

**AN ASSESSMENT OF THE INFLUENCE OF GOVERNMENT FINANCIAL  
REGULATIONS ON FINANCIAL MANAGEMENT PRACTICES IN PUBLIC  
SECONDARY SCHOOLS IN SAMETA DIVISION, GUCHA DISTRICT,  
KENYA**

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**A Research Project Submitted to the Graduate School in Partial Fulfilment of the  
Requirement for the Award of Master of Business Administration Degree of Kisii  
University College.**

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## DECLARATION AND RECOMMENDATION

### DECLARATION

This research project is my original work and has not been presented for any award in my university.

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### RECOMMENDATION

This research project has been submitted for examination with our approval as university supervisors.

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## **DEDICATION**

I dedicate this thesis to my loving Dad, Mum, Wife and children without whom this work could not have been successful



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## ABSTRACT

Financial Management Practices in Public Secondary Schools are essential in the control of the funds received by these institutions of learning. This is because proper Financial Management Practices have a positive effect on the school meeting its core objectives. This study was therefore aimed at Assessing the Effect of Government Financial Regulations on Financial Management Practices in Public Secondary Schools in Sameta Division of Gucha District, Kenya. The study surveyed how head teachers who are the school financial managers managed the school cash, inventories, account receivables and account payables. The study also aimed at assessing problems headteachers encountered when applying these financial management practices. There are thirty Public Secondary Schools in Sameta Division. In each school two people were interviewed, that is, the head teacher and school bursar. Thus a total of sixty (60) respondents were interviewed. Census method was used for the study. Questionnaires with open ended and closed ended questions were used to collect primary data. Secondary data were collected from the District Schools Auditor's financial records and from the financial records of the sampled schools. Descriptive statistics, especially, the use of frequency tables, percentages and means was used to analyze the data. Scaling method was used especially the use of likert scale to analyze the views gathered from the respondents. The findings of the study will be useful to the government and other stakeholders in education who are interested in knowing the effect of the Government Financial Regulations on the Financial Management Practice in schools. At the same time, the study will add knowledge to the existing body of knowledge.

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## LIST OF ABBREVIATIONS AND ACRONYMS

<b>FPE</b>	-	Free Primary Education
<b>TSC</b>	-	Teachers Service Commission
<b>GOK</b>	-	Government of Kenya
<b>GDP</b>	-	Gross Domestic Product
<b>KESI</b>	-	Kenya Education Staff Institute
<b>BOG</b>	-	Board of Governor

## INTRODUCTION

### 1.1 Background of the Study

The Kenya Education Sector integrity study report (2009) by Transparency International Kenya, shows that the Kenyan education system is fraught with financial management risks that are comprising the qualities of education. The report assesses the pertinent risks at the various levels of decision making, resource allocation and utilization that are creating corruption opportunities. According to this report, seventy three percent of the government's social sector expenditure and forty percent of the national recurrent expenditure is channeled to the education sector. Households spend between five to seven percent of the GDP on education. This large budgetary allocation necessitates proper accountability mechanisms to ensure integrity and responsive service delivery in the sector.

Sameta Division is situated in Gucha District in Nyanza Province of Kenya. The Division was created in 1990 from the larger Ogembo Division. Initially it had 20 Public Secondary schools. These Secondary Schools have grown since then to currently 30 Public Secondary Schools with a total population of 10,300 students. The schools are categorized as either provincial secondary schools or district secondary schools. At the same time the schools are either day schools, boarding schools or both day and boarding. According to Gucha District Development Plan (2002 – 2008), the Division covers 110 Km<sup>2</sup> with eight (8) Locations and fifteen (15) Sub-locations.

According to the Financial and Accounting Instructions for Educational Institutions (Revised Edition 1991) by the Ministry of Education, the school funds include parents' contribution in respect to tuition fees, medical fees, activity funds, boarding fees, personal emolument and contingencies, among others. Additional funds for the schools include hiring of school facilities like school bus, school hall, School farm, government donations in form of Free Primary Education (FPE) and of donor



organizations.

Official Ministry of Education Financial Records show that donor organizations and the government deposited Ksh. 28.3 billion in the School Instruction Material Bank Account (SIMBA) and Ksh. 19.2 billion in the School General Purpose Account between 2003 and 2008 for both secondary and primary schools' educational programs. It details that in 2008, the government paid Ksh. 1,020 per pupil in the public primary school under the Free Primary Funding Programme (GOK 2008).

Integrity concerns regard the financial management of resources allocated by the Ministry of Education. According to the Public Officer Ethics Act (2003), the Government Financial Regulations stipulate how the funds should be managed and accounted for. The major Government guidance on the usage of funds is detailed under several clauses that follow:

- (a) Any money given out as an imprest should be accounted for within 48 hours after spending the money in case of overseas travel. This is to enhance transparency and accountability in the usage of funds. Imprest must not be treated as loans.
- (b) Major purchases in schools should be done through tendering processes. This should be done by teachers who are mandated to control the tendering and procurement process.
- (c) Auditing should be carried out in the school books of accounts. This is to be done by the board of governors who are mandated to audit and regulate the expenditure by the administration.
- (d) Fees collection should be a responsibility of the Bursar. Receipt should be issued for the amount collected. The head teacher should ensure that all fees are collected.
- (e) Every payment must be supported by a voucher which should contain full particulars of the service for which payment is made and the vote used to which it is to be charged.

