

Effects of Financial Training on Financial Performance of Schools in Kenya: a survey of Administrators of Secondary Schools in Trans-Nzoia County

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Abstract

The ever increasing cost of education to Governments and to citizens calls for effective management of school resources by administrators. When the Government of Kenya (GOK) introduced free secondary education, the national budgetary allocation for the program was between Ksh.25 billion and Ksh.39.7 billion in the financial year 2007/08 and this figure was projected to increase to between Ksh.28.3 billion and Ksh.74.3 billion in 2011 due to increasing demand for secondary education (Republic of Kenya, 2009). Despite this increasing cost of education, there is training for school managers to equip them with skills, knowledge and competencies, needed for effective management of school resources (Ogembo, 2005). Selection to such positions is based on seniority in terms of age, experience and academic performance of the teacher. Training is a problem-centered, learner-oriented, and time-bound series of activities designed to strengthen the competencies of employees. Training for school managers enables them to attain the required skills, knowledge and competencies in managing school resources. It also eliminates deficiencies in the background preparation of school managers. In addition, Training keeps school managers abreast of new knowledge in financial management and inculcates a sense of creativity in them. Training in Kenya is provided through organized seminars and workshops by district or Provincial Heads of Association and through Kenya Education Staff Institute (KESI). The ministry of education (MOE) in Kenya expects public school Principals, Heads of Departments (HODs) and School bursars to be trained on: Human resource management (HRM), financial management and other management issues (MOEST, 2005). Most public secondary schools in Kenya close earlier than term dates citing lack of food, have huge fees balances, charge extra levies, are

heavily indebted to creditors, operate on deficit budgets and heavily depend on parents and the GOK to finance their programs (Ouya& Mwelesi,2011). The Study sought to investigate the effect of training of Principals, HODs and bursars on financial management of Public Secondary Schools in Trans Nzoia County. A descriptive survey design and a quantitative approach was used on a target population of 36 public secondary schools selected using stratified random sampling and a sample of 108 respondents will be selected randomly from the 36 selected schools. Data was collected using structured questionnaires. The study established that in service financial training had little impact on financial performance of public schools. Finance is the life blood of success of any organization and schools either have no option but to embrace strategic financial management. Knowledge on financial management will enable stakeholders in achieving balanced budgets in schools, attaining low fees balances, proper management of school cash, creditors and, debtors thus reducing school arrears, having effective financial plans developing effective income generating activities.

1.0 Statement of the problem

The role of school managers has changed dramatically owing to greater demands by stakeholders and civil society on effective leadership that is results oriented. If school leaders do not continue to learn, unlearn and relearn in order to acquire proper and modern ways/skills of financial management especially in the management of cash flows, debtors and creditors then the continuous increase in student population at secondary level will constraint the GOK and the citizens' resources. In-service training in Kenya comes in the form of induction training for new employees, seminars and workshops for capacity building and KESI training for Principals, Deputy principal, HODs and Bursars. In-service training in financial management by these administrators aims at equipping them with skills and knowledge or competencies for effective management of financial resources in schools, eliminate deficiencies in the background preparation of school managers, keeps school managers abreast of new knowledge in financial management and inculcates a sense of creativity and innovation in their management roles for the attainment of vision 2030.

Despite of all these efforts by the GOK to train these school administrators in financial management through in-service training, majorities of public secondary schools have minimal financial expertise, weak information systems, if any, and limited or poor management skills on cash inflow and cash out flow (G.O.K, 2010).This is evidenced by most public secondary schools closing earlier than term dates citing lack of food for students which is a sign of operating on deficit budgets and have huge debts to pay ranging from workers, water bills, and electricity bills to suppliers of goods and services. This ineffectiveness in management of cash flows, management of debtors and creditors brings into sharp focus the extent of the effects of in-service training by school administrators such as the Principals, HODs and Bursars on financial management. It is on this background that this study intended to investigate the effects of financial training on financial performance of schools in Kenya.

1.2 Review of related financial management theories

1.2.1 The iceberg theory of money management.

This theory was advanced by RanjanVarma, (2009). It says that money management expertise has four components: knowledge; skills; attitude; characteristics. Knowledgeable people make financial mistakes too because they may not have the right skills or attitude towards money management. RanjanVarma, (2009) divided the above components into two: The visible that is, knowledge level and skill level can be seen and can be improved by reading up blog, dailies, magazines and in-service training but this visible part is only 10-15% of what it

takes to manage money; The hidden part that is, it depends on one's attitude and other characteristics like what one values, what is learned from parents and from others. This hidden part accounts for 85-90% of what it takes to manage money. This theory is applicable to this study since in-service training equips trainees with knowledge, skills, competencies, values and attitudes.

