

Management of Finance with Reference to Selected Secondary School of Oromia Region, Ethiopia

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Abstract

The intent of this paper was to examine the management of secondary school finance in selected secondary schools of Oromia Region, Ethiopia. To achieve this purpose, researcher used mixed approach research paradigm. The participants of the study include: 40 department heads, 67 administrative and finance heads, and 41 parent teacher association (PTA) members. Moreover, 10 school board chairpersons and 10 Educational supervisors were selected and interviewed. Questionnaires, semi-structured interviews and document analysis were employed to solicit data from key informants in the study setting. Data were analyzed both through qualitative and quantitative analysis methods. The study result showed that personnel qualified with the knowledge and skills of financial management were inadequate. Besides, school principals were not established and sustain good relationship with relevant stakeholders. As a result the practice of managing financial resources by using the existing financial guidelines was not encouraging. Hence, the study recommends the importance of stakeholders' participation in financial management and enhancing the competence of school leaders' through education and continuous training is mandatory.

Keywords: Finance, financial planning, financial control, Secondary schools, principals, Financial management

Introduction

Different authors define financial management in different ways. However, the definition given by Du. Preez (2003) is a more comprehensive one. According to him financial management is a process of planning and effectively utilizing financial resource for the achievement of the overall objectives of the firm. It is about planning income and expenditure, and making decisions that enable organizations to survive financially (Archer, et.al. 2002). Besides, financial resource management is concerned with how firms should choose the investments they make and on how they should raise the necessary finance, that is financial decision.

According to Davies (2003) financial management involves a number of functions, including financial planning, the application of funds and their control. Financial planning is about making sure that the organization can survive, the money is being spent in the most efficient way to fulfill the objectives of the organization. Financial planning lays down an orderly approach to comprehensive programming and budgeting of future operations. According to Kruger (2005) financial planning function involves a number of steps that include: indentifying opportunities, determining goals and objectives, evaluating alternatives that might lead

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towards the goals, policy formulation, quantification, communication, implementation and review.

On the other hand, financial control assigns organizational responsibilities for the executions of approved plans. It includes the controlling activities such as establishing standards for measuring performance in terms of cost and output, and comparing actual cost and outputs with the standards, assessing the variation between actual and standards, especially in relation to who is responsible, and then taking appropriate action either to improve performance or revised planned targets in terms of costs and output. Moreover, financial accounting is identified closely with the financial control, for it provides the principle tools for establishing standards, gathering the evidence as to actual performance, and laying all relevant data for the proper managers for their study and actions (Bisschoff, 1997).

Unlike financial management in business organizations, financial management in education is concerned with the cost of education, sources of income to meet the educational cost and the spending of the income in an objective manner (Du Preez et.al. 2003). According to Mestry (2004) these tasks are linked to the school management tasks like planning, organising, leading and controlling. Moreover, the administration of a school's finances is an integral part of effective school administration (Ntseto 2009).

In this respect, organising of school finances should include aspects such as drawing up a school financial policy; setting up a structure within the school to handle administrative and financial matters; delegating certain functions to clerks, class teachers and the treasurer; and coordinating activities (Kruger 2005; Ntseto 2009). Moreover, leadership in financial administration involves three aspects: sound relationships, communication with all stakeholders and internal as well as external and motivation of all the people concerned with school finances (ibid, 1997).

Besides, the method of financing education in any given country is among the major elements that determines the extent of access for education, the type of education, the level, the quality, the management and direction of education. In other words, the education of a given society and its role is closely tied with the resource available and the financing method it employs. The administration of a school's finances is an integral part of effective school administration and should be governed by clear direction (Mestry 2004; Ntseto 2009). Like many developed and developing countries Ethiopia has set clear financial management direction that enable school principals to

effectively utilize their financial resources towards the achievements of educational objectives.

According to Donnel and Keontz (2004) it is often the responsibility of school principals to see that the allocation in the school budget is spent according to the directives of the government and in accordance with the financial regulations and procedures. Besides, he/she invariably has to decide in the order of priority how to carry out his expenditures and should see that records are carefully kept of all items of expenditure. In this respect, proper accounting procedure laid down by the government should be followed.

According to Ntseto (2009) there is a strong link between financial resource and school effectiveness. To strengthen the link and to get things done as desired, educational institutions should be managed by competent school principal who has the managerial ability of using scarce financial resources with sufficient operations and achieving the proposed educational objectives (ibid, 2009). In this regard, Maurice (2007) suggested that a good way to appreciate what financial management is all about is to relate it to economics, as an applied economics which concerns itself with the allocation of scarce financial resources among competing uses.

Financial management therefore, requires skilled financial managers who, in the midst of scarce resources, can list they needs in order of preference. This will ensure wise utilization of available funds through the application of sound management principles. Morelus (2001) also suggested that where there is wide gap between planned goals and actual performance in most Government establishment of developing countries, it is due to the failure of the financial administrator to perceive the vital aspect of the budget as a bridge between the plan and the action. He supported this by stating that the goals and objectives must generate new budget because the budget is an important tool for financial management.