It was in the view of these concerns that a research needed to be carried out to assess the effect of



Government Financial Regulations on the Financial Management Practices in schools such as Public Secondary Schools in Sameta Division of Gucha District, Kenya.

## **1.2 Statement of the Problem**

Public Secondary Schools in Sameta Division, Gucha District, Kenya get substantial sum of money in form of school fees and Free Secondary Education (FSE) funding as envisaged in the Education Sector Reform since 2008. There are other levies collected from the parents as agreed to by the Parents Teachers' Associations. The proper management of such funds need much financial professionalism as a legal requirement by the government through the Ministry of Education's Financial Accounting Instructions (GOK 1991). Despite the availability of these regulations, public secondary schools still suffer from inadequate learning and teaching facilities which are crucial for academic performance. It was against this background that a study was required to assess the influence of Government Financial Regulations on Financial Management Practices carried out in Public Secondary Schools in Sameta Division of Gucha District, Kenya.

## **1.3 Objectives of the Study**

The general objective of the study was to Assess the influence of Government Financial Regulations on Financial Management Practices in Public Secondary Schools in Sameta Division of Gucha District, Kenya.

The specific objectives were to:

- i. Asses the influence of Government Financial Regulations on Cash Management;
- ii. Find out the influence of Government Financial Regulations on Inventory Management;
- iii. Determine the influence of Government Financial Regulations on Accounts Payable;

- iv. Establish the influence of Government Financial Regulations on Accounts Receivable; and.
- v. Establish the problems arising from the Government Financial Regulations.

#### **1.4 Research Questions**

- i. What is the influence of the Government Financial Regulation on Cash Management?
- ii. What is the influence of the Government Financial Regulation on Inventory Management?
- iii. What is the influence of the Government Financial Regulation on Accounts Payable?
- iv. What is the influence of the Government Financial Regulations on Accounts Receivable?
- iv. What are the problems that arise from the Government Financial Regulations?

#### **1.5 Importance of the Study**

The study will assist the government to assess whether the schools are complying with the Financial and Accounting Instructions to institutions given by the Ministry of Education and at the same time, the study will contribute to the body of knowledge in this field.

#### **1.6 Scope and Justification of the Study**

The study covered the Public Secondary Schools' head teachers and bursars in Sameta Division. This was because these were the government officers and the school BOG employees from different parts of the country who were empowered to manage school finances in the day to day running of the school. Therefore, their responses are representative of other secondary head teachers and bursars in the country.

### **1.7 Limitations of the Study**

- i. The findings of this study was only limited to Sameta Division since the conditions in Sameta are not the same as in other areas.
- ii. The study used questionnaire as a data collection tool but it has a low response rate.
- iii Accessing vital information from the school was also difficult.
- iv Even though the study adopted census, it had the potential of getting other results if another sampling method was used.

### **1.8 Delimitation of the Study**

The interview schedule was used in cases where the questionnaires were not answered.

### **1.9 Assumptions of the Study**

The study assumed that the Financial Management Practices in the sampled schools were to be a true representation of all schools in Sameta Division for generalization purposes.

### 1.10 Definition of Terms

This study was limited to the following operational definitions:

- Public Secondary Schools** - Government Secondary schools.
- Financial Management** - How funds are raised and used.
- Finance** - A body of facts, principals and themes dealing .with raising and using of money by institutions
- Cash** - Liquid money held by schools.
- Working capital** - Is the investment in the short term assets, liabilities and how to raise the required funds for schools. Working capital includes cash, inventory and accounts receivables and accounts payables.
- Inventory** - Items having short life mostly not exceeding one year.



LITERATURE REVIEW

**2.1 Financing Education**

Quality education is the heart of every household in Kenya. A recent study of six countries of Bangladesh, Kenya, Nepal, Sri Lanka, Uganda and Zambia concluded that for both the poorest and for the better off groups, the cost of education is the predominant reason given for children in the household never having attended school. The funding of education by the government and other stakeholders, therefore, is laudable. However, proper Financial Management Regulations should be adhered to (EFA report 2003).

In Kenya, the missionaries originally introduced formal education. Some missionary pioneers like Dr. Ludwig Kraph and John Rebman built elementary schools to provide education. (Olembo 2005). Olembo further adds that communities contributed land, building materials, labour and fees levied on pupils who attended these schools to run and build school. Financing education has been and is still a burden to all countries in the world and therefore various sources should be sought to finance education (Oduog 2003). Running schools is expensive because they are poorly managed (GOK 2003). This is true when the academic performance of private schools is compared with that of public schools.

This is due to the fact that in private schools, parents are able to pay the fees charged and therefore they have enough learning and teaching resources needed in schools. Yet, in public schools, parents do not seem to pay the sufficiently fees needed to buy the needed resources (Karan 1995).

**2.2 Duty of Head Teachers in Financial Management**

Head teachers are appointed by the Ministry of Education to be in charge of the day-to-day administration of their schools assisted by school committees. The Kenya Education Staff Institute (KESI) based in Kenyatta University enhances management skills of school heads. The Institute

provides management training aimed at improving performance and efficiency. The training programme offered by the institute includes educational management, financial management, management for education personnel management and legal matters affecting education.

According to the Ministry of education manual for head teachers of primary and secondary schools in Kenya (1997), the head teacher is the financial controller and accounting officer and is responsible for all financial collections and expenditure. The head teacher should be familiar with book keeping procedures (Alomba 2003). According to the Ministry of Education, heads are supposed to ensure efficient and effective management of school finances to provide and promote educational service.

