INFLUENCE OF FINANCIAL MANAGEMENT PRACTICES ON THE FINANCIAL PERFORMANCE OF PUBLIC SECONDARY SCHOOLS IN KATHIANI SUB-COUNTY

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A Research Project Submitted to the School of Business and Economics in Fulfillment of the Requirements for the Award of the Degree of Master of Business Administration (Finance) of South Eastern Kenya University

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DECLARATION

This research project is my original work and has not been presented for a degree in any other University

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DEDICATION

"Success is created through the performance of a few small daily disciplines that stack up over time to produce achievements far beyond anything you could have ever planned for" – Robin Sharma (2010). I wish to dedicate this project to my parents, my dear wife Veronica and children Felix, Damaris and Nicole. Through their encouragement I have always found the motivation and energy to push on and accomplish my aspirations.

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LIST OF ABBREVIATIONS/ACRONYMS

AIE	-	Authority to Incur Expenditure
BOG/M	-	Board of Governors/Management
DPP	-	Directorate of Public Procurement
FDSE	-	Free Day Secondary Education
GOK	-	Government of Kenya
IPAR	-	Institute of Policy analysis and research
KESI	-	Kenya Education Staff Institute
KIPPRA	-	Kenya Institute of Public Policy Research and analysis
KSSHA	-	Kenya Secondary Schools Heads Association
MOE	-	Ministry of Education
MoEST	-	Ministry of Education Science and Technology
NHIF	-	National Hospital Insurance Fund
OECD	-	Economic Co-operation and Development
PPCRAB	-	Public Procurement Complaints, Review and Appeals Board
PPDA	-	Public Procurement and Disposal of Assets Act.
PTA	-	Parents Teachers Association
SSA	-	Sub-Saharan Africa
TI	-	Transparency International
TSC	-	Teachers' Service Commission

OPERATIONAL DEFINITION OF TERMS

Budgeting:	Process of expressing quantified resource requirements (amount of capital, amount of material, number of people) in to time phased goals and milestones (Business Dictionary, 2016)
Procurement:	The act of obtaining or buying goods and services (Business Dictionary, 2016)
Financial Management Practices:	These are the key areas on which financial performance of an institution is anchored on (Transparency International Kenya, 2009).
Financial statements:	These are formal records of the financial activities and position of a business, person or other entity. Relevant financial information is presented in a structured manner and in a form which is easy to understand (Wikipedia).
Schools Financial Performance:	This is the degree to which financial resources have been utilized for the smooth operation and attainment of the institution goal (FAIEI, 1991)

ABSTRACT

The study sought to establish the influence of financial management practices on the financial performance of public secondary schools in Kathiani sub-county. The study was carried out to primarily examine the influence of financial management practices (budgeting, procurement, and financial recording) on the financial performance of Kathiani sub-county public secondary schools. The study was carried out in Kathiani Sub-county, Machakos County, where a total of 30 public secondary schools were targeted. The study utilized empirical literature review from other researchers to identify research gaps. The theoretical analysis used theories that assisted in the study of the financial management practices in public secondary schools in Kathiani Sub-county. The theories used are; Stakeholder Theory by Freeman, Iceberg Theory of Money Management by Varma, and the Agency Theory by Ross and Mitnick. The study applied a descriptive survey design due to the small population in the area of the study. A pilot study was carried out on three secondary schools in Machakos Sub county for the sake of ascertaining the reliability and validity of the research instrument. The data collection tool used was a questionnaire filled by the principals, deputy principals, and account clerks of the respective public secondary schools. The data were analyzed by the use of descriptive and inferential statistics, by utilizing Microsoft Office Suite and Statistical Package of Social Sciences (SPSS) version 21. The qualitative data was systematically organized and analyzed to achieve logical conclusions and recommendations. The study has established that, overall, there is a statistically significant influence of financial management practices on the financial performance of public secondary schools in Kathiani sub-county. Also, when the independent variables were considered independently, the study established that budgeting practices had a significant influence on the financial performance of public secondary schools in Kathiani sub-county. Procurement practices and financial recording practices were also found to have a statistically significant influence on the financial performance of public secondary schools in Kathiani sub-county. The study indicated that on average, budgeting practices were adhered to in most of the secondary schools in Kathiani Sub-county, which was consistent with the empirical literature reviewed. The results of procurement practices and financial recording practices were also consistent with the empirical literature reviewed in the literature review section. This study, therefore, recommends that the ministry of education and the Teachers Service Commission should carry out continuous training and sensitization of the school principals, deputy principals, and account clerks on the financial management practices. The training should primarily focus on budgeting, procurement, and financial recording practices to improve the schools' financial performance. The study also recommends further study to be done to consider other variables not considered. A comparative study can also be conducted between public secondary schools and private secondary schools to establish what factors influence their financial performance.

CHAPTER ONE

1.0 INTRODUCTION

1.1 Introduction

Chapter one of the study introduces the background of the study on the influence of financial management practices on the financial performance of public secondary schools in Kathiani Sub-county. The sub-sections discussed are the background of the study which introduces the major variables of the study. These are financial management in schools, the financial performance of schools and a discussion on Kathiani Sub-county. The chapter also provides the statement of the problem, objectives of the study, research questions, justification of the study, limitations of the study, delimitations of the study and the scope of the study.

1.2 Background of the Study

A report by the Transparency International Kenya (2009) established that the education system in Kenya is loaded with risks on financial management which hinder quality education. The report revealed that 73% of the government national recurrent expenditure is directed towards the education sector. The Financial and Accounting Instructions for Educational Institutions (1991) observes that the budget funds entail contributions from the parents to fund activity, boarding, salaries and allowances, contingent activities, and medical costs. Other sources of funds come from hiring of school amenities such as meeting halls, institution’s farmland, donations from the free education fund, and donor funds. The Kenya Government allocates an average of 22,244 shillings per student every year through the free day secondary education programme.

There are concerns on the integrity on the management of financial resource allocation by the Ministry of Education. The Public Officers Ethics Act (2003) provides the public sector financial regulations which stipulate that public funds should be managed and accounted for in specific ways. The principals have been tasked with the responsibilities of being accounting officers, commonly known as Authority to Incur Expenditure (AIE). The intention of the policy to have the principals as accounting officers is to ensure proper utilization of funds from government allocation, donors, and other sources. According to the Education Act (2012), a manager refers to a person or a body of persons responsible for school management. Thus, the principals have to ensure that the funds allocated from different sources are used as per the laid down guidelines and regulations.

The daily running of school activities falls within the jurisdiction of the principals. However, the Education Act (2012) confers the Cabinet Secretary (CS) of the ministry the powers to manage and provide guidelines through legislation in Kenya. Moreover, the Act assumes prior knowledge of the school principals in financial management. The strategies put in place by the Ministry of Education are quality assurance, auditing, policymaking, resource mobilization, capacity building and project implementation of field projects. The headteachers, also known as principals, are appointed by the Teachers Service Commission (TSC). They are tasked with the responsibility of daily administration of the schools. Monitoring is conducted by the TSC by way of quality assurance, and regular reports are sent by school inspectors to the Ministry of Education.

The role of the principals in financial management has changed over time. In the 20th Century, principals had minimal financial management responsibilities. However, with the continuous changes in policies and amendments, their roles have changed to being accountable for the financial transactions and records of their schools. The principal may delegate the duties but still hold the ultimate responsibility in ensuring that work is done as per laid down procedures and regulations with a clear understanding of the expectations (Hansraj, 2007).

Financial management needs for school principals have been documented in several research articles in Kenya. Okumbe (1999) recommended that for the effectiveness of school teachers, school managers, and curriculum implementers, effective in-service training be provided to them. This recommendation was made with the understanding that the appointment of Principals has generally been done based on teachers' experience at the workplace at the expense of considering whether they have undergone training to prepare them for their new roles before assuming office.

Mutai (2003) highlighted the need for operative school administration and stated that the elevation of teachers to a level of accountability should be based on having undertaken a pre-service training in new roles. Ogembo (2005) observed that the selection of principals is done on the supposition that the pre-service professional training that they undertook to prepare them for teaching, coupled with the experience that they get as practicing teachers is adequate to empower them to discharge their roles efficiently. It is presumed that when the newly selected heads assume office, they will acquire on the job skills and that they will attend in-service training to prepare them for emerging management challenges.

1.2.1 Financial Management in Schools

Education is one of Kenya's largest sector that consumes huge budgetary allocations (Kahavizakiriza, Walela & Kukubo, 2015). Financial management is a crucial obligation of every principal. In the absence of effective financial management, organizations such as schools may not be able to attain their goals. Financial Management in education is a process of linking resources to objectives needed in an organization, which obviously occur to deliver education (Paisley, 1992). This is to safeguard the achievement of desired goals or outcomes. Therefore, financial management means farsighted perspective that the school has the resources it requires to meet its goals and ensure that such funds are used for the purposes for which they were intended.

Due to the great demands of the civil society and the stakeholders on a result-oriented leadership, the role of school managers has drastically changed. The school managers are required to unlearn, learn, and relearn to acquire advanced skills in financial management. The skills include cash flow management, accounts payable, and accounts receivables management. The government of Kenya endeavors to train the principals, deputy principals, heads of departments, and bursars through in-service, seminars, and workshops. The training in financial management is aimed at building capacity by way of equipping the school administrators with skills, knowledge, and competencies for efficient management of financial resources. This helps in the elimination of deficiencies, keeping school managers abreast of new knowledge in financial management, and inculcates a sense of innovation and responsibility in their management roles (Chetambe, 2013).

Financial management is essential for the efficient and effective use of school resources. If the principals and the boards of management chairpersons are well trained on their roles and responsibilities regarding the management of financial resources, they will be able to effectively deal with the finances of the schools they manage. Educational institutions, like secondary schools, require flexible, and powerful financial management technological tools. These tools will assist in the improvement of budget controls and increased flexibility in the monitoring and reporting of budgets. The learning institutions should embrace strategic financial management to have strategies and budget management techniques for their survival in education delivery. In addition to training the principals, reliable financial advice should be sought to help the secondary schools thrive well (Barr & McClellan, 2018).

Principals as the chief accounting officers play a key role in the implementation of approved budgets. In a case study in Lesotho, Corene (2011) found that it is the responsibility of principals to administer and manage their schools. As such, they are answerable to the Boards of Management for the day to day running of their schools concerning the collection of revenue, budgeting, procurement, and financial recording (MOEST 2010). The Education Act 2010 mandates principals to prepare and present for approval of an annual budget. Further, it is the responsibility of the principal to cause the preparation of procurement plans. According to Odera (2014), the management of school finances involves budgeting, coordinating, communicating, motivating, and auditing. A sound financial management system in a school enables it to achieve effective education delivery.

Procurement practices on the other hand include the process of acquiring goods, works, and services involving the use of public funds. According to Shipman (2009), efficient public procurement practices contribute to the sound management of public expenditure. Schools being public entities therefore require sound procurement practices to achieve value for money. The procurement of goods and services in public institutions is guided by the Public Procurement and Assets Disposal Act of 2015.

The deployment of financial resources is done by the administration of schools in accordance with a well-established procedure. The allocation is done per the needs analysis requirements (Everard, Morris & Wilson, 2004). According to the Financial

Management Training Manual 2017, principals as the chief accounting officers are expected to prepare various financial documents for accountability purposes. Some of these documents include monthly trial balances, store ledgers, balance sheets, and final accounts. Furthermore, books of accounts for every financial year must be audited by the 31st of March of the succeeding year.

1.2.2 Financial Performance of Schools

The cost of education has been gradually increasing, and this attracts attention from the government and the citizens on the efficient management of school resources by the administrators. Due to the introduction of free secondary education by the Kenya Government, the budgetary allocations have been increasing each year due to the increasing demand for secondary education. In the 2019-2020 budget delivery, the government of Kenya allocated Sh. 55.4 billion to facilitate free day secondary education. A total of Sh. 4 billion has been allocated to take care of waiver of examination fees and the National Hospital Insurance Fund (NHIF) cover for secondary school students (Government of Kenya, 2019).