1.2.2 The bucket theory of financial management

This is a common sense approach to managing a family's financial future providing a systematic way for families to set and reach financial goals and help the family build a sound financial foundation. The theory supposes 5 buckets hanging in stair step fashion, each below and a little to the right of the one above it. As water flows into the top bucket, the bucket begins to fill. When it reaches its capacity, the water flows over the edge and into the second bucket. The process continues until all the buckets are filled. It is assumed that the 5 buckets represent financial priorities starting from the basics to investment of surplus finances. The water that flows from bucket to bucket represents the resources a family has. To build a sound financial base for a family, each bucket must be filled before resources are diverted to the next one (Rowe, 1990). This theory is borrowed since schools can apply it when budgeting for financial resources moving from basic needs to other needs like investment in entrepreneurship. Basic needs in schools include food and teaching learning materials such as textbooks, exercise books, laboratory equipment and chemicals and other stationery.

1.2.3 Adult Learning Theory

Malcolm (1990) is the theorist who came up with the concept of adult learning. He argued that adulthood arrives when people behave in adult ways and believe themselves to be adults and they should be treated as adults. He taught that adult learning is special in a number of ways:

Adult learners bring a great deal of experience to the learning environment thus trainers can use this as a resource; Adults expect to have a high degree of influence on what they are to be educated for and how they are to be educated; The active participants of learners should be encouraged in designing and implementing educational programs; Adults need to be able to see applications for new learning; Adult learners expect to have a high degree of influence on how learning will be evaluated and Adults expects their responses to be acted upon when asked for feedback on the progress of the program. This theory applies to the study since in-service training is meant for employees who are adults (Principals, HODs; Bursars). Burns (1995) discusses the 'Petrol tank' view of school education: fill the tank full at the only garage before the freeway, and then away we go on life's journey. He discusses that problems can arise when people have not had their tank filled completely at school and suggests that there should be service stations along the length of the highway of life thus in-service training is needed for employees.

1.3 Empirical Review

1.3.1 Financial Training and Financial management

Audit Inspection Unit carried out by MOEST (2004) found out that most public secondary schools in Kenya have witnessed increased cases of financial mismanagement leading to some school principals being disciplined by the TSC and yet the same administrators are in serviced on necessary financial management knowledge and skills to manage secondary schools' public funds more effectively and efficiently. Therefore the available literature suggests that training is an important process in equipping secondary schools administrators with the necessary skills to enable them manages the schools' finances well. The study also sought to

identify the gaps in order to come up with various recommendations to enable secondary school administrators manage secondary schools' public funds more effectively and efficiently.

Among the recommendations was the need to carry out a research on the extent of the effects of financial training on financial management in public secondary schools especially in cash flow management, management of debtors and management of creditors.

1.3.2 School Leadership and financial management

Pushpanadhum (2006) carried out research on secondary school principals and found out that school leaders take up management positions without formal training in leadership and other aspects including financial management. The researcher noted that school leaders needed a comprehensive training in general administration of schools, planning and financial management in record – keeping, management of cash flows, management of debtors, management of creditors, HRM and development and curriculum matters. This is so because the jobs of school leaders have changed dramatically and thus pre-service training of such leaders has remained inadequate for effective delivery of their service and therefore in-service training is the way to go for better financial performance in public secondary schools.

3.0 Research Design

A research design is the plan or structure of the investigation used to obtain evidence to answer research questions. The design describes the procedures for conducting the study, showing when the study will be done; from and under what conditions data will be collected (Sincich Benson, 2008). The design shows how the research is set up; what happens to the population to get the needed sample, methods of data collection, how the collected data will be analyzed and presented. This study was conducted as a descriptive survey research which according to William, (2010) is a study designed to obtain pertinent information concerning the current state of affairs. Descriptive studies are classified into three categories; Survey Studies, Interrelationship Studies and Developmental Studies (Borg, & Gall 2003). Specifically survey research was employed in this study. The surveying research method investigates a contemporary phenomenon within its real-life context. The study is designed to determine the nature of an existing state of affairs within the population, (Sincich Benson, 2008). Mugenda and Mugenda (2003) define survey research as an attempt to collect data from members of a population in order to determine the current status of the population with respect to one or more variables. The specific survey employed by the study was sample survey which studied a population through sampling method in order to answer the research questions. Descriptive survey design was appropriate for this study as it allowed the researcher to use a few schools to investigate the effect of stakeholders' in-service training on financial management in all public secondary schools in Trans-Nzoia County. This study also used quantitative approach in research and evaluation because this approach yields numbers, graphs and tables which apparently are convincing (Mugenda and Mugenda 2003).