### **2.3 Management of Secondary School Finances and Resources.**

The Ministry of Education (2007) Financial Instructions for educational institutions noted that: Under performance of head teachers in financial management results from employing less qualified accounting staff that maintain poor records and fails to adhere to accounting procedures. It further noted that private secondary schools in contrast, did not experience as much of financial mismanagement by the head teachers because of their proper identification and available accountability system. Ngaba (1990) adds that there seems to be lack of professionalism in some areas of management of schools' finances and these call for qualified personnel in the management of school finances considering huge expenditure involved in education.

It is important for administration to realize that business management goes beyond allocating cash items, but has to look at the school as an investment which would eventually pay dividends to the government (Alomba 2003). Reeder (1998) maintains that educational investment should be well handled to ensure maximum production from it and that the little funds available be well expended to ensure careful financial planning, control and administration.

According to Pandey (1999) investment in current assets should be adequate, Imbalance



investment may cause excess or shortages of working capital which may lead to wastages in case of excess or deficit in case of shortages and thus losses to the organization.

## 2.4 Inventory Management

Inventory can be categorized into raw material work in progress, and finished goods (Pandey 1999). Three motives of holding inventory (Star and Miller 2005) are:

- (a) Transaction motive that facilitate smooth production and sales operations;
- (b) Precautionary motive that guard against risk of unpredictable changes in demand and supply; and
- (c) Speculative motive that takes advantage of price fluctuations.

Objective of the inventory management should be the maximization of the value of the firm. The firm should, therefore, consider costs returns and risk factors in establishing inventory policy. Inventories represent a significant investment for many organizations. Due to the size of the school, the head teacher who is the financial manager would not normally have control over inventory management alone; but, instead other functional departments will usually share decision-making authority regarding inventory.

Smith (2000) states that business firms are confronted with the dilemma of attempting simultaneously to:

- (a) Meet ever-increasing demands for improved customer service;
- (b) maintain stable production operations; and
- (c) Keep the investment in inventory at a reasonable level.

Hussain (2001) also states that the aim of inventory management is to avoid excessive and inadequate levels of inventories and at the same time maintain sufficient inventory for the smooth production and sales operations. Mclaney (1991) points out that irrespective of the nature of trade, firms should seek to balance the costs of holding stock with those of holding no or low levels of stocks.

## 2.5 Cash Management

Cash management is concerned with the management of ;

- (a) Cash flow into and out of the firm;
- (b.) Cash flow within the firm; and
- (c.) Cash balances held by the firm at a point in time by financing deficit or investing surplus cash. (Pandey 1999).

The school should evolve strategies regarding: cash planning, managing the cash flows, optimum cash level and investing surplus cash. Ideal cash management system will depend on the firm's product, organization structure, competition, culture, and options available (Pandey 1999). The basic objective in cash management is to keep investment in cash as low as possible while keeping the firm operating efficient. Managing cash includes the following: management of cash collection which involves over the counter collection of cash, pre-authorized arrangement, on line terminals, lock boxes, and concentration banking. Managing cash disbursement includes: maintaining zero balance accounts and controlled disbursements.

## 2.6 Management of Accounts Payable

A firm will always wish to tie up as little cash as possible in disbursement. The idea in these systems is to have no more than the minimum amount necessary to pay bills on deposit in the Bank (Ross A. S. Westerfield W.R and Jordan D.B 2003). Pandey (1999) identifies most significant sources of short-term finance as trade credit which has the following advantages:

- (a) It is relatively easy to obtain;
- (b) It varies with the amount granted; and
- (c) Trade credit is an informal, spontaneous source of finance. It does not require any negotiations and formal agreement. It does not have the restrictions which are usually parts of negotiated sources of finance.



Ngaba (1990) defines credit terms as the conditions under which the school allows students to have fee arrears. The conditions include the due date and the cash incentives (discounts) given for prompt payment.