Organizational performance entails the accumulation of results of the organization’s work processes and activities. In institutions of learning, performance can be either financial or non-financial. According to Donald and Dolno (2008), suitable measures of performance should enable an organization to direct its actions towards the achievement of its objectives. Effective administration of schools by principals ensures that there are proper controls that help to monitor the performance of institutions (Okon, Ukpong & Akpan, 2011). Other stakeholders in the school can assist the principals with the financial management abilities that they possess (Chikoko, 2008).

According to Munsch, Diffenderfer, and Cante (2019), some key performance indicators have not been explored in learning institutions. These indicators include expenditure incurred in advertising, where the size and quality of the classes in the learning institutions are considered. Some learning institutions have increased expenditure on an advertisement, but that can work negatively on the for-profit institutions. Piattoeva and Boden (2020) observe that performance indicators for public learning institutions are necessary for administration and control. The performance indicators act as policy instruments that guide decision making for public learning institutions.

Key performance indicators are majorly either focused on drivers or outcomes and they must be quantifiable. For instance, financial key performance indicators provide information on trends or transactions of what has already happened. By tracking the performance indicators over time, and forecasting them, institutions begin to have a deeper understanding of what leads to certain outcomes. Additionally, process key performance indicators avail a deep understanding of the impacts certain processes have, and how changing them can drive larger changes in the organization (Swan & Kyng, 2004). Non-financial performance indicators are more important as opposed to financial indicators. According to Fullerton and Wempe (2009), an institution that relies purely on financial performance indicators may suffer from short-terminism, manipulation of results, a partial understanding of the organizational position, and backward-looking.

1.2.3 Kathiani Sub County

Kathiani is one of the eight sub-counties that make up the expansive Machakos County. There are presently thirty registered public secondary schools in the sub-county. In January 2015, as schools opened for the first term, a total of 43 (forty-three) principals were moved with a few being demoted (TSC December 2014/January 2015). Most of these changes were aimed at improving financial management in schools. Kathiani sub-county had three transfers and one demotion. Among the primary reasons cited for the reshuffles/demotions were financial impropriety coupled with the buildup of debts from suppliers of goods and services. Kathiani sub-county is imperative for an empirical study due to reported cases of poor financial management practices in the annual audit reports by the Ministry of Education. The fact that 14.3% of principals in Kathiani Sub County were affected by the changes makes it a fertile ground for an empirical study.

In December 2019, the TSC conducted a delocalization of all the principals country-wide. The target was the principals and their deputies who had served in the same station for a long period. The delocalization also targeted the new administrators appointed after the conclusion of interviews. The exercise of delocalization started in

January 2018 intending to improve efficiency. By the end of December 2019, twenty-one principals in Kathiani Sub-County were already transferred to new stations (TSC, 2019).

The association among schools and suppliers of goods cannot be said to be friendly since goods supplied take long to be paid for in many schools. In some cases, schools have been forced to secure bank overdrafts to pay support staff. It is the recognition that principals of public secondary schools face numerous financial management challenges that call for a study to establish the influence of financial management practices on school financial performance. The study came up with recommendations on how principals, deputy principals, and account clerks can improve their skills in school financial management.

1.3 Statement of the Problem

Financial management is one of the key roles of the school management which comprises principals, deputy principals, and account clerks being the key officers of their schools. Most of the principals and their deputies do not hold satisfactory financial management skills and hence they rely on the in-service training by the ministry of education and other stakeholders. The accounts clerks have accounting professional qualifications and they benefit from continuous professional development (CPD) hours as laid down in the code of ethics of their profession.

Manei and Omagwa (2019) acknowledge that public secondary schools have many challenges of mismanagement, corruption, denial of certificates to candidates who have cleared their national examinations. There are also claims that the school management makes fictitious claims and avails false balance claims to the parents. The audit of secondary schools by the auditor general revealed many irregularities in public secondary schools. Some of the irregularities include expenditure that has not been allocated, false enrolment rates, an expenditure that is not supported by true documentation, irregularly paid allowances to the board members, economic stimulus project funds that are not utilized, and irregular re-allocation of funds. As such, majority of the school principals, deputy principals, and account clerks lack the necessary financial management skills.

The existence of a dysfunctional system of financial management in organizations results in a poor collection of revenue and inefficient utilization of resources. The evidence for this, especially in public secondary schools is an obstinate budget deficit and misappropriation of finances. As a prerequisite, a well-managed and working financial system empowers schools' administrators to develop desirable outcomes and improve the performance of the respective institutions (Allen, Hemming, & Potter, 2013). The purpose of financial management practices is to facilitate the optimal provision of services to the organization and ensure that there is a fiscal discipline for accountability.

The selection of principals in Kenya by the TSC does not emphasize on the preparedness of the heads on financial management. It is presumed that the headteachers will acquire financial management skills on the job. The Kenya Education Management Institute (KEMI) has from time to time planned in-service training programs for newly appointed and serving principals. Through these workshops, principals are taken through basic financial management skills such as budgeting, procurement, and maintenance of proper books of accounts.

As noted by Mate and Wesonga (2013), there is widespread mismanagement of funds in public secondary schools, which resulted in hindrance to achievement of development goals. Further, the principals should carry the blame on why the government allocates limited resources in terms of funds, capital investments, and institutional materials. Due to the worsening conditions in the performance of the public schools, attention is drawn on whether financial management practices are being followed. According to Nyaga (2016), financial resources are diverted to activities that are not supported by the guidelines of the Ministry of Education. Further, Nyaga notes that some public secondary schools have re-introduced levies that have been scrapped by the government. From the foregoing, Bua and Adzongo (2014) agree to a growing interest in how funds allocated by the government and internally generated by public secondary schools are being managed. Besides, the major financial problems in public secondary schools are associated with non-compliance with financial management practices and guidelines.

The major concern of any educational establishment is on how to share the scarce financial resources between different sections to achieve their goals effectively.

Several investments are required to be implemented to provide adequate goods and services to sustain the schools. Proper investment of the financial resources will have an effect in maximizing benefits. However, some schools may face reduced allocations in terms of budgets. As a result, difficult decisions have to be made, including redundancies. At one point, the management of these schools will require financial independence. This can be exercised by mastering the techniques of budgeting, contracting, costing, negotiation, and financial control. The support of bursars can be sought. Nevertheless, the financial management aspect can be done by professionals. As a means of control, the bursars should work with the accountants to avoid frustration, disaster, and conflicts (Everard et al., 2004).

The public-school administration is unable to pay the creditors, workers, utility bills, and other services to sustain the institution up to the end of term date. Due to the ineffectiveness in the financial management by the principals, deputy principals and accounts clerks, there is a sharp focus on the extent to which the financial management practices affect the financial performance of the public secondary schools in Kenya. There are limited empirical study findings on the relationship between financial management practices and financial performance of secondary schools in Kenya. In this context, the current study was intended to examine the influence of financial management practices on the financial performance of public secondary schools in Kathiani Sub-county.

1.4 Objectives

The general objective of this study was to establish the influence of financial management practices on the financial performance of public secondary schools in Kathiani Sub-county.

1.4.1 Specific Objectives

i. To establish the influence of budgeting practices on the financial performance of public secondary schools in Kathiani Sub-county.
ii. To assess the influence of procurement practices on the financial performance of public secondary schools in Kathiani Sub-county.

iii. To determine the influence of financial recording practices on the financial performance of public secondary schools in Kathiani Sub-county.

1.5 Research Questions

i. What is the influence of budgeting practices on the financial performance of public secondary schools in Kathiani Sub-county?
ii. What is the influence of procurement practices on the financial performance of public secondary schools in Kathiani Sub-county?
iii. What is the influence of financial recording practices on the financial performance of public secondary schools in Kathiani Sub-county?

1.6 Justification/Value of the Study

The study will offer the management of schools the insights on what needs to be done to ensure the prudent utilization of resources. The principals and other stakeholders will be able to understand financial management practices that influence the financial performance of schools and position themselves to create value for the resources. Parents of the various schools will be able to decide whether the funds, which they pay, are used well. The study will also give an understanding to school auditors on areas in which school administrators need advice.

Academicians and researchers who may wish to follow this line of study will find this research beneficial in coming up with more recommendations to enhance financial performance in public secondary schools. The study will provide a basis for doing further studies in other areas to identify more factors that affect the financial performance of public secondary schools in Kenya.

The Government of Kenya, through the Ministry of Education, can assess financial management practices and formulate strategies and policies that will boost the financial performance of schools in Kenya. The study may be a valuable source of knowledge to the officers in the education sector in the understanding of the financial issues affecting the schools and consequently enable them to take necessary action.

1.7 Limitation of the Study

The fact that finances are sensitive may make principals, deputy principals and accounts clerks apprehensive in divulging important information. To overcome this, the respondents were assured of utmost confidentiality on the information they provided.

1.8 Delimitations of the Study

The study was carried out in Kathiani Sub-County and covered only public secondary schools. Private schools were not considered since their financial management systems may vary from those of public schools.

1.9 Scope of the Study

The study aimed at examining the influence of financial management practices namely budgeting practices, procurement practices, and financial recording practices on the financial performance of thirty public secondary schools in Kathiani Sub-county. Budgeting practices were measured by use of budget committee, budget preparation, approvals by the board of management, and budgetary controls and reviews as indicators. Procurement practices were measured by the use of the procurement committee, tender opening committee, tender evaluation committee, inspection, and acceptance committee as indicators. Financial recording practices were measured by the preparation of creditors' control accounts, debtors' control account, cashbooks, and store ledger as indicators. Financial performance was measured in terms of payment of suppliers and timely collection of school revenue.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter examines the existing literature related to financial management practices and their influence on financial performance. The chapter conducts a review of the major theories related to the study. A conceptual framework is also drawn that guides the analysis of the research variables, both the independent variables and the dependent variables. The investigation of the financial management practice variables and how they relate to financial performance led to the identification of research gaps and areas to conduct further research.

2.2 Theoretical Review

The theoretical review of the current study relates to the philosophical basis through which the research is undertaken and it forms a basis through which the link between the theoretical aspect and practical component of the investigation is established. The theories that relate to financial management are discussed in detail, providing their application in the current study. The theories reviewed include the stakeholder theory, iceberg theory of money management, and agency theory.

2.2.1 Stakeholder Theory

Freeman (1984) developed the stakeholder theory. The theory states that an institution's stakeholders include anyone who is affected by the performance of the institution. The theory points to an institutional environment as an ecosystem of groups of whom are considered and satisfied to maintain the institution in an excellent performance in the long-term. An institution that is highly performing does not lose sight of everyone involved in its success. If employees are not adequately engaged in organizational practices, the organization will not be successful. Even though the organization might have short-term profitability, the company will not survive in the long-term when the stakeholders are dissatisfied (Donaldson & Preston, 1995).

For any organization to be successful, it has to create value for the stakeholders. The stakeholders cannot be considered in isolation, and their interests have to move together. An organization that exists in the violation of the stakeholder principles is a declining organization. An institution that does not pay attention to proper practices, either in finance or corporate responsibility will soon be regulated into decline (Corporate Ethics, 2009, 1st October). The success of an organization is pegged on the utilization of the abilities of all the stakeholders to shape the implementation of projects. The stakeholder theory is relevant to the study in assessing whether funds contributed or donated by the government and parents are properly used.

2.2.2 The Iceberg Theory of Money Management

The Iceberg theory was developed by Varma (2009). The theory states that the expertise of money management contains four elements: knowledge, skills, attitude, and characteristics. According to Varma (2009), people who possess knowledge make mistakes due to the lack of the right skills of financial management. Broadly, and just like a submerged iceberg, the components can be either visible or invisible. The visible component, that is, knowledge and skills, can be seen and improved by capacity building through in-service training. However, the visible component only comprises 10-15% of the contributing factors to financial management. On the other hand, the hidden component hinge on attitude, and the attributes from acquired knowledge from personal interactions. The concealed component entails 85-90% of financial management.

According to Verma (2017), many changes in an organization are palpable and superficial. However, many other factors are hidden under the surface, and more pervasive. Due to the ingrained tacit assumptions in the management, it is not easy to deal with the hidden components, although they have a great effect on the organizational operations. Just like a ship that ignores the bulk of an iceberg below the water surface faces mortal danger, organizations that change efforts may stumble due to lack of focus. The Iceberg principle is relevant to this study due to the importance of in-service training and capacity building to equip the school administrators with skills, knowledge, values, attitudes, and competencies.

