document analysis guide as main methods of collecting data. Aimed respondents were all 31 public secondary schools, consisting of 1 County finance auditor, 31 Principals, 623 teachers, 300 members of BOM and 31 Accounts clerks or Bursars in all government high schools in Murang'a East Sub- County. The sample size was 295 comprising of 9 Principals, 9 bursars or accounts clerks, 186 teachers, 90 BOMs and County Financial Auditor. Questionnaire, interview discussion guide and document analysis guide were main tools for collecting information. Qualitative data was thematically explained with examination aims then bestowed in narration form. Quantitative data analysis was done using Chi-square inferentially to test hypotheses utilizing Statistical Packages for Social Science (SPSS Version 23) and descriptive statistics like percentages then presented using tables.

RESULTS AND DISCUSSIONS

A quarter, that is 25%, of teachers and BOM members indicated that principals very often consult stakeholders in involvement of stakeholders during budgetary practices while 31.25% indicated they often consult stakeholders. However, 27.08% of teachers and BOM members reported that schools rarely consult stakeholders in involvement of stakeholders during budgetary practices whereas a paltry 16.67% revealed that principals not often involve stakeholders. In same vein, slightly less than a quarter 18.97% of teachers and BOM members noted that secondary school administration very often communicates to stakeholders for budgetary practices, slightly more than half 56.90% reported that they often do, 13.79% indicated that they rarely do whereas 10.34% shown that they not often communicate to stakeholders during budgetary practices. On the contrary, only 18.97% of teachers and BOM members reported that schools very often analyze stakeholders during budgetary practices, 43.10% of them indicated that they often analyze stakeholders but a fair minority at 18.97% however, noted that schools rarely analyze stakeholders during budgetary practices whereas 18.97% reported that schools do not often analyze stakeholders. These findings attest that budgeting practices that engage all stakeholders and integrates their preferences together with wants can have a positive impact in maintaining good relationships with public as well enhancing students and teacher's general outlook of school administration.

Principals aided in document analysis but County Financial Auditor was interviewed together with bursars or accounts clerks. They differed propositions of teachers and members of BOM. One interviewee noted, *“During budget preparation, we plan the process. This pertains involving stakeholder for example BOM members, departmental requisitions from teachers and PTA members who aid in identifying the institutions preferences before administering any budget”*. In consonance with quantitative findings, these arguments further agree with requirements of National Advisory Council on State and Local Budgeting (2009) that budgeting practices that engage all stakeholders as well integrates their preferences as well as wants may have a positive effect in attaining better relations with public and promoting students together with teacher’s general overview of school management.

The interviewees and document analysis agreed with Hartman (2013) who proposes that budget planning and stakeholders’ involvement assures that realistic expenses as well income projections are integrated in budget. The interviewees and document analysis moreover differed with view that stakeholders are rarely involved in budget development which has impacted reduced expenses, increased revenue, limited liabilities and employee’s level of satisfaction in secondary schools. The interviewees and document analysis noted, *“We often communicate to our stakeholders via WhatsApp together with text messages in our school during budget development which has enhanced financial liability and transparency in our secondary schools”*.

However, they complied with propositions of Lopez (2009) that a strong positive correlation exists between stakeholders’ participation and job performance of Korean Managers. Moreover, as in quantitative outcomes, these observations further concur to the reality that stakeholders’ communication in the budgeting process is crucial to the betterment and achievement of an institution regardless they have public financial interest, personal or professional concerns. These arguments however point to the fact that, in budget preparation, the principal has to seek involvement of all stakeholders including BOM members, parents, teachers as well other school workers including the bursar or accounts clerk. That is, in public secondary schools, realizability of intended educational aims and objectives is determined largely by the efficient planning and management of school resources by school administrators. Besides, an educational plan evolves from educational policies which are outlined by ministry of education.

In School estimates, income and expenses should be listed according to revenue sources and expense account categorization of accounting system. In consonance with quantitative results, these views additionally attest to the fact that, role of a budget is to enable a school to obtain correct projections of intended revenue along with expenses, to have an adequate view of all services, account for expenditure to attain educational objectives while achieving the purposes of a school. Therefore, any institutional budget process that is well-planned and marked by unified control of other activities of a school for example management and planning functions will give suitable program together with financial decisions resulting to improved institutional operations.

CONCLUSIONS

In consonance with the study outcomes, it is noticeable during budget development, majority of principals do not adequately involve stakeholders for example PTA members and teachers' representatives who aid in diagnosing institution prerogatives ahead of making all budget arrangements. These results clue in reality that budgeting practices engaging all stakeholders as well as putting into considerations of their first concerns together with needs can have a definite influence in keeping up favorable rapport with community along with embellish learners as well as educators' general impression of institution management. Specifically, stakeholders' engagement guarantees that rational expenses and income projections are included in budget. Stakeholders' involvement in budgeting is important to improvement and accomplishment of schools regardless of communal, individual or occupational financial dealings. In secondary schools, becoming aware of favorable academic goals as well as objectives rely upon to a great extent on adequate planning together with competent management of school money by principals. Therefore, a school budget that is prudent as well as unified with other activities of a school for instance management and planning functions gives improved agenda as well as financial choices causing enhanced institutional operations.

RECOMMENDATIONS

Appertaining to stakeholders' involvement, research propose schools to fully follow well-laid procedures to engage all individuals involved in budget development, frequently communicate to concerned personnel in budgeting and head-hunt stakeholders with financial management skills to be members of budgeting committee for not only productive use of resources but also answerability for finances. In consonance to stakeholders' involvement there is demand for Ministry of Education to furnish key information to Board of Management members, teachers and parents, on governance of public secondary schools including composition, activities as well as responsibilities of Board of Management in financing public secondary schools.

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