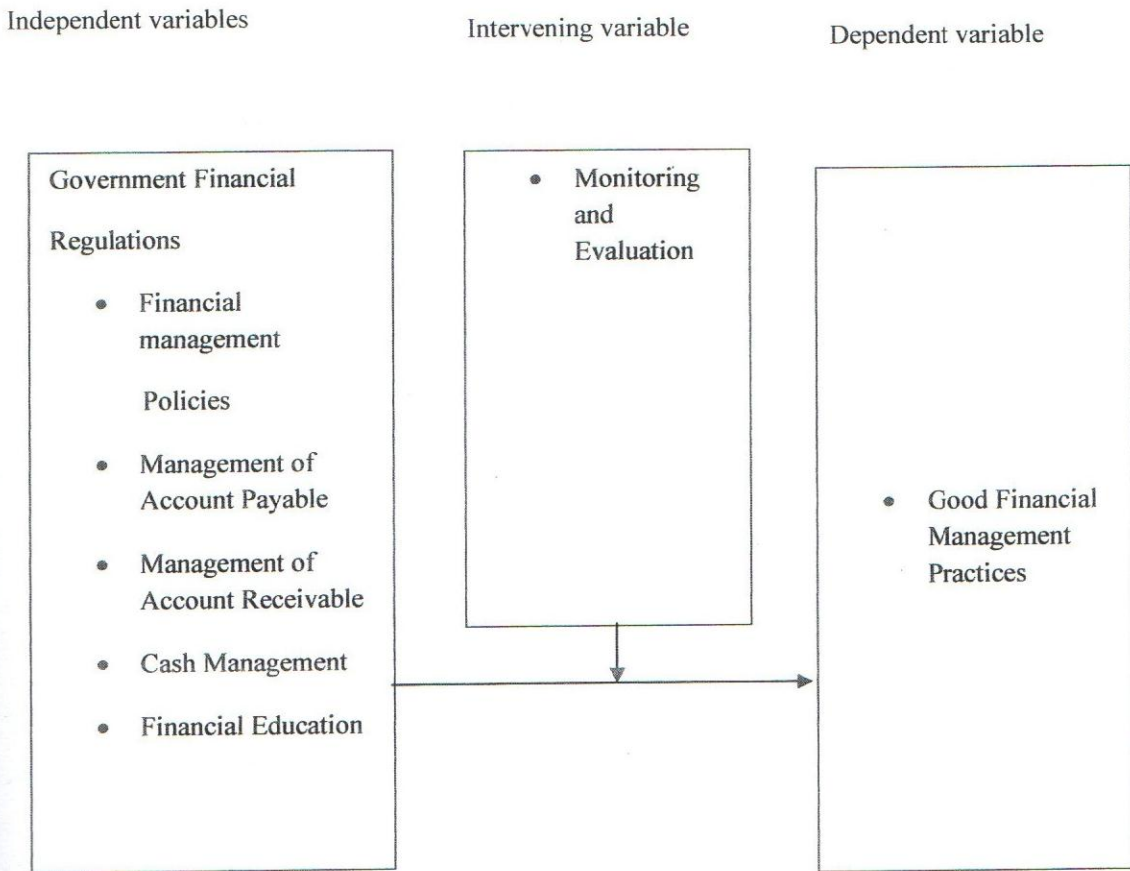
## **2.7 Management of Accounts Receivable**

When goods or services pass to a customer the firm/individual becomes a trade debtor of the supplying firm until such time that it settles its debt by making payment (McLaney, 1991). Pandey (1999) indicated that trade credit is considered as an essential marketing tool, acting as a bridge for the movement of goods through production and distribution stages to customers. He went ahead to say that a firm grants trade credit to protect its sales from the competitors and to attract potential customers to buy its products at favourable terms.

While cash sales continue to predominate in certain industries, situations where customers purchase goods and services on credit are increasing. Determining credit terms, selecting credit customers and monitoring the level of accounts receivable become important area for managerial decision making (Smith, 2000) In determining credit policy, the firm must try to strike the balance between the cost of granting credit and those associated with denying or restricting credit (McLaney, 1991) Kallberg (1993) states that one of the central issues in modern financial management is the proper evaluation of risk and return. The profitability of many firms depends very much on the institution's ability to evaluate and control credit risk.

## 2.8. Conceptual Framework

**Fig. 1 Government Financial Regulations on Financial Management Practices in Secondary Schools**



**Source:** The researcher (2010)

From the above conceptual framework, good Financial Management Practices which involves imprest authorization, fees collection, purchase of inventories payment of suppliers, auditing, budgeting and book keeping depends on the Government Financial Regulations which includes Financial Management Policies, Management of Account Payable, Management of Account Receivable, Cash Management and Financial Education. Monitoring and Evaluation is an intervening variable which may affect the influence of the two variables that is, dependent and independent variables.

## CHAPTER THREE

### RESEARCH METHODOLOGY.

#### 3.1 Study Area

The study was undertaken in Sameta Division in Gucha District. The Division has thirty (30) Public Secondary Schools (as at January 2010) with a population of 10,300 students. According to Gucha District Development Plan (2002 – 2008), the Division occupies 110 Km<sup>2</sup> with eight (8) Locations and fifteen (15) Sub-locations.

#### 3.2 Target Population

The study targeted all the thirty (30) head teachers and the thirty (30) bursars in Public Secondary Schools in Sameta Division hence a total of sixty (60) respondents were targeted. The Division has thirty (30) Public Secondary Schools. The list of the schools is attached in the appendix five.

#### 3.3 Data Collection

Both primary and secondary data were collected. Primary data was obtained using questionnaire which consisted of both closed and open ended questions. Secondary data was obtained from the District Schools Auditor and from the sampled schools. The questionnaires were pre-tested to a selected sample which was similar to the actual sample used in the study to enhance validity of the instrument. The researcher worked closely with the supervisor and research experts to enhance reliability of the findings. The questionnaires were administered through personal contacts.

### **3.4 Data Summary, Analysis and Presentation**

The data was summarized using the means, frequencies and percentages to establish the relationship between the Government Financial Regulations and the Financial Management Practices in public secondary schools. Tables were used to present the result into comprehensive information. Data was analyzed using descriptive statistics. Scaling method especially the use of a five point likert scale was used to determine the weight of the perception and attitude of respondents towards the Financial Management Practices.



## CHAPTER FOUR

### DATA ANALYSIS AND FINDINGS

#### 4.1 Data Analysis and Findings

The questionnaire responses were summarized as per tables 1 to 22. In the questionnaire some questions requested for a single answer and these were reported as percentages in terms of the total number of respondents. For those questions requesting for a ranking of possible responses, the points for each criteria, characteristics and variable were expressed as percentage of total points for each question. Scaling method especially the use of a five point likert scale was used to determine the weight of perception and attitude of the respondents.