2.2.3 Agency Theory

Agency theory is credited to Mitnick (1973), and it provides explanations of various relationships and self-interest in organizations. It explains the best ways of organizing relationships in which one party (principal) determines the work and another party (agent) does the work. The principal hires an agent to perform a task which he or she is unable or not willing to do. The agent is continuously expected to act in the principals' best interest. According to Ross (1973), an agency relationship arises between two or more parties when one (agent) acts for the other (principal) in a particular domain of decision problems.

The agent is, in most cases, involved in the utilization of the principal's resources. The major decision-makers are the agents. However, the highest risk is born by the principals. The motivations for both the agents and the principals are very different, which results in agency problems. According to Shapiro (2005), agency theory assumes that the agent and the principal are motivated by self-interest. The assumption leads to inherent conflicts, where the agents are likely to pursue their self-interest which conflicts with the objectives of the principals.

Fama and Jensen (1983) argue that the control of agency problems is critical for the survival of institutions. The problems are as a result of contracts that are not costlessly written and enforced. Agency problems lead to agency costs of restructuring, monitoring, and bonding a set of contracts among agents with conflicting interests, and the residual loss that is incurred due to the cost of full enforcement that exceeds the benefits. The board of directors is appointed to monitor the processes and accounts to ensure that there are efficiency and accuracy in the reporting of the institution's performance. Through this, the stakeholders have an honest picture of how the institutions are performing. Agency theory is relevant to the study to explain the role of school administrators as agents of the government in the financial performance of public secondary schools.

2.3 Empirical Review

This section avails previous studies that have been done in the area of study. The literature reviewed includes a systematic analysis as per the research objectives.

Literature relating to budgeting practices and school financial management are reviewed. Secondly, the section reviews empirical studies on procurement and financial management. Finally, the section provides empirical literature on financial recording practices and financial performance of public secondary schools in Kathiani Sub-County

2.3.1 Budgeting Practices and School Financial Performance

Pimpong and Laryea (2016) evaluated the effect of budgeting practices on the performance of financial organizations in Ghana. The quantitative research design was used in the study. Questionnaires were used to collect the primary data, which was analyzed using step-wise regression models to measure the relationship between budgeting practices and financial performances of the non-bank financial institutions. The study established that budgeting practices have a significant and moderately positive relationship with financial performance. Further, the results indicated that the companies studied had established budgetary practices. However, the study was carried out in a financial institution setup. A study to assess the same concept was critical to investigate the same concept of budgeting practices in learning institutions.

Chetambe and Sakwa (2013) researched to examine how secondary school principals, heads of departments, and bursars benefited from the skills and competencies acquired in budgeting in Trans-Nzoia County. The study used a combination of simple random sampling and stratified random sampling techniques to attain a sample size of 120 respondents. The study established that budgeting practices were not adequately applied in the in-service training of the principals, bursars, and the head of departments. The study only dealt with the perceived implementation of budgetary training and not its application in practice as a financial management tool. The current study adopted a broader concept of the practical application of the budgetary practices in the financial management of the secondary schools.

Nyangaresi, Onderi, and Mwebi (2016) examined the effect of school-based income-generating projects and how budgetary allocation helped the retention of students in secondary schools in Kenya. The study was conducted in Kisii county, and the target population was all the principals, class teachers, form four students, bursars, and quality assurance officers in Kisii county. A simple random sampling technique was used in the study, and a descriptive research design was utilized. Semi-structured questionnaires and interview schedules were used to collect the data from the sample selected. From the study, it was established that secondary schools had supplemented their budgets with other income-generating activities like buses and halls. However, little income was generated which was not enough to facilitate the retention of students. The study did not concentrate exclusively on budgeting practices. The current study addressed the broad concept of budgeting practices and how they affected the financial performance of secondary schools.

In assessing the effect of school-based income-generating activities, Odundo and Rambo (2013) sought to understand the budgetary practices that schools have initiated to support their budget deficits and their financial performance. The research adopted the static group comparison research design which considered both qualitative and quantitative approaches. Survey questionnaires and interview schedules were used to collect data from the school board of governors, and members of the Parents Teachers Association (PTA) from 117 public schools in Kenya. Secondary data was also collected from the financial statements of audited school reports. To analyze the data, qualitative and quantitative techniques were utilized. The study established that the majority of the schools did not have established budget practices that would help in running their income-generating projects. The study did not establish the effect of the budget practices on school financial performance.

Onduso (2013) examined the upshot of budgets on the financial performance of manufacturing firms in Nairobi County. A cross-section research design was adopted to study 18 manufacturing companies listed in the Nairobi Securities Exchange (NSE). Primary and secondary data were collected using a questionnaire. The data were analyzed by the use of a regression model to establish the relationship between the independent and the independent variables. The findings of the study indicated that budget practices have a robust positive impact on the financial performance of manufacturing firms. The study adopted financial indicators to measure the financial performance of the firms. A non-financial approach to measuring the performance of firms was necessary.

2.3.2 Procurement Practices and School Financial Performance

Nyaga (2016) conducted a study to evaluate the influence of procurement practices in secondary schools in Embu West Sub-county. As one of the financial management practices, procurement practices were considered in the study. The descriptive research design was used to achieve the study objectives. The population of the study was 31 secondary schools in Embu West Sub-county, and a random sample size of 15 schools was drawn to comprise of school principals, deputy principals, bursars, and account clerks. The total sample size comprised of 60 respondents from which data was collected by the use of a questionnaire. A regression model was used to examine the relationship between procurement practices and financial management. The results of the study established a significant and robust relationship between procurement practices and financial performance. However, the study was inclined to finding out the linkage of the procurement practices with the Public Procurement and Disposal Act of 2005.

Jane, Rotich, and Kiprop (2014) examined the procurement practices and the challenges faced in their implementation as regards school boards of management in Kenya. Based on the Systems Theory, the study used a descriptive survey design. The data was collected using questionnaires, interviews, and document analysis. A purposive sampling technique was used to select a sample size of 152 respondents, comprising of school heads teachers, and panel heads. The collected data were analyzed by the use of descriptive statistical techniques and presented using bar graphs, tables, and charts. The findings of the study revealed that knowledge and skills in the procurement process were inadequate. Also, the respondents did not have adequate skills in procurement practices. However, the study did not analyze to evaluate the relationship between procurement practices and financial performance.

Cheruiyot (2018) investigated the effect of public financial procurement practices on the performance of county governments in Kenya. Using a pragmatic research philosophy, the study used a descriptive research design that was adopted to assist in gathering and analyzing data that was thereafter presented through the use of tables. The study targeted a population of 210 county officials from 10 counties in Kenya. The ten counties were selected because of their efficiency in terms of revenue collection. The sampling frame for the study was drawn, county directors, and accounting officers. Both primary and secondary data were utilized in the study. The study found out that there was conformity to the existing public procurement regulations by the counties in Kenya. However, the study was based on county government administration which is different from education administration.

2.3.3 Financial Recording Practices and School Financial Performance

Nyakundi (2011) did a research on the impact of accounting practices on the management of funds in public secondary schools in Kisii Central District, Kenya. The study employed a survey design using 90 respondents consisting of 45 principals and 45 bursars. Closed-ended questionnaires were used to collect primary data that was analyzed using frequency distributions, weighted means, Pearson's correlation coefficient and regression analysis. The study revealed that the level of management of funds in public secondary schools is positively correlated to the extent of the use of accounting practices at a 0.01 significance level. The study concluded that accounting practices have an influence on the management of funds in public secondary schools and recommend the mandatory use of such accounting practices to improve the general management of funds in public secondary schools in Kenya. The study was not exhaustive in the variables considered. The current study looked at the entire financial management practices.

Oluoch (2007) examined financial reporting practices in public primary schools in Nairobi. A descriptive survey design was used to assess the quality of financial reporting practices by the headteachers and the school management committee. The scope of the examination included auditor's performance standards, the volume of accounting records kept within the schools, certified financial records, accounting procedures, number of audits conducted in a year, and the number of personnel involved in the preparation of the financial records. The population of the study all primary schools based in Nairobi province (Currently Nairobi City County), the audit units, and the education department of the Nairobi City County. The data collected was both primary and secondary. Questionnaires and financial statements were used as data sources, which were analyzed using descriptive statistics. This study, however, did not employ inferential statistics in the data analysis and presentation. The findings of the study established that the schools kept financial records. However, the financial statements and records were of low quality attributable to incomplete records, inadequate qualified personnel, and unclear reporting standards.

Using a descriptive survey design, Otieno, Nyakundi, and Mogwambo (2016) conducted a study to examine the effects of financial reporting practices on the performance of public secondary schools in Homabay county, Kenya. A questionnaire was used to collect data. The variables used were bookkeeping practices, budgetary control practices, and financial disclosure practices. From the results of the study, financial reporting practices were found to impact the performance of secondary schools in Homabay county. The most influential practices were budgetary control practices and financial disclosure practices. Therefore, public secondary schools are required to embrace budgetary control practices and bookkeeping practices to improve performance.

Mgandi, Mathuva, and Egondi (2017) studied the factors that affect the capacity of secondary school principals in financial management among Kaloleni and Rabai sub-counties in Kilifi county, Kenya. To establish whether financial control practices affect the capability of principal in financial management, the study used a sample of 37 respondents who were the principals of the 37 secondary schools in the two sub-counties. Data were collected using structured questionnaires and a response rate of 79% was registered. The study found out that financial practices influence the capability of principals in financial management within secondary schools. The study, however, did not establish the relationship between the financial statements and records with the financial performance of the secondary schools.

2.4 Summary of Literature Review and Research Gaps

Researcher	Focus	Methodology	Findings	Research Gaps
Pimpong and Laryea (2016)	Effect of budgeting practices on the performance of financial organizations in Ghana.	Step-wise regression models.	Budgeting practices have a significant and moderately positive relationship with financial performance.	The study was carried out in a financial institution setup. The current study assessed the same concept of budgeting practices in learning.
Chetambe and Sakwa (2013)	How secondary school principals, heads of departments, and bursars benefit from skills and competencies acquired in budgeting in Trans-Nzoia County.	Descriptive research design.	Budgeting practices were not adequately applied in the in-service training of the principals, bursars, and the head of departments.	The study only dealt with the perceived implementation of budgetary training and not its application in practice as a financial management tool. The current study adopted a broader concept of the practical application of the budgetary practices in the financial management of the secondary schools.
Nyangaresi, Onderi and Mwebi (2016)	Effect of school-based income-generating projects and how budgetary allocation helped the retention of students in secondary schools in Kenya.	Descriptive research design.	Secondary schools had supplemented their budgets with other income-generating activities like buses and halls. little income was generated which was not enough to facilitate the retention of students.	The study did not concentrate exclusively on budgeting practices. The current study addressed the broad concept of budgeting practices and how they affected the financial performance of secondary schools.
Nyaga (2016)	Influence of procurement practices in secondary schools in Embu West Sub-county.	Descriptive research design. Regression model.	The study established a significant and robust relationship between procurement practices and financial performance.	The study was inclined to finding out the linkage of the procurement practices with the Public Procurement and Disposal Act of 2005.

Jane, Rotich and Kiprop (2014)	Procurement practices and the challenges faced in their implementation as regards school boards of management in Kenya	Descriptive survey design.	Knowledge and skills in the procurement process were inadequate. Also, the respondents did not have adequate skills in procurement practices.	The study did not analyze to evaluate the relationship between procurement practices and financial performance.
Cheruiyot (2018)	Effect of public financial procurement practices on the performance of county governments in Kenya	- Pragmatic research philosophy. - Descriptive research design	There was conformity to the existing public procurement regulations by the counties in Kenya.	The study was based on county government administration which is different from education administration.
Oluoch (2007)	Financial reporting practices in public primary schools in Nairobi.	Descriptive survey design	Findings of the study established that the schools kept financial records	-The study did not employ inferential statistics in data analysis and presentation. -The financial statements and records were of low quality attributable to incomplete records, inadequate qualified personnel, and unclear reporting standards.
Mgandi, Mathuva and Egondi (2017)	Factors affecting the capacity of secondary school principals in financial management among Kaloleni and Rabai sub-counties in Kilifi county, Kenya.	Descriptive survey design	Financial practices influence the capability of principals in financial management within secondary schools.	The study did not establish the relationship between the financial statements and records with the financial performance of the secondary schools.