However, from the researcher's personal experience and informal discussion made with educational experts found at Oromia Education Bureau, administrative Zone and District Education experts, it was observed that the mismanagement of funds by school leaders often led to a shortage of critical resources in schools as money was not available for the purchasing of the necessary books, equipment and so forth and resulted in the low achievements of school objectives. In light of the above perspectives, this study was conducted to examine the management of secondary school finance in selected secondary schools of Oromia Region, Ethiopia.

Moreover, to address the aforementioned aim, the study was guided by the following basic research questions: (1) How do public secondary school principals in Oromia Region manage the funds available to them? (2) To what extent public secondary school principals in Oromia Region are competent enough to manage finance of their respective schools? (3) What are the major challenges associated with financial management in public secondary schools in Oromia Region? Finally, the output of this research may create awareness among school leaders to scrutinize the extent of the implementation of financial policy; the alignment of school finance to school aim, and how school leaders deal with major problems that affects the management of school financial resources.

Methodology

The choice of methodology for a study is mostly based on the purpose of the study and the research question. In this regard, the empirical investigation is based on the mixed approach research paradigm; predominantly on the concurrent nested strategy. This is evidenced by Creswell (2009) who states that mixed method helps to triangulate qualitative and quantitative data sources and provides a better, more substantive picture about the topic under study. Moreover, the method allows a researcher to obtain a variety of information on the same issue, use the strength of each approach to overcome the deficiencies of others, and achieve a higher degree of validity and reliability. Specifically, the quantitative method employed for the study was cross-sectional descriptive survey method. This is because; the method enables the researcher to describe the management of school finance and to portray how the current secondary school principals manage school finance to achieve educational objective. For the reason of manageability, the study was delimited to financial planning and financial control. Besides, the time horizon for the study was between 2009/10-2012/13 academic years.

In the context of research, the term population refers to the entire set of units for which the data are to be used to make inferences (Patten, 2005). Hence, the target

population of this research comprises of the following primary sources. These are: department heads, finance and administrative heads and parent teacher association (PTA) members. Accordingly, by using simple random sampling techniques 40 (28.7 percent) department heads and 67 (27.8 percent) finance and administrative heads and 41 (24.92 %) PTA members were included in the study. Besides, 12 school board chairpersons and 13 District Educational supervisors were purposely selected and interviewed. The tools used to gather relevant data from the research participants were questionnaire, in-depth semi-structured interviews, and relevant document analysis. Finally, the raw data collected through a quantitative approach was tallied, tabulated, and analyzed by using percentage and chi-square. Moreover, the qualitative data collected from the interviews and document analysis was first read from notes by the researcher and then analyzed with the help of themes to view a clear picture of the issue under study. Finally, on the basis of conclusions were drawn and workable recommendations were forwarded.

Results and Discussions

Respondents were asked about the availability of financial personnel and guideline to manage school finance. Table -1 reveals that 73 percent of them replied that regional, Zonal and District Education office doesn't assign required financial personnel to schools. The calculated value of chi-square test result ($\chi^2=1.92$) also shows as there is no significant opinion difference among the groups of respondents in sampled secondary schools.

Moreover, the respondents were asked about the existence of policy and guidelines to manage the overall financial resources in the schools. To this item, 78 (52.7 percent) of the respondents responded positively. The calculated chi square value (χ^2 3.01) which is less than the critical table value (χ^2 r(2) = 5.991, at $\alpha = 0.05$) indicates that there is no a significant difference among the responses of the three groups of respondents. On the other hand, as the document analysis made by the researcher shows in all schools there was only one guideline that

Table- 1: Availability of Financial Personnel and Guidelines

Item	Key			X ²	P-value
	Yes	No	I do not know		
Are there required financial personnel who is responsible to manage school Finance	37 (25%)	108 (72.97%)	3 (2.03%)	1.92	5.99
Are there financial guidelines to manage the overall school finance?	78 (52.7%)	65 (43.9%)	5 (3.36%)	3.01	5.991

is entitled “*Education Management, Organization, Community Participation and School Finance Resources Management*” therefore, it is difficult to say that there were adequate guidelines to manage financial resources in the secondary schools because it is not the only document to manage financial resources. This implies the availability and application the guidelines and other necessary documents were low.

Besides, school supervisors and school board chairpersons were interviewed to answer about financial resources planning practices of secondary school. Accordingly, 5 supervisors and 7 school board chairpersons replied that the financial plan was prepared and approved by the principal. On the other hand, the majority of school board chairpersons said that the financial plan of the schools were prepared by the school principals and approved by the school board. Moreover, the document analysis made by the researcher indicates that financial resources plan was made by aggregate with the annual plan of the school without participation of the school society.

Developing countries like Ethiopia are now facing a big demand for more and better education. To provide greater quality and equity within the education system it requires the provision of adequate finance from different sources. In relation to this, the respondents were asked to identify the major sources of finance for the secondary schools in their respective area. In this regard almost all interviewees agree the major source of finance was government. Moreover, community contribution and internal income are considered as the second and third sources of school finance. This implies the sources of finance of the secondary schools mainly depend on government subsidy rather exploiting other potential sources of finance.