**Table 1: Categories of Respondents**

Category	Frequency	Percentage
Head teacher	30	50
bursars	30	50
<b>Total</b>	<b>60</b>	<b>100</b>

Source: Research Findings by the author, 2010.

The respondents were asked to indicate the categories they belong in. From the table, it was found that a total of 60 respondents were interviewed. 50% of them were head teachers and 50% of them were bursars.

**Table 2: Categories of schools**

Category of school	frequency	percentage
Provincial Boarding	5	14
Provincial Day	9	16.67
District Boarding	2	33.33
District Day	12	40
Others	2	6.67
<b>Total</b>	<b>20</b>	<b>100</b>

Source: Research Findings by the author, 2010.

The respondents were asked to indicate the categories of their school. It was found that 40% of the schools were District Day Schools while 33.33% were provincial Day schools, Provincial Boarding Schools were 16.67% while 6.67% were District Boarding Schools. The rest of the schools were only 6.67%

**Table 3: Qualification of Respondents**

Respondents	Academic Qualification	Frequency	Percentage
Bursars	KATC/CPA	22	36.67
Bursars	Diploma	8	13.33
Head teachers	Degree	26	43.33
Head teachers	Masters	4	6.69
<b>Total</b>		<b>60</b>	<b>100</b>

Source: Research Findings by the author, 2010.

The researcher wanted to know the qualifications of the respondents. It was observed that 43.33% of the head teachers hold Bachelors degree while 36.67% of bursars hold KATC/CPA qualifications. Bursars with Diploma and head teachers with master were 13.33% and 6.67% respectively.

**Table 4: In Service Sessions/Seminars Attended**

Number of in service courses attended	Frequency	Percentage
1	26	43.33
2	17	28.33
3	2	3.33
4	5	8.33
5 and above	10	16.66
Total	60	100

Source: Research Findings by the author, 2010.

The researcher was interested in knowing how many in service seminars on school financial management that had been attended by the respondents.

It was observed that 43.33% of them had attended once while 28.33% had attended twice. 16.67% and 8.33% had attended 5 times and above and 4 times respectively: Only 3.33% had attended 3 times.



**Table 5: Fees Structure for 2010**

Categories	Frequency	Percentage
Less than recommended Fees by GOK	2	3.33
Equal to recommended fees by GOK	16	26.67
More than recommended fees by GOK	42	70
<b>Total</b>	<b>60</b>	<b>100</b>

Source: Research Findings by the author, 2010.

The respondents were asked to state the fees charged in their institutions. Their responses were compared with the government fees directive. It was realized that 70% of the fees charged in schools are more than the government recommended fees while 26.67% of the fees charged are recommended by the government. Only 3.33% of schools charge fees below the government fees directive.

**Table 6: Other Sources of Finance for Schools**

Any other source of finance	Frequency	Percentage
Yes	51	85
No	9	15
<b>Total</b>	<b>60</b>	<b>100</b>

Source: Research Findings by the author, 2010.

The researcher was interested to find out whether respondent's school benefited from any other source of finance apart from Government bursary and school fees. 85% of the respondents agree while only 15% disagree that their schools get any other source of finance. These sources include hiring school bus, hiring of school facilities like hall. Sale of farm produce, donations from donors and constituency Development Fund



**Table 7: How Adequately Funds Received By Schools do Meet Various Needs**

Need	Most	Very	Moderax	Less	Poorly	Σf	Σwf	Σwf
	Adequately	Adequately	Adequately	Adequately	Adequately			Σf
	5	4	3	2	1			
Teaching resources	4	24	5	13	14	60	171	2.85
Utilities	14	36	4	2	4	60	234	3.9
Non Teaching Staff salary	6	17	18	15	4	60	186	3.1
Teacher motivation	10	13	5	20	12	60	169	2.82
Performance improvement	34	16	4	3	4	60	256	4.27

Source: Research Findings by the author, 2010.

The respondents were asked to show how adequately the funds received by their schools met various needs. From the table, performance improvement need is most adequately met by these funds with weighted means of 4.27 while utilities need is adequately met at 3.9. Non-teaching staff salary is adequately met at 3.1 while teaching resources and teacher motivation were met at 2.85 and 2.82 respectively.

**Table 8: Ranking of factors influencing Reorder Quantity Decisions For Inventory**

<b>Factor</b>	<b>No. of responses</b>	<b>percentage</b>
Rank		
Seasonality of demand	12	20
Re-order schedule	27	45
Inflationary effect	19	31.67
Storage costs	2	3.33
Others		
<b>Total</b>	<b>60</b>	<b>100</b>

**Source:** Research Findings by the author, 2010.

Respondents were asked to indicate factors influencing Re-Order Quantity decisions for inventories. Re-order schedule was ranked highest at 45%. Inflationary effect was ranked second at 31.67%. Seasonality of demand and storage cost were ranked at 20% and 3.33% respectively. Re-order schedule was therefore a major criteria considered by institutions on deciding on re-order quantity for inventory.

**Table 9: Ranking of Criteria used in Evaluating Inventory Policy Changes.**

Criteria	frequency	% of total points
Rank		
Effect on level of inventory	17	28.33
Effect on inventory cost	6	10
Effect on return investment	2	3.33
Effect on school performance	35	58.33
Others	-	-
<b>Total</b>	<b>60</b>	<b>100</b>

**Source:** Research Findings by the author, 2010.

Schools were asked to indicate the criteria they utilize in evaluating proposed changes in their inventory policy. The effect on school performance was ranked at 58.33% while the effect on level of inventory was ranked at 28.33%.