2.5 Conceptual Framework

Miles and Huberman (1994), define a conceptual framework as a graphical presentation of the main variables that are under study and their anticipated associations. Camp (2001) defines a conceptual framework as a structure believed by a researcher to be the best explanation of the natural progression of a studied phenomenon. From the literature reviewed, the association among the variables can be conceptualized as shown in figure 2.1 below.

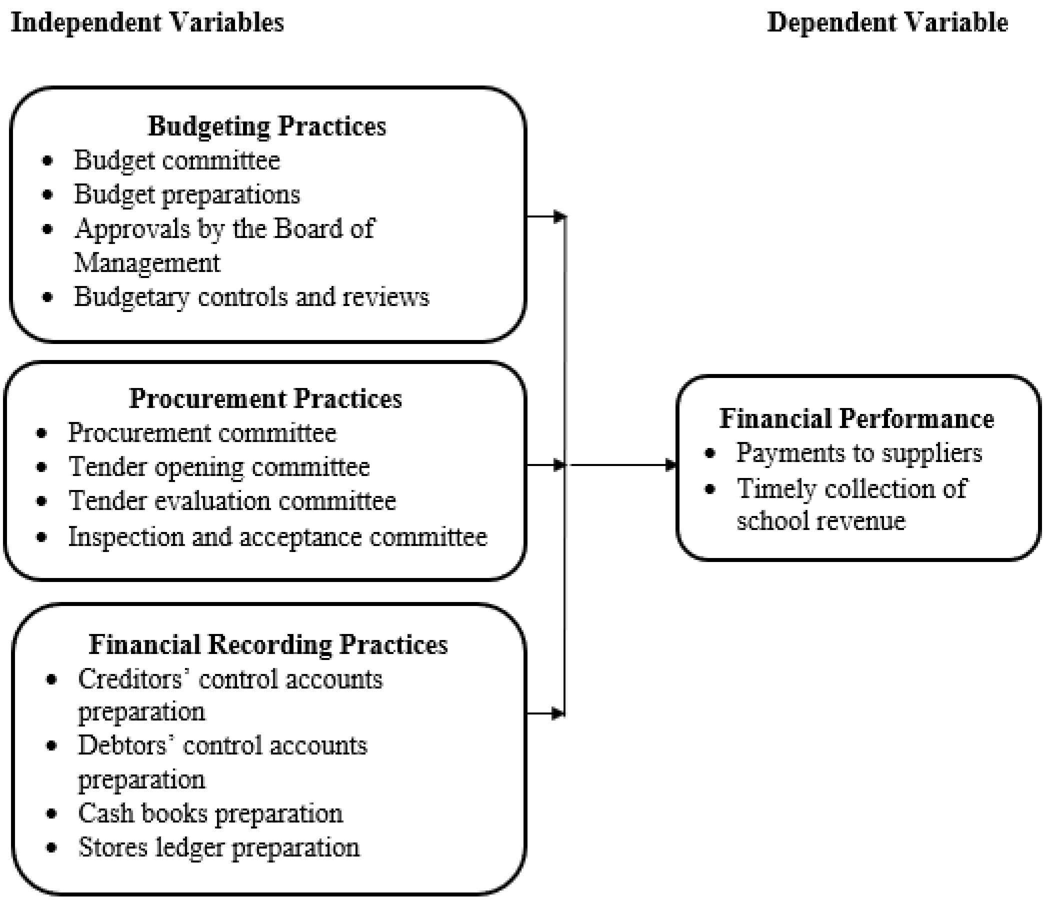

Figure 2.1 Conceptual Framework

Source: Researcher (2020)

2.5.1 Budgeting Practices

The school management may not be able to have plans that are not linked to a budget. The plans are broken down into short-term, medium-term, and long-term. Operational planning should be linked to the budget. Forecasts capture long-term plans in the budget (Kahavizakiriza, Walela & Kukubo, 2015). A well-prepared and implemented budget will contribute a lot to improved financial performance. Projects will be completed in the planned timelines and generally, available resources will be used for their intended purposes. The procurement of goods and services follows after budgeting. Principals are expected to adhere to the public procurement and disposal act (2005) which lays down the guidelines for procurement in public institutions. Where proper procurement procedures are followed, public Secondary schools will get value for money, and this will also contribute to improved financial performance.

In educational establishments, the recognition of anticipated educational goals and objectives hinge majorly on the effective planning and management of school funds by the school managers. It is one thing to raise funds, and entirely another to ensure that the funds so raised are well utilized by the school managers to achieve desired objectives. To ensure judicious spending of funds and accountability, school administrators (principals) plan and prepare budgets for their schools.

2.5.2 Procurement Practices

Public procurement is the process of acquiring goods, services, and works by public sector institutions using resources from state and local authority budgets. It also entails the disposal of public assets. Procurement is fundamental to disbursement management and is an indispensable component of good governance. In the year 2002, all secondary schools received circulars, which provided guidelines on measures to boost accountability and transparency in expenditure management. Consequently, tender committees were established and designated staff trained on the right procurement processes.

2.5.3 Financial Recording Practices

Good financial management is essential to the accomplishments of any organization irrespective of its size and whether or not it is in the public, private, or charitable sector. In the public sector, the execution of accounts to public enquiry is vital to a responsible government. Financial records are produced in every area of financial management. In secondary schools, some of the important financial statements and records that have to be kept include trial balances (monthly), ledgers for the several categories of items, cash book, Balance sheet, and an income statement. Moreover, all these records and statements have to be audited yearly and certificate of audit issued.

2.5.4 Financial Performance

Performance is the accomplishment of an institutions targets in line with its strategies leading to sustained competitive edge. Mak and Kusnadi (2005) point out that to effectively measure institutional performance, a balanced score card can be used. The use of this score card elevates non-financial measures to a level consistent with a traditional focus on financial measures. Financial performance of an institution implies the organization`s overall financial health over a specified period of time. In profit making organization, financial performance can be measured by several methods. According to Bala and Cook (2007) some of these measures include solvency, profitability, repayment ability and liquidity.

Unlike profit making organizations, financial performance in public schools can be measured by among others the ability to pay obligations and efficient collection of school revenue. A financially stable school will be in a position to deliver on its mandate and maintain harmonious relationship with stakeholders. According to Manei and Omagwa (2019) inefficient financial performance in government funded secondary schools has been a challenge for the government in achieving its education agenda.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter focuses on the description of the method used in researching the effect of financial management practices on the financial performance of public secondary schools in Kathiani Sub-county. It is organized under the following sections: research design, population, sampling techniques, data collection procedures, data processing and analysis, operationalization of variable, pilot test and data presentation.

3.2 Research Design

The study used a descriptive survey design to show the effect of financial management practices on schools' financial performance. Descriptive studies are not only limited to information gathering but may every so often result in the invention of crucial ideologies of knowledge and solution of noteworthy hitches. The descriptive survey is a method of gathering evidence by cross-examining or administering a questionnaire to a sample of individuals (Orodho, 2003). The design was carefully chosen for this study since the researcher is not in a position to deploy variables of the study like budgeting, procurement, and financial records.

3.3 Population

A population is a specific group of elements to be studied in research. It is a concrete, specific collection of many cases in which the researcher takes a representative sample for the sake of generalization (Newman, 2014). A target population can be referred to as a complete group of specific population units relevant for research (Zikmund, Babin, Carr & Griffin, 2013). The target population of the study was 90 members of staff comprising of 30 principals, 30 deputy principals, and 30 accounts clerks. All the staff were workers in the thirty public secondary schools in Kathiani Sub-County in Machakos County. Figure 3.1 indicates the target population of the study.

Table 3.1 Target Population

Category	Population	Percentage
Principals	30	34%
Deputy Principals	30	33%
Accounts Clerks/Bursars	30	33%
Totals	**90**	**100**

Source: Survey Data (2019)

3.4 Sample Size and Sampling Technique

According to Zikmund et al. (2013), sampling is the process of selecting a small number or part of an entire population to represent the whole population. Sampling enables a researcher to estimate characteristics and make generalizations on the population. When samples are being selected, either probabilistic or non-probabilistic methods are used. Probabilistic methods of sampling have a known chance of a unit in a population to be selected. On the other hand, non-probabilistic methods do not offer a known chance of an element to be selected from the entire population. According to Kothari (2004), non-probabilistic sampling offers a biased estimation on a measurable precision.

From the target population, the study conducted a census survey on all the secondary school principals, deputy principals, and account clerks. Thirty respondents from each group were considered. Since there are only thirty public Secondary Schools in Kathiani sub-county, a census analysis was the most suitable. All the thirty Secondary schools were therefore considered for enumeration. This ensured that no chance of bias is left and the highest level of accuracy is achieved. Table 3.2 shows the sample size of the study.

Table 3.2 Sample Size

Category	Population	Sample Size
Principals	30	30
Deputy Principals	30	30
Accounts Clerks/Bursars	30	30
Totals	**90**	**90**

Source: Survey Data (2019)

3.5 Data Collection Procedure

Data collection, according to Saunders and Lewis (2009), is how information is gathered from selected elements for an inquiry. Kombo and Tromp (2006) refer to data collection as an act of gathering information to refute or reprove facts in an investigation. Mugenda and Mugenda (2003) observed that choosing an instrument for research is dependent on the attributes of the study topic and the type of data expected to be collected. Zikmund et al. (2013) documents that the commonly used research instruments include questionnaires, interview schedules, standardized tests, and observation forms.

Primary data was gathered by the use of questionnaires to collect information on the principals, deputy principals' and account clerks' financial management practices. Kinyanjui (2014) posits that self-administered structured questionnaires are used to collect qualitative and quantitative data. Wolf (2008) provides that self-administered structured questionnaires are designed to be filled by a respondent without any researcher's intervention. The assumption of using structured questionnaires to collect data was that the respondents understood the importance of the inquiry, therefore the items provided in the questionnaire. In addition, the questionnaires were preferred because they are easy in designing, distribution, and collection of the intended information (Gray, 2013). The researcher delivered the questionnaires physically to the principals, deputy principal and accounts clerks. The respondents were allowed ample time to complete and allow for timely collection by the researcher.

3.6 Data Processing and Analysis.

Completed questionnaires were edited for completeness and errors corrected. Collected data was systematically organized for analysis. Since much of the collected data was qualitative, the information obtained was analyzed systematically to attain logical inferences and commendations. Quantitative data collected through questionnaires were analyzed using descriptive statistics in the form of frequency counts, percentages, and weighted averages. Qualitative data gathered through the use of questionnaires were analyzed systematically to achieve logical conclusions and recommendations. Data analysis was done using spreadsheets and statistical package for social sciences (SPSS). The regression model that was adopted in the study is shown below.

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon} \quad \text{...(1)}$$

Where Y represents the financial performance of public secondary schools in Kathiani Sub-County. The financial performance was measured by the rate at which suppliers were paid and timely collection of school revenue.

X_1 represents the budgeting practice adopted by public secondary schools in Kathiani Sub-County. The variable was measured by budgetary controls, expenditure analysis, and efficiency of the budgetary committee.

X_2 represents procurement practices as measured by procurement committee effectiveness, procurement planning, and procurement compliance initiatives of the public secondary schools in Kathiani Sub-County.

X_3 represents financial recording practices as measured by operating budgets, income and expenditure analysis, and budget committee of public secondary schools in Kathiani Sub-County.

ε represents the error term from the Least Squares Model used.

B_0 represents the regression constant, while β_1, β_2, and β_3 are the regression coefficients of the independent variables X_1, X_2, and X_3.

3.7 Operationalization of Variables

This sub-section provides a discussion of the measurements of variables in the model above. Measurement of the variable avails the appropriateness of the statistical techniques utilized in the data analysis. It also helps in the inspection of the validity of the research findings and conclusions arrived at.

3.7.1 Budgeting Practices

The study considered budgeting practices as an independent variable. To measure budgeting practices, implementation of budget committees, budget preparations, budget approvals by the Board of Management and budgetary controls, and reviews were considered.

3.7.2 Procurement Practices

To operationalize procurement practices, the study considered the implementation of procurement committees, tender opening committees, tender evaluation committees, and inspection and acceptance committees.

3.7.3 Financial Recording Practices

To measure financial recording practices, the study considered the preparation of creditors' control accounts, debtors' control accounts, preparation of cashbooks, and stores' ledger preparation.