3.1 Target Population

Trans-Nzoia County has 132 Public Secondary Schools therefore the study population was the administrators in the 132 public secondary schools. The target population was 120 respondents from 40 public secondary schools which have been in existence for at least ten years and have functional academic departments; this ensured reliability since information obtained was compared to previous periods before the school managers were exposed to training.

3.2 Sample size and sampling procedure.

Sampling is a procedure of selecting a part of population on which research can be conducted, which ensures that conclusions from the study can be generalized to the entire population

The researcher utilized simple random sampling and stratified random sampling of schools categorized as Day, Day and Boarding and Boarding. This ensured that each element of the population has an equal and independent chance of being selected as a member of the sample (Frankel, et al, 2000). Simple random sampling is a probability sampling procedure that guarantees each element of a population an equal and independent chance of being selected.

For ease of sampling in this study, 120 respondents were used and were selected as follows; 40 Public Schools were selected randomly giving rise to: 40 Principals; 40 bursars and 40 HODs. Principals, HODs and bursars were chosen since they are involved in the day to day running of schools especially in financial management.

4.0 Research Findings.

4.1 The extent of financial training in public secondary schools by administrators.

It was found that 51(42.5%) had attended in-service training in financial management only once since the year 2002 to date. Among the respondents only 22(18.3%) reported that the in-service training program was relevant to them in their role in school management of finances. Pushpanadhum (2006) carried out research on secondary school principals and found out that school leaders take up management positions without formal training in leadership and other aspects including financial management. The researcher noted that school leaders needed a comprehensive training in general administration of schools, planning and financial management in record – keeping, management of cash flows, management of debtors, management of creditors, HRM and development and curriculum matters.

4.2 Perception of HOD and bursars on components of in-service training program components

The respondents were asked to respond on the quality of training received by scoring on a scale of 1-5 nine items. The overall mean on each item was calculated and used to gauge the level of perception where a low mean implied high perception and vice versa. The respondents reported that the in-service duration 67(55.8%), quality of training personnel 50(41.7%), content relevance and mastery 56(46.7%), training equipment and materials 54(45%), content delivery 53(44.2%), training techniques 53(44.2%) training environment 63(52.5%) emerging issues 59(49.2%) of the training program as satisfactory though ICT management was reported as poor 55(45.8%). On average the components were reported as satisfactory (mean=4) .

4.3 Perception of principals, HOD and bursars on skills and competences acquired from in-service training program components.

When the respondents were asked to rate their skills and competencies acquired from in-service training program components vision building 95(79.2%), strategic thinking 99(82.5%), budgeting 85(70.8%), entrepreneurship 107(90%), management of creditors 105(87.5%), were perceived as inadequate. On average the skills and competences acquired in the training program were perceived as adequate (mean=2.0). The program components of the in-service training have been satisfactorily delivered. The time allocated is too short to adequately cover the training needs of the respondents. The use of ICT which is perceived as one of the keys to strategic financial management was poorly addressed. Vision building, strategic thinking,

budgeting, entrepreneurship and management of creditors has been inadequate implying that strategic financial management has not been emphasized in the in-service training programs.

4.4 The relationship between stakeholders' financial training and the amount of income from the school's income generating projects

Most schools do not have effective income generating activities. Those that have do not raise enough income and in some schools the money is not accounted for. No relationship was reported between the in-service training and income as the training does not help administrators in this aspect. It was further observed that the entrepreneurial spirit of establishing income generating activities was not related to number of in-service training at all. There is no emphasis of establishing IGA at all in the in-service training program to enhance cash generation in secondary schools.

5.0 Conclusions

Based on the findings of the study, it can be concluded that training in financial management is inadequate and the mode of delivery is satisfactory. The finding of objective two was that training in financial management positively correlated with level of debtors therefore it can be concluded that training in financial management does not reduce the amount of debt in secondary schools. The finding of objective three was that there was no relationship between training in financial management and the income from the income generating activities (IGA). Therefore it can be concluded that financial management training had little contribution to the establishment of income generating activities.

The finding to objective four was that there was a positive relationship between financial management training and school fee arrears. Therefore it can be concluded that training in financial management did not reduce the amount of fee arrears. The fifth objective established challenges faced by school administrators in financial management of their schools. From the study findings, it can be concluded that school administrators face challenges of effectively managing creditors, fee arrears, and long term planning and procurement management. The study therefore established that in-service financial training had little impact on financial performance of public secondary schools Kenya. Finance is the life blood of success of any organization and schools either have no option but to embrace strategic financial management.

5.1 Recommendations

Based on the above conclusions the research therefore recommends the following to be adopted: All school administrators should be adequately trained through frequent seminars and forums to disseminate the ideas and skills of effective financial management, formulation of a government policy and legislation to guide management of finances in schools.

In-service training content of financial management should be adequately formulated to address the needs of secondary schools.

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