The effect on inventory cost and the effect on return on investment were ranked at 10% and 3.33% respectively. It was therefore observed that the effect on school performance was the most used criteria by schools.

**Table 10: The Extent to which Financial Regulations are implemented in Schools.**

Regulation	Very extensively 5	Much extensively 4	extensively 3	Less extensively 2	Not at All 1	Σf	Σwf	Σwf Σf
Imprest management	6	15	13	14	12	60	169	2.82
Budgeting procedure	4	3	26	14	13	60	151	2.52
Book keeping	7	9	19	23	12	60	186	3.1
Qualified accounts clerk	8	10	24	18	-	60	188	3.13
Financial auditing	4	15	15	24	2	60	175	2.92
Fees collection	6	18	38	-	-	60	210	3.5
Credit management	4	23	26	7	-	60	204	3.4
Inventory management	3	17	27	13	-	60	190	3.17

**Source :** Research Findings by the author, 2010.

The institutions were asked to rate the extent to which they practice various financial regulations. Fees collection was rated very extensively at a weighted mean of 3.5 followed by credit management and inventory management at 3.5 and 3.17 respectively. Qualified accounts clerk, book keeping, financial auditing, imprest management and budgetary procedures followed each other at 3.13, 3.1, 2.92, 2.82 and 2.52 respectively.



**Table 11: Finding if Government Policies on Financial Management are followed When Tendering**

Is Government policy followed when tendering	Frequency	Percentage
Yes	17	28.33
No	43	71.67
<b>Total</b>	<b>60</b>	<b>100</b>

Source: Research Findings by the author, 2010.

The researcher was interested to know whether the government policies on financial management practices are followed when tendering. From the finding, 71.67% of schools don't follow government policies on financial management when tendering while only 28.33% follow the government policies.

**Table 12: How often Auditing of School Accounts is done**

How often auditing is done	Frequency	Percentage
Continuously	6	10
Annually	24	40
Seminary	17	28.33
Whenever necessary	8	13.33
Not at all	5	8.33
<b>Total</b>	<b>60</b>	<b>100</b>

Source: Research Findings by the author, 2010.

The respondents were asked how often their school books of accounts are audited. From the table, 40% of the schools at account are audited annually white 28.33% are audited semi-annually, 13.33% and 10% are audited whenever necessary and continuously respectively. Only 8.33% of the schools accounts have never been audited.

**Table 13: Ranking of Technique used to Evaluate Credit to Customers**

Technique	frequency	% of total points
Rank		
Credit scoring	39	65
Sequential credit scoring	21	35
Others		
<b>Total</b>	<b>60</b>	<b>100</b>

Source: Research Findings by the author, 2010.

The schools were asked to indicate the technique they use on their decisions to grant credit to their customers. Credit scoring was ranked at 65%. Sequential credit analysis was ranked at 35%. Credit scoring was therefore the main criteria used by the schools in their decisions to grant credit to their customers.

**Table 14: Ranking of Techniques for Reducing Negative Float**

Technique	frequency	% of total of points
Rank		
Verbal a written request	27	45
Cash discount	33	55
<b>Total</b>	<b>60</b>	<b>100</b>

Source : Research Findings by the author, 2010.

The schools were asked to indicate the technique they utilize to reduce their negative float. It was found that the use of cash discounts was the major technique utilized by schools to reduce negative float with a ranking of 55% use of verbal or written request was ranked at 45%

**Table 15: Ranking of Measures Used in Monitoring Payment Behaviors of Customers**

Technique	Frequency	% of total of points
Rank		
Accounts receivable turnover	10	16.67
Collection period	28	46.67
Aging schedule	22	36.67
other	-	-
<b>Total</b>	<b>60</b>	<b>100</b>

**Source:** Research Findings by the author, 2010.

Schools were asked to indicate the measures used in monitoring the payment behaviour of customers granted credit. Collection period criteria received ranking of 46.67% while aging schedule received ranking of 36.67%. Accounts receivable received 16.67%, from the above results. It was observed that schools use collection period as a major measure to monitor the payment behavior of their creditors.

**Table 16: Book keeping Records**

Value label	Frequency	Percentage
Incomplete records	34	56.67
Complete records	20	33.33
Comprehensive	6	10
<b>Total</b>	<b>60</b>	<b>100</b>

Source: Research Findings by the author, 2010

Schools were asked how they rate their book keeping records.

From the findings it can be noted 56.67% of the schools have their school books of account records incomplete while 33.33% and 10% of the schools have their books of account records are complete and comprehensive respectively.

**Table 17: Percentage of fees not paid**

% of fees not paid	Frequency	percentage
Less than 10%	7	11.67
Less 20%	8	13.33
Less 30%	10	16.67
Less 40%	13	21.67
Over 50%	22	36.67
Total	60	100

Source: Research Findings by the author, 2010.

The researcher wanted to know the average percentage of fees not paid in schools. From the table, 36.67% of schools experience fees arrears of over 50% while 21.67% experience fees



arrears of less than 40%, 16.67% and 13.33% experience fees arrears of less than 30% and 20% respectively while only 11.67% of schools experience fees arrears of 10%.

**Table 18: Mode of paying creditors**

Value label	Frequency	Percentage
Through bank only	18	30%
Through cash only	6	10%
Through cash and bank	36	60%
<b>Total</b>	<b>60</b>	<b>100</b>

**Source:** Research Findings by the author, 2010.

The respondents were asked to state how their schools pay the creditors. It was noted that 60% of schools pay their creditors through either bank or bank 30% through bank only and only 10% pay through cash only.