3.7.4 Financial Performance

According to Chenhall and Langfield-Smith (2007), there is a need to use multiple perspectives to measure performance. Richard, Devinney, Yip, and Johnson (2009) argue that performance is the ultimate dependent variable of interest to researchers. The current study considered a payment to suppliers and timely revenue collection as measures of financial performance.

3.8 Pilot Test

Biocca, Burgoon, Harms, and Stoner (2001) define a pilot test as a study done before the actual study. For the current study, a pilot study was done to ascertain the reliability and validity of the research instrument. According to Cooper and Schindler (2008), validity is the extent to which a research instrument measures what it is meant to measure. In any research, a reliable instrument is valid for data analysis. Cooper and Schindler (2008) define reliability as the dependability, consistency, and stability of test data. To test the reliability of the research instrument, Cronbach's Alpha was used.

Structured questionnaires were used to gather primary data from principals, deputy principals, and accounts clerks of public secondary schools. These questionnaires primarily contained closed and open-ended questions. A pilot study was done in three public Secondary Schools from Machakos Sub County. This pilot study aided to establish the weaknesses of the questionnaire before being administered to the target population. Before the actual data collection, five questionnaires were administered to principals to recommend any adjustments. The pilot questionnaires were amended as per the suggestions and primary data was collected and subjected to diagnostic tests before analysis.

3.9 Data Presentation

According to Chan (2003), it is critical for a researcher to clean data before analysis to help in proper presentation. For quantitative information, out of range data should be eliminated to ensure that there are no outliers present in the data. Weissgerber, Milic, Winham, and Garovic (2015) posits that data presentation acts as the foundation of collective scientific knowledge. Figures are important because they show data supporting key findings. They are generally used to present summary statistics instead of detailed information on data distribution or full data.

The analyzed data was presented using tables, figures, charts and bar graphs. The least-squares method was used to determine the relationship between the independent and the dependent variables. Tables were used to present data for pilot test results, autocorrelation tests, normality tests, multicollinearity tests, heteroscedasticity tests, correlation analysis, and descriptive statistics. Pie charts were used to present data on the response rate. The results on the impact of financial management practices on school financial performance were presented using tables.

CHAPTER FOUR

4.0 RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter deals with data analysis, presentation, and interpretation of the research findings to determine the influence of financial management practices on the school financial performance of public secondary schools in Kathiani sub-county. The response rate, tests of reliability, and validity of the research constructs are provided in the initial discussion. A subsequent discussion of the general information of the respondents is given. Finally, the section avails the results of the inferential statistics to present a concrete conclusion on the study hypotheses.

4.2 Results of the Pilot Study

A pilot study was carried out in three public secondary schools from Machakos Sub-county. A total of nine respondents participated in the pilot study. This was done to establish the reliability and validity of the research instrument used in the study. The pilot study sample comprised 5.6% of the sample size. According to Zikmund et al. (2013), reliability refers to the ability of a questionnaire to offer consistent results. The reliability coefficient was evaluated using Cronbach's Alpha which rates scores as excellent, good, and acceptable. Table 4.1 provides the results of the pilot study and the reliability rating.

Table 4.1 Pilot Testing Cronbach's Alpha Rating

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.741	.846	4

Source: Survey Data (2019)

From table 4.1Cronbach's value is 0.741. According to Corbin, Strauss, and Strauss (2014), a value of 0.7 and above is acceptable for a reliable research instrument. The value of 0.741 from the pilot study, therefore, implied that the questionnaire was reliable in collecting data from the respondents. However, the respondents during the pilot study recommended several amendments to the questionnaire. These amendments were considered by the researcher.

4.3 Response Rate

Figure 4.1 presents the response rate of the respondents who took part in the survey. The figure shows the combined response rate of principals, deputy principals, and accounts clerks.

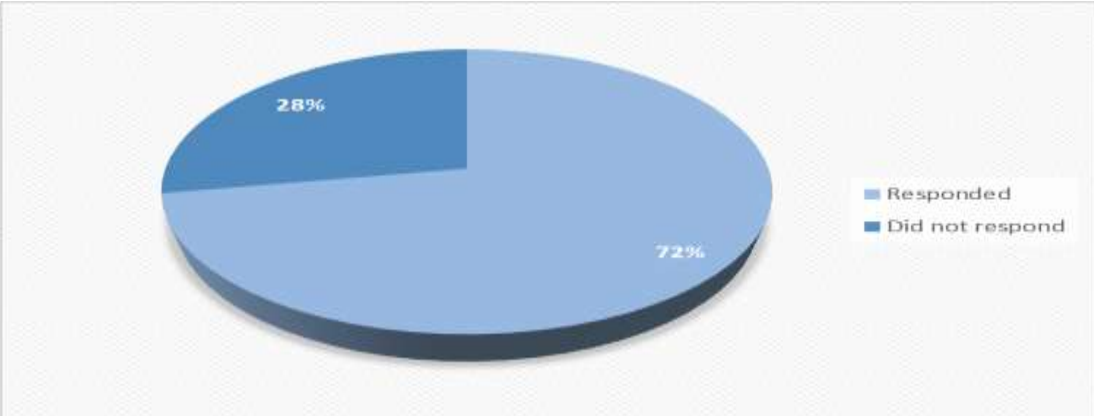

Figure 4.1 Response Rate

Source: Survey Data (2019)

Figure 4.1 shows that, from a sample size of 90, the respondents who satisfactorily responded were 72%, and those who did not respond were 28%. According to Kothari (2004), a response rate of 50% is satisfactory, a rate from 60% to 70% is adequate, and a response rate of over 70% is excellent. Thus, the response rate from the study was considered excellent to provide representative information for the analysis and generation of a valid conclusion. From 72% of the response rate, the proportion of the principals, deputy principals, and accounts clerks are shown in figure 4.2.

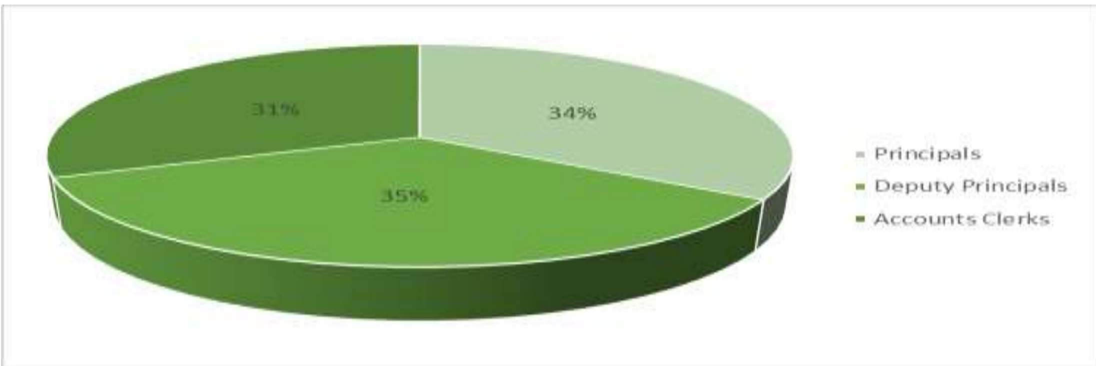

Figure 4.2 Proportion of Respondents

Source: Survey Data (2019)

From figure 4.2, 34% of the respondents who participated in the research were principals, 35% were deputy principals, and 31% were account clerks. The majority of the respondents were, therefore, deputy principals of the public secondary schools in Kathiani Sub-County in Machakos.

4.4 Descriptions of the Sample Results

The demographic characteristics of the sample are shown in table 4.2. The primary characteristics that were examined were gender, age, the highest level of education, category of school, type of school, and work experience of the respondents in Kathiani Sub-county public secondary schools.

Table 4.2 Sample Characteristics

	Frequency	Percent		Frequency	Percent
Gender			**Category of School**		
Male	32	49.2	National	3	4
Female	33	50.8	Extra County	9	14
			Sub-County	53	82
Age			**Type of School**		
20-30 Years	7	10.8	Girls	7	10.8
31-40 Years	11	16.9	Boys	8	12.3
41-50 Years	29	44.6	Mixed	50	76.9
Over 50 Years	18	27.7			
Highest Educational Qualification			**Work Experience**		
Post Graduate	4	6.2	0-5 Years	9	13.8
Graduate	11	16.9	6-10 Years	12	18.5
Undergraduate	36	55.4	11-15 Years	8	12.3

Diploma	9	13.8	16-20 Years	9	13.8
Certificate	3	4.6	Over 20 Years	27	41.5
Others	2	3.1			

Source: Survey Data (2019)

Table 4.2 shows that 49.2 % of the respondents were male while 50.8% of the respondents were female. The results imply that the majority of the staff tasked with the responsibility of managing public secondary schools in Kathiani sub-county are female. From the table, it was established that 10.8% of the respondents were between the ages of 20-30 years, 16.9% were aged between 31-40 years, 44.6% of the respondents were between the ages of 41-50, while 27.7% of the respondents were above the age of 50 years. Therefore, it was established that the majority of the respondents were within the age brackets of 41-50 years.

From the same table, 6.2% of the respondents had postgraduate qualifications. The percentage of the respondents who had graduate qualifications were 16.9%, undergraduate qualifications were 55.4%, the respondents who had diploma qualifications were 13.8%, those who had certificate qualifications were 4.6%. Other qualifications had a percentage of 3.2%, and the respondents indicated that the other qualifications were O-Levels and professional qualifications like Certified Public Accountant of Kenya (CPAK).

The table also provides the category of schools, types of secondary schools, and work experience of the respondents. The national schools comprised 4% of the total schools examined, 14% were extra county schools while 82% of the secondary schools were sub-county schools. The results therefore established that the majority of the schools in Kathiani Sub-County were Sub-County secondary schools. From the analysis, 10.8% of the secondary schools were girls' schools, 12.3% were boys' schools while 76.9% of the schools were mixed secondary schools. The respondents who had a work experience of 0-5 years were 13.8%, those who had an experience of 6-10 years were 18.5%, those having an experience of 11-15 years were 12.3%, those having a work experience of 16-20 years were 13.8% and the respondents who had a work experience of over 20 years were 41.5%. From the analysis, the majority of the respondents had over 20 years of work experience.

4.5 Diagnostic Tests

The aim of the study was to interrogate the impact of financial management practices on the financial performance of public secondary schools in Kathiani Sub-County. To critically analyze the relationship between financial management practices (budgeting, procurement and financial recording practices) with financial performance, a regression model was used. Several diagnostic tests were done before conducting the regression analysis. The tests were serial correlation tests, normality tests, multicollinearity tests and heteroscedasticity tests.

4.5.1 Autocorrelation Tests

In a set of data, autocorrelation is an attribute where the correlation between the variables under study is based on related objects. Autocorrelation exists in data sets where the data is of the same source instead of it being randomly selected from the population. A researcher does not expect autocorrelation. When the residuals of a regression model are correlated, a problem in autocorrelation exists. Therefore, the regression results affected by the autocorrelation should not be accepted. The test for autocorrelation that was used in the study was the Durbin Watson Test which should be between 0-4. When the value is near zero, there is a robust positive correlation among the variables under study. When the value is close to 4, then there is a robust negative correlation among the variable residuals. If the Durbin Watson is near 2, then there is no autocorrelation among the residuals of the model variables. Table 4.3 shows the autocorrelation results.

Table 4.3 Autocorrelation Tests

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.805[a]	.648	.631	.46955	1.542

a. Predictors: (Constant), Procurement Practices, Financial Recording Practices, Budgeting Practices

b. Dependent Variable: Financial Performance

Source: Survey Data (2020)

From table 4.3, the Durbin Watson value is 1.542, which is near 2. The results of the statistic, therefore, imply that the regression model did not have autocorrelation problems. It means, therefore, that the regression model can be used to predict the influence of financial management practices on the financial performance of public secondary schools in Kathiani sub-county.

4.5.2 Normality Tests

The validity of any statistical procedure is contingent on its normality assumptions. According to Paul and Zhang (2010), normality is essential to understand the shape of data distribution and to help in the prediction of the dependent variable score. Gujarati (2009) states that the purpose of performing normality checks is to determine the standard modeling or distribution of data. To check whether the data collected was normally distributed, tests of kurtosis and skewness were conducted. Table 4.4 shows the results of the normality tests.