Regarding the criteria considered to allocate public budget for secondary schools, the few interviewees answered that there was no any criteria used to allocate the public budget for their respective school. On the other hand, majority educational supervisors replied that the previous year’s expenditure of the school, number of students in the school and the amount of unit cost set by the Regional Education Bureau for each student were considered as the criteria respectively. Moreover, the majority of school board members and supervisors responded that most of the time the criteria used to allocate public subsidy for schools was the previous fiscal year budget. However, the amount of unit cost per student was not fully implemented. Thus, schools are suffering for budget constraints. Concerning the form of allocated budget disbursement from the District Finance

and Economic Development office, the majority of the respondents revealed that the budget was disbursed in cash. Others were answered it was disbursed both in cash and in kind. While few of them replied that it was disbursed only in kind.

Accounting, auditing and reporting are important activities of financial management in school system. They are used to provide necessary data and their interpretation to determine costs and benefits with in the financial foundations of educational institution. Besides, auditing is a formal examination and verification of the accuracy of the accounts maintained in accounting system of an education. It helps to improve practices and build bridges of confidence with the community and professional staff. In line with this, school board chairpersons and supervisors were asked about the internal and external auditing activities in secondary schools. In this regard, the majority of them suggested that the internal auditing is not carried out at all. While, few interviewees revealed that it is carried out rarely. This may also leads to unwise and misuse of financial resources.

As it can be seen in Table- 2, respondents were asked about the sense of responsibility of Parents Teachers Association towards the accountability or taking care of school financial resources. In relation to this, 57.1 percent of the respondents replied that the sense of responsibility of parents-teachers Association was average to take accountability in financial issues. 35.8 percent of the respondents revealed that the sense of responsibility of Parents-Teachers Association was low. While 7.1 percent of them suggested that it was high. The calculated chi-square ($\chi^2 = 29.73$) is greater than the critical table value ($\chi^2 (8) = 15.507$, at $\alpha = 0.05$). This indicates that there is statistically significant difference among the responses of the respondents on the sense of responsibility of PTA towards taking care of school financial resources. From the above discussion, the sense of responsibility and the existing practice of involvement of school community in the financial resources management were low.

The respondents were also asked to give their level of agreement on level Parent-Teacher Association participation in financial resources management. Accordingly, 22.4 percent, 38.8 percent, and 26.9 percent of the respondents revealed that they are strongly agree, agree and partially agree on the participation of Parents Teachers Association (PTA) respectively. With regard to the responses of groups of the respondents, a variation was observed. The chi-square test also exhibited that there was significant variation among their responses. The calculated value ($\chi^2 = 32.73$) is far greater than the

Table- 2: Participation and Level of agreement of the PTA in Financial Management

No.	Items	N=148	%	X ²	P_Value
1.	How do you rate the sense of responsibility of the PTA towards taking care of school financial resources?				
	A) Very high	3.3		29.73	15.507
	B) High	18.3	7.1		
	C) Average	53.4	57.1		
	D) Low	21.7	35.8		
	E) Very low	3.3			
2.	What is your Level of Agreement of participating PTA in financial resource management?				
	A) Strongly agree	40	22.4	32.73	15.507
	B) Agree	35	38.8		
	C) Partially agree	18.4	26.9		
	D) Disagree	3.3	11.9		
	E) Strongly disagree	3.3			

critical table value (χ^2 r(8) 15.507), the responses of the respondents are found to be significantly different at $\alpha = 0.05$. This implies that there was significant difference among the responses of the respondents in relation to the level of agreement of participating PTA in financial resource management. This indicates that there was lack of participatory approach in their schools. Moreover, the respondents were asked to identify some of the major factors that hinder the management of secondary schools finance. According to the view of supervisors and school board chairpersons the major factors are inadequacy of budget, mismatch between required budget and released budget, lack of appropriate controls and supervision.

Conclusions and Results

Organizing school finances includes aspects such as drawing up a school financial policy; setting up a structure and coordinating financial related activities. On the other side, leadership in financial administration involves sound relationships, communication and motivation of all the people concerned with school finances. However, from the finding of this study it is possible to conclude that due to lack of knowledgeable and skilled financial personnel, low competence and commitment of school principals' in mobilizing and efficiently utilizing finance available to them yet schools were not successfully attaining their mission. Therefore, to improve skills, and develop the competence of the school principals Oromia Education Bureau should facilitate workshops, seminars and experience sharing opportunities for those principals and other school leaders. Since most aspects of the budget process involves the efforts of all staff members. It is advisable that each and every individual of

the schools staff members should participate in planning, implementation and evaluation of school finance. Therefore, the management of the schools should invite all staff members and concerned stakeholders to take part in budget process and implementation.

The study also revealed that Oromia Regional state secondary schools principals have been operating their educational activities under the financial resources constraints which in turn can affect the quality of education. To overcome those problems schools have to make great efforts to utilize their allocated budget only according to the annual action plans. Besides, schools should devise a kind of system which enables them to monitor, control and evaluate the management of financial resources generation and utilization in their respective schools. There should be proper control and financial check of mismanagements, regular budget review and auditing.

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