**Table 19: What induces to pay creditors in good time**

Value label	Frequency	Percentage
Discounts	9	15
Reduced prices	12	20
After sale services	15	25
When cash in available	24	40
<b>Total</b>	<b>60</b>	<b>100</b>

**Source:** Research Findings by the author, 2010.

The researcher wanted to know what induces institutions to pay creditors in good time, 40% of the institutions pay in good time when cash is available while 25% pay when there is after sales services. Reduced prices and discounts are considered at 20% and 15% respectively.

**Table 20: Interval of time for preparing cash Budget.**

Time interval	Frequency	Percentage
Daily	33	55
Weekly	19	31.67
Monthly	8	13.33
Quarterly	0	0
<b>Total</b>	<b>60</b>	<b>100</b>

Source: Research Findings by the author, 2010.

Institutions were asked to indicate the shortest interval of time for which they utilize cash budgeting. It was found that 55% of the respondents prepare cash budgets on daily basis 31.67% of institutions prepare the cash budgets on weekly basis while 13.33% do so on monthly basis.

**Table 21: Ranking of uses of cash budgeting by the institutions**

Use of cash budget	Frequency	% of total points
<b>Rank</b>		
To plan for shortages and surplus of cash	49	81.67
To explore implications of alternative credit terms	7	11.67
To explore implications of alternative inventory policy	3	5
To explore the implications of alternative sales forecast	1	1.67
Others		
<b>Total</b>	<b>60</b>	<b>100</b>

Source: Research Findings by the author, 2010.

Institutions were asked to indicate the use of cash budgeting. The use of cash budgeting to plan for shortage and surplus of cash was ranked at 81.67%. The use of cash budgeting to explore the implications of alternative credit terms was ranked 11.67% while the use of cash budget to explore implications of alternative inventory on policy was ranked at 3%. The use of cash budget to explore the implications of alternative sales forecast was ranked 1.67%.

**Table 22: Problems Faced Towards Proper Financial Management Practices**

Problem	Very Much 5	Much 4	Average 3	Below average 2	Not All 1	$\Sigma f$	$\Sigma wf$	$\frac{\Sigma wf}{\Sigma f}$
Lack of good Management	23	16	15	6	-	60	236	3.92
Lack of monitoring And evaluation unit	34	21	5	1	-	60	271	4.52
Late disbursement of funds	32	10	10	8	-	60	246	4.1
Long procurement procedure	33	18	8	1	-	60	263	4.38
Lack of audit personnel	33	23	2	1	1	60	266	4.43

Source: Research Findings by the author, 2010.

The respondents were asked to indicate the extent to which various problems have been faced towards proper financial management practices. Lack of monitoring and evaluation unit from the ministry of education on financial management was to a very much extent problem with a weighted mean of 4.52 followed by lack of audit personnel in secondary schools at 4.43. Long procurement procedures, late disbursement of funds and lack of financial management training by personnel handling funds followed at 4.38, 4.1 and 3.93 respectively.



## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.1 Summary

The aim of the study was to assess the influence of Government Financial Regulations on Financial Management Practices in Public Secondary Schools in Sameta Division of Gucha District. The Financial Management Practices researched included cash management, inventory management, account receivable and account payable. The kind of Government Financial Regulations in schools were found to include Financial Management Policies, which involves tendering and procurement policy, imprest management policy, fees collection policy, financial auditing policy, book keeping policy, credit management policy and inventory management policy. Other regulations includes Management of Account Payable, Management of Account Receivable, Cash Management and Financial Education

The findings indicate that most schools studied follow the recommended and acceptable financial management practice as per the government financial Regulations. The effect of this proper utilization of the funds received by schools is the realization of good academic performances.

The findings also indicate that the major problems arising from the government financial regulations includes lack of monitoring and evaluation unit on financial usage, long procurement procedures, lack of financial management training, late disbursement of funds and lack of audit personal in secondary schools. These problems hinder good Financial Management Practices in Public Secondary Schools.

#### 5.2 Conclusion

From the study, we can conclude that the Financial Management Practices in public secondary schools are greatly influenced by the Government Financial Regulations.

### 5.3 Recommendations

The research recommends that;

- Further studies should be carried out to find out the impact of the Government Regulations on Profitability of Financial Institutions.
- There should be continuous training, seminars, workshops on Financial Management for the head teachers and bursars.
- Disbursement of funds from the ministry should be done in time without unnecessary delays
- More qualified and competent audit personnel should be deployed in secondary schools
- There should be proper Monitoring and Evaluation of the Financial Management in Public Secondary Schools

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## APPENDIX ONE

### **Specimen Letter to the Respondents**

I am a researcher carrying out research on an Assessment of the influence of the Government Financial Regulations on Financial Management Practices in Public Secondary Schools in Sameta Division, Gucha District, Kenya. The purpose of the questionnaire is to gather information from the Head teachers and Bursars of Public Secondary Schools on Financial Management Practices. You have been selected as one of the respondents who will assist to get the necessary data for the study. You are hereby assured that the information you will give will be treated with confidentiality it deserves and used strictly and only for academic purposes.

Thank you.

Yours faithfully,

**Charles Weda.**

**Researcher**

## APPENDIX TWO

### Questionnaires

This questionnaire is given to the head teachers and bursars only. The information gathered from these forms will be strictly treated as confidential and only meant for the purpose of this study.