Table 4.4 Normality Tests

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Budgeting Practices	65	-.867	.297	1.586	.586
Procurement Practices	65	-.664	.297	-.350	.586
Financial Performance	65	-.501	.297	-.461	.586
Financial Recording Practices	65	-.160	.297	-.438	.586
Valid N (listwise)	65				

Source: Survey Data (2020)

As indicated in table 4.4 , all the values of kurtosis and skewness are within the accepted range. The kurtosis values should be within the range of -10 to +10, and the skewness values should be within the range of -3 to +3. From the indicated statistics of normality, all the results are within the required thresholds.

4.5.3 Multicollinearity Tests

In statistics, multicollinearity occurs when two or more dependent variables in a regression model are highly linearly correlated. According to Martz (2013), multicollinearity is not desirable when the correlations among the variables are very strong. Saunders (2011) recommends measures of multicollinearity of Variance Inflation Factor (VIF) and tolerance ratios. Variance Inflation Factor is an index of the extent of variance when the regression coefficient is inflated concerning a situation in which all the predictor variables are uncorrelated. When the VIF is greater than 10, it means that there is a multicollinearity problem in the data. The results of the multicollinearity tests are shown in table 4.5.

Table 4.5 Multicollinearity Tests

Model		Collinearity Statistics	
		Tolerance	VIF
1	Financial Recording Practices	.561	1.784
	Budgeting Practices	.746	1.340
	Procurement Practices	.549	1.823

a. Dependent Variable: Financial Performance

Source: Survey Data (2020)

From table 4.5, there are no multicollinearity problems. The results show that the VIF for financial recording practices, budgeting practices, and procurement practices are 1.874, 1.340, and 1.823 respectively. With the VIF values below 10, it, therefore, implies that the regression estimates and their corresponding significance levels related to the data weights are favorably affected.

4.5.4 Heteroscedasticity Tests

Heteroscedasticity refers to the difference in data variability across a range of values between the dependent and the independent variables. The assumption is that the error terms in linear regression are normally distributed. According to Park (2015), heteroscedasticity brings complications in regression analysis due to the assumption of equal variance within variables. Table 4.6 shows the results of Breusch-Pagan and Koenker tests conducted to test for heteroscedasticity.

Table 4.6 Heteroscedasticity Tests

Breusch-Pagan and Koenker test statistics and sig-values		
	LM	**Sig**
BP	3.540	0.316
Koenker	3.782	0.286

Source: Survey Data (2020)

As indicated in table 4.6, the Breusch-Pagan and Koenker values are 3.540 and 3.782, respectively. The significance values of the two statistics are both 0.316 and 0.286 respectively. Conventionally, if the significance value is less than 0.05, the null hypothesis that heteroscedasticity is absent is rejected.

4.6 Correlation Analysis

Correlation is the statistical association between two quantitative variables. The assumption is that the association is linear, in that change of one variable results in the change of another variable. A correlation coefficient is used to denote the degree of the association. The correlation coefficient ranges from -1 to +1. The variables which the study investigated for correlation were financial performance, budgeting practices, procurement practices, and financial recording practices. Table 4.7 presents the results of the correlation analysis at a significance level of 0.05.

Table 4.7 Correlation Analysis

		Financial Performance	Budget Practices	Procurement Practices	Financial Recording Practices
Financial Performance	Pearson Correlation	1			
	Sig. (2-tailed)				
Budget Practices	Pearson Correlation	.274*	1		
	Sig. (2-tailed)	.027			
Procurement Practices	Pearson Correlation	.398**	.465**	1	
	Sig. (2-tailed)	.001	.000		
Financial Recording Practices	Pearson Correlation	.791**	.447**	.641**	1
	Sig. (2-tailed)	.000	.000	.000	

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Survey Data (2020)

From table 4.7, the correlation coefficient between budgeting practices and financial performance is 0.274, with a statistical significance of 0.027. The correlation between procurement practices and financial performance is 0.397 with a statistical significance value of 0.001. The relationship between financial recording practices and financial performance has a correlation coefficient of 0.791 with a significance level of 0.000. Therefore, there is a statistically significant positive but weak correlation between budgeting practices and financial performance. Similarly, the correlation between procurement practices and financial performance is weak but positive, and statistically significant. The table also shows that there is a positive strong correlation between financial recording practices and financial performance, which is also statistically significant at 95% confidence level.

4.7 Descriptive Statistics

To establish the influence of financial management practices on the financial performance of public secondary schools in Kathiani sub-county, the study used non-financial parameters. The data collected was for financial performance, budgeting practices, procurement practices, and financial recording practices. A 5-Point Likert Scale was used where 5 represented strongly agree, 4 represented agree, 3 represented neutral, 2 represented disagree, and 1 represented strongly disagree. Table 4.8 below show the results of the descriptive statistics from the research data.

Table 4.8 Descriptive Statistics

Budgeting Practices	**Mean**	**Median**	**Std. Deviation**
Budgeting preparation is done by a selected budget committee	3.5846	4.0000	1.19755
Departmental heads present their budgetary requisitions before budget preparation.	3.8000	4.0000	1.06360
Budget estimates are discussed and approved by the board of management	4.2923	5.0000	1.07126
Budget reviews and controls are conducted periodically within the budget period.	3.8923	4.0000	.77304
Procurement Practices	**Mean**	**Median**	**Std. Deviation**
The extent to which a procurement plan guides the expenditure incurred.	1.3231	1.0000	.79270
Is every expenditure incurred supported by the necessary documentation	1.6308	2.0000	.69752
The procurement committee reviews the procurement policies and practices in the school.	3.4769	4.0000	.96998
The tender opening committee is involved in the evaluation of tender bids per the laid down specifications, and tender documents.	3.2462	4.0000	1.10441
The tender evaluation committee prepares the evaluation report according to the criteria stipulated in the solicitation document and provides a recommendation of which bidder is to be awarded the contract.	4.1385	4.0000	.74743

The inspection and acceptance committee inspects and reviews the goods and services to ensure compliance with the terms and conditions of the contract.	3.8308	4.0000	1.13975
Financial Recording Practices	**Mean**	**Median**	**Std. Deviation**
Maintaining creditors' control accounts to summarize the individual creditor accounts affects financial performance.	4.0308	4.0000	.99952
Maintaining debtors' control accounts to summarize the individual debtor accounts affects financial performance.	3.5846	4.0000	1.14417
Preparing cash books leads to timely forecasts on the financial performance of schools.	4.1385	4.0000	.88171
Keeping store ledgers provides financial tracking of inventory; hence the evaluation of financial performance.	2.9846	3.0000	1.19232
Financial Performance	**Mean**	**Median**	**Std. Deviation**
Suppliers are paid in good time	4.1385	4.0000	.88171
The collection of school revenue is adequate and satisfactory.	2.9846	3.0000	1.19232

Source: Survey Data (2020)

Table 4.8 indicates that the lowest standard deviation for budgeting practices is 0.77304, and the highest mean is 4.2923. This implies that the majority of the respondents agreed that budget estimates, as a budgeting practice, are discussed and approved by the board of management. From table 4.8, the extent to which procurement plans guide expenditure has a mean of 1.3231, implying that the majority of the respondents agreed that procurement plans were highly useful in guiding the expenditure. The procurement practices had the lowest standard deviation of 0.74743 and the highest mean of 4.135, implying that the majority of the respondents agreed that the tender evaluation committee prepares the evaluation reports according to the criteria set up in the solicitation documents.

The financial recording practices had the lowest standard deviation of 0.88171, and the highest mean of 4.1385, implying that the majority of the respondents agreed that the preparation of cash books leads to timely forecasts on the financial performance of schools. Consequently, the majority of the respondents agreed that the school suppliers are paid in good time, where the mean was 4.1385. However, the majority of the respondents were indifferent as to whether the collection of school revenue was adequate and satisfactory.

4.8 Influence of Budgeting Practices on Financial Performance

The first specific objective of the study was to examine the influence of budgeting practices on the financial performance of public secondary schools in Kathiani sub-county. To achieve the objective, regression analysis was conducted to establish the inferential statistics. The statistics considered were R Square, and the Analysis of Variance (ANOVA). Tables 4.9 to 4.11 represents the results of the regression analysis conducted on budgeting practices and financial performance.

Table 4.9 Model Summary of BP and FP

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.274[a]	.075	.060	.74952

a. Predictors: (Constant), Budgeting Practices

Source: Survey Data (2020)

From table 4.9, R Square, which is the coefficient of determination and a measure of goodness-of-fit for the regression line, is 0.075. The value of the R^2 implies that there is a weak goodness-of-fit. The variability of the financial performance of public schools in Kathiani sub-county could only be explained by 7.5% of budgeting practices. Therefore, it means that 92.5% of the variability can be explained by other variables not considered in the individual regression model considered.

Table 4.10 presents the results of the analysis of variance (ANOVA) of budgeting practices and the financial performance of public secondary schools in Kathiani sub-county.

Table 4.10 ANOVA of BP and FP

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	2.862	1	2.862	5.094	.027[b]
1	Residual	35.392	63	.562		
	Total	38.254	64			

a. Dependent Variable: Financial Performance
b. Predictors: (Constant), Budget Practices

Source: Survey Data (2020)

From table 4.10, the significance value is 0.027 and the F-statistic is 5.094. The statistical significance value (p-value) is less than 0.05 (alpha), implying that the null hypothesis is rejected at a 95% confidence interval. Therefore, it can be inferred from the results that budgeting practice has a statistically significant influence on the financial performance of public secondary schools in Kathiani Sub-county.

Table 4.11 provides results for the regression coefficients of budgeting practices and financial performance of public secondary schools in Kathiani sub-county.

Table 4.11 Regression Coefficients of BP and FP

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	2.411	.518		4.652	.000
1	Budgeting Practices	.296	.131	.274	2.257	.027

a. Dependent Variable: Financial Performance

Source: Survey Data (2020)

As shown in t table 4.11, the regression constant is 2.411 with a statistical significance of 0.000. The coefficient of the budgeting practices is 0.296 which has a statistical significance value of 0.027. The regression constant and the coefficient of regression of the individual model have p-values less than 0.05, confirming that there is a statistically significant relationship between budgeting practices and financial performance of public secondary schools in Kathiani sub-county. The regression model can be summarized as indicated in equation 2.

$$Y = 2.411 + 0.296X_1 + \varepsilon_1 \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \text{(2)}$$

4.9 Influence of Procurement Practices on Financial Performance

The second specific objective was to assess the influence of procurement practices on the financial performance of public secondary schools in Kathiani Sub-county. To achieve this, regression analysis was conducted on the two variables (procurement practices and financial performance). The results of the analysis are shown in table 4.12 to table 4.14.

Table 4.12 shows the regression model summary of the procurement practices and financial performance of public secondary schools in Kathiani Sub-county.

Table 4.12 Model Summary of PP and FP

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.398[a]	.159	.145	.71479

a. Predictors: (Constant), Procurement Practices

Source: Survey Data (2020)

From table 4.12, the coefficient of determination (R^2) is 0.159. The results imply that the individual model selected has a very weak fit and that only 15.9% of the variability in the financial performance of public schools in Kathiani sub-county can be explained by procurement practices. Therefore, 84.1% of the variability could be explained by other factors not considered in the individual model.

Table 4.13 presents the analysis of variance between procurement practices and financial performance of pubic secondary schools in Kathiani sub-county.

Table 4.13 ANOVA of PP and FP

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.066	1	6.066	11.873	.001[b]
	Residual	32.188	63	.511		
	Total	38.254	64			

a. Dependent Variable: Financial Performance
b. Predictors: (Constant), Procurement Practices

Source: Survey Data (2020)

From table 4.13, the F-test value is 11.873, with a significant value of 0.001. The significant value of 0.001 is less than 0.05 (alpha), implying that we reject the null hypothesis. Therefore, we conclude that there is a statistically significant influence of procurement practices on the financial performance of public secondary schools in Kathiani sub-county.

The regression coefficients for procurement practices and the financial performance of public secondary schools in Kathiani sub-county are shown in table 4.14.

Table 4.14 Regression Coefficients of PP and FP

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.569	.585		2.682	.009
	Procurement Practices	.542	.157	.398	3.446	.001

a. Dependent Variable: Financial Performance

Source: Survey Data (2020)

Table 4.14 indicates that the constant regression is 1.569 which has a p-value of 0.009. The regression coefficient of procurement practices is 0.542 with a p-value of 0.001. The results indicate that the regression constant is statistically significant. The procurement practices have a significant value of 0.001 which is less than 0.05, confirming that there is a statistically significant influence of procurement practices on the financial performance of public secondary schools in Kathiani sub-county. The regression model can be summarized as follows.

$$\mathbf{Y = 1.569 + 0.542X_2 + \varepsilon_2} \text{ .... (3)}$$

4.10 Influence of Financial Recording Practices on Financial Performance

The third specific objective was to determine the influence of financial recording practices on the financial performance of public secondary schools in Kathiani Sub-county. To achieve the objective, regression analysis was conducted on the financial recording practices as the independent variable and the financial performance as the dependent variable. The results of the regression are presented in table 4.15 to table 4.17.

Table 4.15 shows the model summary of financial recording practices and financial performance.

Table 4.15 Regression Model Summary of FRP and FP

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.791[a]	.625	.619	0.47697

a. Predictors: (Constant), Procurement Practices, Financial Recording Practices

Source: Survey Data (2020)

As shown in table 4.15, the coefficient of determination (R^2) is 0.625. The value of R Square means that 62.5% of the variability in the financial performance of Kathiani sub-county public secondary schools can be explained by financial recording practices. Therefore, only 37.5% of the variability is explained by other factors not considered in the individual model. Table 4.16 below shows the analysis of variance (ANOVA) results of financial recording practices and financial performance of public secondary schools in Kathiani sub-county.

Table 4.16 ANOVA of FRP and FP

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	23.922	1	23.922	105.152	.000[b]
1	Residual	14.332	63	.227		
	Total	38.254	64			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Financial Recording Practices

Source: Survey Data (2020)

From table 4.16, the F-statistic is 105.152 with a significance level of 0.00. The p-value of the regression is less than our alpha of 0.05, implying that we reject the null hypothesis. Therefore, it can be inferred that there is a statistically significant influence of financial recording practices on the financial performance of public secondary schools in Kathiani Sub-county.

Table 4.17 presents the results of the regression coefficients of financial recording practices and the financial performance of public secondary schools in Kathiani sub-county.

Table 4.17 Coefficients of FRP and FP

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	.252	.328		770	.444
1	Financial Recording Practices	.898	.088	.791	10.254	.000

a. Dependent Variable: Financial Performance

Source: Survey Data (2020)

As shown in table 4.17, the regression constant is 0.252 with a p-value of 0.444. The financial recording practices have a coefficient of 0.898 with a significance value of 0.000. The p-value of the regression coefficient of financial recording practices is less than 0.05, confirming that there is a statistically significant influence of financial recording practices on the financial performance of public secondary schools in Kathiani Sub-county. The individual regression model can be summarized as shown in equation 4.

$$\mathbf{Y = 0.252 + 0.898X_3 + \varepsilon_3 \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (4)}$$

4.11 Influence of Financial Management Practices on Financial Performance

The study was based on a general objective to examine the relationship between financial management practices on the financial performance of pubic secondary schools in Kathiani sub-county. The analysis of the specific objectives was provided in the previous discussion, and it was established that there was a statistically significant influence of budgeting practices on the financial performance of public secondary schools of Kathiani Sub-county. However, there was no significant influence exerted by procurement and financial recording practices on financial performance. Therefore, it was necessary to examine the overall influence of the three independent variables on the dependent variable. Table 4.18 shows the regression model summary of financial management practices and financial performance.

Table 4.18 Model Summary of FMP and FP

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.805[a]	.648	.631	.46955

a. Predictors: (Constant), Procurement Practices, Financial Recording Practices, Budgeting Practices

Source: Survey Data (2020)

From table 4.18, the coefficient of determination (R^2) is 0.648, which implies that 64.8% of the variability in the financial performance of Kathiani Sub-county public secondary schools can be explained by budgeting practices, procurement practices, and financial recording practices. Therefore, 35.2% of the variability in financial performance is explained by other factors that were not considered in the study for regression.

Table 4.19 presents the ANOVA results of financial management practices and financial performance of public secondary schools in Kathiani sub-county. The table shows the significance level and the F-test results.

Table 4.19 ANOVA of FMP and FP

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.805	3	8.268	37.502	.000[b]
	Residual	13.449	61	.220		
	Total	38.254	64			

a. Dependent Variable: Financial Performance
b. Predictors: (Constant), Procurement Practices, Financial Recording Practices, Budgeting Practices

Source: Survey Data (2020)

From Table 4.19, the F-test is 37.502 with a significance value of 0.000 which is less than 0.05 (alpha). Therefore, the null hypothesis was rejected with the conclusion that there is a statistically significant relationship between financial management practices and the financial performance of public secondary schools in Kathiani Sub-county.

Table 4.19 also shows the regression coefficients of financial management practices and the financial performance of public secondary schools in Kathiani Sub-county. The t-statistics values are provided and the individual p-values of the constant and the variables under study.

Table 4.20 Coefficients of FMP and FP

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.784	.421		1.860	.068
	Financial Recording Practices	1.051	.115	.925	9.125	.000
	Budgeting Practices	-.067	.095	-.062	-.709	.481
	Procurement Practices	.227	.140	-.166	-1.622	.110

a. Dependent Variable: Financial Performance

Source: Survey Data (2020)

From Table 4.20, the regression constant is 0.784, the coefficient of financial recording practices is 1.051, the coefficient of budgeting practices is -0.067, and the regression coefficient of procurement practices is 0.227. From the significance values in the table above, it can be confirmed that jointly, only financial recording practices have a p-value less than the set alpha value ($p=0.000<$ alpha of 0.05), which implies that jointly considered, only financial recording practices have a statistically significant influence on the financial performance of public secondary schools in Kathiani sub-county. The overall regression model can, therefore, be presented in equation 5 below. From the equation, it can be implied that for every unit increase in budgeting practices, there will be a 0.067 decrease in financial performance. Further, for every unit increase in procurement practices, there is a 0.227 increase in financial performance. In addition it can be inferred that for every unit increase in financial recording practices, there is a 1.051 increase in the financial performance of public secondary schools in Kathiani Sub-county.

$$\mathbf{Y = 0.784 - 0.067X_1 + 0.227\, X_2 + 1.051X_3 + \varepsilon \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (5)}$$

CHAPTER FIVE

5.0 DISCUSSION

5.1 Introduction

Chapter five presents a summary of the research findings established through the data analysis in chapter four. The discussion is based on specific objectives. The study was anchored on one general objective and three specific objectives that were considered and examined individually.

5.2 Summary of Findings

The general focus of the study was to examine the impact of financial management practices on the financial performance of public secondary schools in Kathiani sub-county in Machakos County. Specifically, the research sought to investigate how budgeting practices, procurement practices, and financial recording practices influence the financial performance of the public secondary schools in Kathiani sub-county. The following discussion will provide a summary of the findings on the specific objectives.

5.2.1 Influence of Budgeting Practices on the Financial Performance of Public Secondary Schools in Kathiani Sub-County

From the data analysis, the correlation coefficient of budgeting practices and financial performance was 0.274, indicating that there was a weak positive correlation between budgeting practices and the financial performance of public secondary schools in Kathiani sub-county. The descriptive statistics indicated that the lowest standard deviation for budgeting practices is 0.77304, and the highest mean is 4.2923. This implies that the majority of the respondents agreed that budget estimates, as a budgeting practice, are discussed and approved by the board of management.

The results of regression analysis on the effect of budgeting practices on financial performance indicated that there is a statistically significant effect of budgeting practices on the financial performance of public secondary schools in Kathiani sub-county. The significance value (0.027) from the analysis of variance was below the alpha value of 0.05, implying that the null hypothesis was rejected.

The findings show that budgeting practices are on average followed in most public secondary schools in Kathiani sub-county. These findings were in agreement with the research findings of Nyakundi (2011) who stated that budget management is satisfactory in public secondary schools with a high level of satisfaction in the approval of budgets yearly as indicated by its larger weighted average of 3.86. He additionally established that budget estimates are on average adhered to in most public secondary schools. The study is also consistent with the findings of Onduso (2013) who established a strong and positive effect of budgeting practices on performance. The study further is a boost to empirical findings by Chetambe and Sakwa (2013) which did not find adequate utilization of budgeting practices in secondary schools.

5.2.2 Influence of Procurement Practices on the Financial Performance of Public Secondary Schools in Kathiani Sub-County

The correlation coefficient of procurement practices and financial performance of public secondary schools in Kathiani Sub-county was 0.398, implying that there was a weak, but positive, correlation that exists between procurement practices and financial performance. The descriptive statistics established that the procurement practices had a standard deviation of 0.74743 and a mean of 4.135, implying that the majority of the respondents agreed that the tender evaluation committee prepares the evaluation reports according to the criteria set up in the solicitation documents.

The regression analysis results indicated that the p-value of procurement practices and financial performance was 0.001, which was less than the alpha value (0.05). The corresponding F-statistic was 11.873. From the findings, it can be concluded that the effect of procurement practices on financial performance in public secondary schools in Kathiani sub-county is statistically significant. The study findings were consistent with the findings of Nyaga (2016) who established that there is a significant and strong association between procurement practices and financial performance. The results of the study are an enrichment to the study by Jane, Rotich, and Kiprop (2014) who did not analyze the association between procurement practices and performance. The study was also consistent with the findings by Cheruiyot (2018) who established the conformity of existing procurement practices by county government administration in Kenya.

5.2.3 Influence of Financial Recording Practices on the Financial Performance of Public Secondary Schools in Kathiani Sub-County

The research findings indicated that the correlation between financial recording practices and financial performance of public secondary schools in Kathiani sub-county was 0.791, implying that there was a strong positive correlation between the financial recording practices and financial performance. From the descriptive analysis, the financial recording practices had a standard deviation of 0.88171 and a mean of 4.1385, implying that the majority of the respondents agreed that the preparation of cash books leads to timely forecasts on the financial performance of schools.

The study aimed at establishing the influence of financial recording practices on the financial performance of public secondary schools in Kathiani sub-county through the least square method. A regression analysis was conducted which established that the statistical significance (p-value) was 0.000, which is less than the alpha (0.05). Therefore, it can be established that there is a statistically significant influence of financial recording practices on the financial performance of public secondary schools in Kathiani sub-county.

The findings of this study are in agreement with the findings of Nyakundi, (2011) who found out that there is a positive, very strong and significant relationship between the extent of use of financial management practices and the level of financial performance in public secondary schools. The findings of this study were also consistent with the findings of Koross et al (2005), who found out that the preparation and application of financial statements enhances financial performance in schools. Further, the findings were consistent with the findings of Mgandi et al. (2017) who established that financial recording practices influence the capability of school management in financial management and performance of secondary schools.

CHAPTER SIX

6.0 CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

Chapter six provides the conclusions and recommendations of the study. The conclusions are based on the research findings on the influence of financial management practices on the financial performance of public secondary schools in Kathiani Sub-county. The chapter also avails the policy recommendations that can be implemented in ensuring that the financial management of public secondary schools is enhanced.

6.2 Conclusions

The findings of the study established that there was a statistically significant influence of budgeting practices on the financial performance of public secondary schools in Kathiani sub-county. The study also found out that there was a significant influence of procurement practices on the financial performance of public schools in Kathiani sub-county. Further, financial recording practices had a statistically significant influence on the financial performance of public secondary schools in Kathiani sub-county.

According to the data collected, the majority of the respondents in the study were aged forty years and above. Only a few respondents were aged below forty years. The largest number of respondents were aged between forty-one to fifty years. There was some gender balance among the respondents with the females being slightly more than the males. Most of the respondents had at least a bachelor's degree while a few were diploma holders. Quite a number had professional qualifications like Certified Public Accountants (CPA).

More than half of the total respondents indicated that budgeting committees are in place in their institutions while the rest said that the role of budgeting is done either by the bursar or the accounts clerk with close supervision of the principal. All the respondents agreed that they did prepare budgets for the financial year 2013 and 2014. Out of all the budgets prepared, more than half had a deficit, a quarter were balanced while the rest had a surplus. A considerable percentage of the respondents said that not all the expenditures incurred during the 2013 and 2014 financial years were budgeted for. Some of them cited expenditure as a result of emergency and change of the academic calendar by the ministry as the main drawbacks to operating within their budgets.