You are requested to be as sincere and honest as possible by giving out the information.

1. Tick if you belong to any of the categories

a. Head teacher

b. Bursar

2. Tick the category of your school

a. District Day Secondary School

b. Provincial Day Secondary School

c. District Boarding Secondary School

d. Provincial Boarding Secondary School

e. District

3. Tick the highest level of your education

a. CPA

b. Diploma

c. Degree

d. Masters

e. Any other



4. How many in-service sessions/seminars you have attended on school financial management .

- a. 1
- b. 2
- c. 3
- d. 4
- e. 5 and above

5. What was the fees structure for the year 2010?

- a. Ksh..... Boarding
- b. Ksh..... Day school

6. Does your school benefit from any other source of finance apart from the government bursary and fees payment?

Yes  No

If yes, state the source \_\_\_\_\_

7. Tick to show how adequately the funds received by the school do meet the following:

	Most adequatel y	Very adequatel y	Moderate ly	Less adequatel y	Poorly adequatel y
	5	4	3	2	1
Teaching/learning resources					
Utilities					
Non-teaching staff salary					
Teacher motivation					
Performance improvement					

8. Indicate what parameters you do consider in deciding on Re-Order Quantity for

- |                          |      |                      |
|--------------------------|------|----------------------|
| inventory                | Rank | <input type="text"/> |
| a. Seasonality of demand |      | <input type="text"/> |
| b. Re-order schedule     |      | <input type="text"/> |
| c. Inflationary effect   |      | <input type="text"/> |
| d. Shortage cost         |      | <input type="text"/> |
| e. Other (Specify)       |      | <input type="text"/> |

9. What criteria you use in evaluating changes in the inventory policy of your school.

- |                                |      |                      |
|--------------------------------|------|----------------------|
|                                | Rank | <input type="text"/> |
| Effect on level of inventory   |      | <input type="text"/> |
| Effect on inventory firm cost  |      | <input type="text"/> |
| Effect on school performance   |      | <input type="text"/> |
| Effect on return on investment |      | <input type="text"/> |
| Other specify                  |      | <input type="text"/> |

10.. Rate to what extent your institution does practice the following regulations.

	Very much	Much	Average	Below average	Not all
	5	4	3	2	1
Imprest management					
Budgetary procedures					
Book keeping					
Qualified accounts clerk					
Financial auditing					
Fees collection					
Credit management					
Inventory management					

11. Are the government policies on financial management practices followed when tendering?

Yes

No

12. Tick how often your school books of accounts are audited.

a. Continuously

b. Annually

c. Semi-annually

d. Not at all

13. With respect to the Managing Accounts Receivables, tick which of the following techniques you do use to decide on granting credit.

a. Credit scoring

b. Sequential credit analysis

14. With respect to the management of cash, which of the following techniques do you utilize to reduce the negative float. Rank in order of importance.

a. Verbal or written request

b. Cash discount

c. other

15. In monitoring the payment behaviour of your credit customers, which of the following measures do you find useful

a. Accounts receivable turnover

b. Collection period

c. Aging schedule

d. Other



16. How would you rate your book keeping records

- (a) Incomplete ( )
- (b) Complete ( )
- (c) Very comprehensive ( )

17. Tick the average of percentage of fees not paid

- 10%
- 20%
- 30%
- 40%
- Over 50%

18. How do your school pay the creditors?

- a. Through bank only
- b. Through cash only
- c. Through cash or bank
- d. Any other

19. What induces you to pay creditors in good time?

- (a) Discounts
- (b) Reduced prices
- (c) After sale service
- Any other

20. What is the shortest time that your school utilizes cash budgeting?

Choose one

- a. Daily
- b. Weekly
- c. Monthly
- d. Quarterly
- e. Other

21. Which of the following describe your use of cash budgeting?

- a. To plan for shortages and samples of cash
- b. To explore the implications of alternative credit terms.
- c. To explore the implications of alternative sales forecast.

d. To explore the implications of alternative inventory policies.

e. Other (specify)

22. Say to what extent the following have been a problem towards proper financial management practice in your secondary schools.

	Very much	Much	Average	Below average	Not all
	5	4	3	2	1
Lack of financial management training by the personnel handle funds in primary schools <i>e.g. school bursar, head teacher</i>					
Lack of monitoring and evaluation unit from the Ministry of Education on financial management					
Late disbursement of funds by the and late payment of fees by payments					
Long procurement procedures					
Lack of audit personnel in secondary schools					

## APPENDIX THREE

### List of Secondary Schools in Sameta Division

#### A. Getenga Zone

1. Nyagiki SDA
2. GetengaDEB
3. Nyabonge DEB
4. Nyakegogi BOK
5. Sameta Mixed
6. Ehuri Mixed
7. Birongo PAG
8. Gesure SDA
9. Nyamonema SDA
10. Kenyoro DEB
11. Sameta
12. Gekongo
13. Nyagancha DOK
14. Nyagesa PAG

#### B. Igare/Mokwerero Zone

15. Kiagamere
16. Sindagogi
17. Rusinga
18. Nyaguku

19. Boitangare
20. Rianyachuba
21. Raianchore
22. Kiongongi
23. Kenyerere
24. Nyamagwa Girls
25. Riobara
26. Nyamagwa Boys
27. Nyamisaro
28. Riakerongo
29. Nyamokenye
30. St. Peters Kenyerere