Budgeting plays an important role in the payment of the suppliers and the collection of revenue. Budgeting practices help in directing capital and revenue resources in an organization. The management is forced to evaluate the needs that relate to timely implementation to generate a sense of caution and care. With the empowerment of the school management, obligations are decentralized through budgeting without losing control by the school managers. Various functional activities are well understood and coordinated by involving every stakeholder in the budgeting process. The secondary schools should ensure that budgeting is done by a select committee and that all the departmental heads should avail their requisitions before the preparation of respective budgets. All the budget estimates should be discussed by the board of management before further approval and periodic evaluations should be done within the budget periods.

The administrators of secondary schools need to stay focused, establish priorities and do proper planning of activities in their institutions. If this is done, they will manage their financial resources effectively and efficiently. Due to limited financial resources, spending priorities need to be established. The school administrators should not execute plans that are expensive and which will drive them into straining the stakeholders. According to Macharia (2002), schools should not over burden parents by initiating costly projects such as the purchase of buses. Therefore, it is important for school management to prioritize the needs of the schools by implementing development plans that are less tasking on the parents.

The secondary schools should start their budgeting process with a development plan. The budgets available to the respective schools should be used in the best way. Spreadsheet computer models can be utilized to draw costs, time, and desired models. Extrapolation can be used together with viable assumptions to ensure that revenue sources are factored in. The management should consider some sources like fundraising, disposal of unwanted property and equipment, and hiring of school premises. The stakeholders should be involved in the decisions of revenue generations. It is worth noting that the expenses of schools will increase with time hence the reason why school management needs to be aware of alternative sources of funding. Involving the stakeholders will increase the avenues of consideration. Such avenues include external sources like funding from lottery clubs, charitable organizations, donor funds, and other forms of sponsorships.

The public procurement act stipulates that each public institution is supposed to have a procurement committee that operates as per the provisions of the Act. Although the study did establish a significant influence of procurement practices on the financial performance of public secondary schools in Kathiani sub-county, there is a need for all the schools to have a clear procurement plan to guide their expenditure. The public school's administration should ensure that the procurement practices in place are effective and that they can support the implementation level compliance of procurement policies. Operative procurement practices help the management and the school stakeholders to use proper methods in the management of public resources.

In the study, the respondents indicated that they were indifferent to three indicators of the procurement practices. It therefore implies that more should be done by the management to link its procurement practices to the national procurement system for control purposes. Further, the procurement committees should be more involved in the review of procurement policies in the schools. The tender opening committees need to be more engaged in the tender evaluations as per the law. Through the linkage, there will be an enhanced tendering process that will strengthen the procurement practice and increase accountability in public secondary schools.

The construction contracts in the schools should adhere to the procurement guidelines. The tendering process should be done based on the best practices where quality is not compromised and costs are reduced to reasonable levels. The school management should never pick cheap contractors because the expenses, in the long run, will be high to maintain the facilities constructed. The contractor policies regarding health and safety should be evaluated and should conform to the school policies and requirements. The contractor needs to have information about school policies. Independent contractors can be engaged through the tendering process. The advantages of an independent contractor are that the costs will be minimized, management problems will be fewer since major issues will be sorted directly, termination of the contract can be agreed upon and notice provided.

It is a legal requirement for all schools to have their financial records audited once in a year. This audit is done by the directorate of audit services in the Ministry of Education and their reports serve to show how school resources are used. The mainly kept financial records in the public secondary schools include; stores ledger for consumables and permanent stores, cash book and local purchase orders. The study established that there was a significant influence of financial recording practices on the financial performance of Kathiani sub-county public secondary schools. There is however a dire need for public secondary schools to ensure that all financial transactions are properly recorded and securely kept. These records include store ledgers, debtors accounts, creditors accounts and assets registers.

6.3 Recommendations

This research aimed at establishing the influence of financial management practices on the financial performance of public secondary schools in Kathiani Sub County. Guided by the three objectives of the study, it has been found out that financial management practices have a statiscally significant influence on the financial performance of public secondary schools. The following are the main recommendations.

The study recommended that public secondary schools' management need to embrace sound budgeting, procurement, and financial recording practices. Each school should put in place budgeting and procurement committees made up of members who are proficient in budgeting, procurement procedures and financial recording practices. Principals, deputy principals and account clerks should be trained in budgeting procurement and financial records.

The study will yield huge benefits to academicians and researchers in the field of management of public finance and policy formulation. The study provides documentation of better practices that will help in the management of public schools' resources, and public policies for performance improvement. The documentation will not only help the researchers locally but also other institutions globally.

The ministry of education in conjunction with the teachers' service commission should conduct continuous in service training of the school administrators on the financial management practices to improve the schools` financial performance. Newly appointed principals should be trained on budgeting, procurement and financial recording to enable them to discharge their duties effectively. It is also recommended that teacher training programs be tailored to equip trainees with basic school financial management.

6.4 Suggestions for Further Research

This study found that there is a significant effect of financial management practices on financial performance of public secondary schools in Kathiani Sub County. However, when the overall indicators were jointly considered using the regression model, it was established that only 64.8% of the variability in the financial performance of the schools was explained by budgeting practices, procurement, and financial recording practices. The study therefore suggests that a further research be done to provide more information and empirical evidence on the effect of financial management practices on financial performance of public learning institutions.

Other factors not considered in this study can be researched to examine more what influences the financial performance of public secondary schools. The study did consider financial performance as the dependent variable. Financial performance of schools may not only be affected by financial indicators but also by non-financial indicators. More studies can be conducted to consider extended non-financial and financial indicators not considered in this study.

More units of study can be considered in future research to include a larger sample than the one considered in this study. A comparative study can be done between public secondary schools and privately-owned secondary schools. This could provide an in-depth analysis of the overall factors that affect the financial performance of secondary schools in Kenya.

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APPENDICES

APPENDIX 1: INTRODUCTION LETTER

Joseph Muia Kinyanzii,
South Eastern Kenya University,
P.O. Box 176,
Kitui.

Date …………………………….

To: The Respondent

Dear Sir/Madam,

RE: LETTER OF INTRODUCTION

I am a postgraduate student at South Eastern Kenya University pursuing an MBA (Finance). As part of the fulfillment of my degree program, I am undertaking a Financial Management research on the influence of principals' financial management skills on school financial performance public secondary schools in Kathiani District.

I am therefore requesting you to assist me in collecting data by filing the attached questionnaire. The information collected is purely for academic purposes and I assure you that the same will be treated with strict confidence. A copy of this research paper will be made available to you upon request.

Your co-operation and assistance will be highly appreciated.

Yours Sincerely,

Joseph M. Kinyanzii
Research Student

APPENDIX II: RESEARCH QUESTIONNAIRE

Answer all questions as indicated by either filling in the blank or ticking the option that applies.

SECTION A: GENERAL INFORMATION

Please indicate

1. Your Gender? Male ☐ Female ☐
2. Your age?
   20-30 Years ☐ 31-40 Years ☐ 41-50 Years ☐
   Over 50 Years ☐
3. Highest Academic Qualification
   Postgraduate ☐ Graduate ☐ Undergraduate ☐
   Diploma ☐ Certificate ☐ Others (Please Specify) ………
4. Type of School
   Girls ☐ Boys ☐ Mixed ☐
5. Category of school?
   National ☐
   County ☐
   Sub County ☐
6. Work experience
   0-5 years ☐ 6-10 years ☐ 11-15 years ☐ 16-20 years ☐
   Over 20 years ☐

SECTION B – Budgeting Practices and School Financial Performance

1 = Strongly Disagree 2= Disagree 3 = neither Agree nor Disagree
4= Agree 5= Strongly Agree

	1	**2**	**3**	**4**	**5**
7. Budgeting preparation is done by a selected budget committee					
8. Departmental heads present their budgetary requisitions before budget preparation.					
9. Budget estimates are discussed and approved by the board of management					
10. Budget reviews and controls are conducted periodically within the budget period.					

SECTION C: Procurement practices and school financial performance

11. Please indicate the extent to which a procurement plan guides the expenditure incurred.

a) 75 - 100% ☐ b) 50 - 74% ☐ c) 30% - 49% ☐

d) Below 30% ☐

12. Is every expenditure incurred supported by the necessary documentation?

a) Yes ☐ b) No ☐

The following statement seeks to find out the relationship between procurement practices and school financial performance. On a scale of 1-5, please tick appropriately.

1 = Strongly Disagree 2= Disagree 3 = neither Agree nor Disagree 4= Agree 5= Strongly Agree

	1	**2**	**3**	**4**	**5**
13. The procurement committee reviews the procurement policies and practices in the school.					
14. The tender opening committee is involved in the evaluation of tender bids following the laid down specifications, and tender documents.					
15. The tender evaluation committee prepares the evaluation report according to the criteria stipulated in the solicitation document and provides a recommendation of which bidder is to be awarded the contract.					
16. The inspection and acceptance committee inspects and reviews the goods and services to ensure compliance with the terms and conditions of the contract.					

SECTION D- Financial Recording Practices and School Financial Performance

The following statement seeks to find out the relationship between financial recording practices and school financial performance. On a scale of 1-5, please tick appropriately.

1 = Strongly Disagree 2= Disagree 3 = neither Agree nor Disagree 4= Agree 5= Strongly Agree

	1	**2**	**3**	**4**	**5**
17. Maintaining creditors' control accounts to summarize the individual creditor accounts affects financial performance.					
18. Maintaining debtors' control accounts to summarize the individual debtor accounts affects financial performance.					
19. Preparing cash books leads to timely forecasts on the financial performance of schools.					
20. Keeping store ledgers provides financial tracking of inventory; hence the evaluation of financial performance.					

SECTION E: Financial Performance

The following statement seeks to find out the school's financial performance. On a scale of 1-5, please tick appropriately.

1 = Strongly Disagree 2 = Disagree 3 = neither Agree nor Disagree 4 = Agree 5 = Strongly Agree

	1	**2**	**3**	**4**	**5**
21. Suppliers are paid in good time					
22. The collection of school revenue is adequate and satisfactory.					

End of Questionnaire

Thank you for your honesty and time taken in filling this questionnaire

APPENDIX III: RESEARCH SCHEDULE

Activity	Jan-May, 2019	June – December, 2020
Designing the research problem and objectives		
Designing a research methodology		
Literature review		
Data collection and analysis		
Report writing and submission		

APPENDIX IV: LIST OF SECONDARY SCHOOLS IN KATHIANI SUB-COUNTY

KATHIANI SUB-COUNTY

SECONDARY SCHOOLS

S/NO.	
1	KATHIANI GIRLS
2	KATHIANI BOYS
3	MITABONI ABC G.
4	MITABONI H. SCH.
5	NGIINI SEC. SCHOOL
6	NGOLENI SEC. SCHOOL
7	KAEWA SEC. SCHOOL
8	G. MULINGE SEC. SCHOOL
9	KALILUNI GIRLS SEC. SCH.
10	KITIE SECONDARY SCHOOL
11	KAANI LIONS SEC. SCHOOL
12	KAIANI SECONDARY SCH.
13	A.I.C MIUMBUNI SEC. SCH.
14	REV. KITONYI SEC. SCHOOL
15	ST. MARTIN KITHUNGUINI
16	THINU SECONDARY SCH.
17	MBUUNI MIXED
18	KIKOMBI SECONDARY SCH.
19	KALIKYA SECONDARY SCH.
20	KINYAU SECONDARY SCH.
21	MBEE SECONDARY SCH.
22	KISOVO SECONDARY SCH.
23	KAUTI SECONDARY SCH.
24	KWANGENGI SECONDARY
25	KITUVU SECONDARY SCH.
26	NTHUNGUNI SEC. SCH.
27	ST. VINCENT IMILINI
28	ST. BENEDICT KITULI
29	LUMBWA SECONDARY SCH.
30	KING'ONG'OI SEC. SCHOOL

DIRECTOR OF EDUCATION
KATHIANI SUB-COUNTY
02 AUG 2019
Sign
P.O. Box 5-90105, KATHIANI