

INFLUENCE OF PRINCIPALS' BOOK-KEEPING SKILLS ON FINANCIAL PERFORMANCE IN PUBLIC SECONDARY SCHOOLS IN BANISA SUB-COUNTY, MANDERA COUNTY, KENYA

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ABSTRACT

Purpose of the Study: To assess the influence of principals' book-keeping skills on financial performance in public secondary schools in Banisa Sub-county, Mandera County, Kenya.

Statement of the Problem: Financial book-keeping skills manifested by principals play a critical role for successful financial management in schools. However, financial performance of public secondary schools in Banisa Sub-county has been low characterized by imprudent use of financial resources, lack of accountability and inefficiency.

Methodology: The study applied mixed methodology and employed concurrent triangulation research design. The target population comprised 33 principals, 500 teachers, 363 members of School Board of Management and the Sub-county Financial Auditor totaling 897. Using the Central Limit Theorem, a sample of 8 secondary schools, that is, 24.2% of 33 secondary schools and 201 respondents, that is, 22.4% of 897, were selected. Stratified sampling was applied to create 4 strata based on the number of zones in Banisa Sub-county. From each zone, two principals and 25 members of school board of Management were selected using purposive sampling. However, from each zone, 23 teachers were selected using simple random sampling to eliminate bias. The Sub-county Financial Auditor was also purposively considered for the research. This sampling realized a sample of 8 principals, 92 teachers, 100 members of school Board of Management and the Sub-county Financial Auditor. Questionnaires were used to collect data from teachers and interviews for principals, members of School Board of Management and the Sub-county Financial Auditor. Data analysis began by identifying common themes. Qualitative data were analyzed thematically along the study objectives and presented in narrative forms. Quantitative data were analyzed descriptively and inferentially using Pearson's Product Moment Correlation Analysis in Statistical Packages for Social Science (SPSS Version 23) and presented using tables.

Findings: The study found that, over the past five years (2019-2023), financial performance in public secondary schools has been subpar due to widespread cases of irresponsible financial resource management, lack of accountability and inefficiency. Many public secondary schools continue to struggle with maintaining improved financial performance. This is attributed to inadequate or lack thereof of financial book-keeping skills manifested by principals.

Recommendations: The Ministry of Education should continually organize refresher courses to equip principals with financial book-keeping procurement skills.

Keywords: *Principals' book-keeping skills, financial performance, public secondary schools.*

INTRODUCTION

Financial management in secondary schools calls for prudence in book-keeping, accounting, budgeting, procurement, supervision and expenditure management and the school principal ought to demonstrate relevant skills in these tasks. In the Netherlands, Bird and Brush (2015) posits that head of institution means added responsibility for the principal who must manage the budget of the particular secondary school regardless of whether or not the principal is ready or sufficiently prepared for this financial role that require frequent checks of the institution's financial records. In Hong Kong, it is required that potential principals must pass certain qualifying tests which include financial management as a strategy for effective financial performance before being promoted.

In Pakistani, the principals get assisted by the state to acquire educational leadership and management training and are required to continually upgrade these skills (Shehnaz, 2016). Despite these concerted efforts, mismanagement of school funds has been on increase in public secondary schools (Shehnaz, 2016). For instance, in Venezuela, Danes, Stafford and Loy (2015) assert that, although some people in the society feel the problem is insignificant, mismanagement of funds has threatened to impediment to the development of secondary schools. This is owing to the fact that financial management is concerned with the management decisions that results in the acquisition and financing of long and short terms for the school. In educational reforms programme in United States Bill Clinton called for re-testing of principals' skills which include their financial management skills, with specific focus on book-keeping (Ayele, 2018).

Secondary school principals ought to have accounting and financial management skills which may assist them in keeping records concerning the pricing, budgeting, cash flow projections, recording all transactions up to date, book-keeping, stock taking and prepare regular financial reports and audits for the school. Cognizant of these assertions, Nakpodia (2017), in a study carried out in Czech Republic, indicated that principals need to have accounting and book-keeping skills for proper recording of financial transaction in the school. Nakpodia (2017) posits that secondary school records includes all books and files containing information relating to what goes on in that school and what type of property it owns. Nakpodia (2017) further

asserted that, in addition to accounting and financial records, other records which are useful in management include inventories, school logbooks, end of year examination results records, official correspondence files, file reference numbers confidential files and writing official letters to supervisors.

These findings attest to the fact that principals are expected to keep the records of attendance for effective and efficient management of the school yet they are not trained for it. To lend credence to these assertions, Nelson (2018), in a study conducted in Antigua, indicated that the accountable records kept in secondary schools include admission letters, class registers, staff registers, staff attendance register, terms and conditions of works. Inadequate knowledge in accounting makes it difficult for principals to account for school funds and keep accurate records as it is expected (Nelson, 2018). In other words, the records showing the property owned by the school has to be kept under the care of the principal of the school. In addition, the principal is supposed to keep operation-related records for effective management of the school. Nelson (2018) asserted that effective control of school resources including finance calls for establishment of tangible measures that show evidence in terms of records on the amount of money received as income as well as clear evidence on whether the funds are kept.

In most countries in Sub-Saharan Africa, Ezeocha (2019) indicated that principals must keep clear records on the expenditure indicating what was purchased in regard to quality, date of purchase and evidence of goods or services for which the stated payments were made. Besides, the principal who is not exposed to the basic concepts, which make it difficult or set back in their future career. In addition, the payment vouchers, cashbooks and the ledgers, the journals, and cheque books are useful to the principals since they assist them to manage finance in schools. These findings affirm the fact that poor recording and lack of basic management skills are major contributions of small business failure.

In a study conducted among secondary schools in Ghana, Abayi (2018) revealed that book-keeping and accountability is a very recent found term mostly used in day today administrative policy as well as public law, theory and practice. These are tools which enable secondary school principals to track records and monitoring books of accounts and evaluating the way school money is spent. In other words, accountability pre-supposes the behavior of the main actors who are responsible to give answers and justify his/her decision. Accountability of money deals with stewardship for the honesty in using money belonging to the public. In the same vein, in a study conducted in Uganda, Sackney and Dibski (2018) posited that accountability and book-keeping guarantee the public that their money has been used in a responsible and

profitable manner as intended. It verifies, legalizes and regulates financial accounts. In financial management accountability in an institution depends on internal and external control aiming at improving results. It reinforces transparency of money in all the public offices and institutions.

Accountability has various activities which includes financial accounting and reporting, accounting controls, procurement controls, physical controls, performance measurement and internal audit (Sackney & Dibski, 2018). Once the money authorized has been spent, it has to be accounted for and subsequently audited. There are two key accounting techniques relevant for current public sector: cash and accrual accounting. Under cash, transactions and events are recognized when cash is received or paid. Accrual based systems recognize transaction or events at the time economic value is created, transformed, exchanged, transferred or extinguished and when all, not only cash flows are recorded.

In Tanzania, the major problem is lack of accounting skills among the principals and negligence on the part of use of school resources or funds (Mutakyahwa, 2018). In Kenya and Banisa Sub-county, the situation is the same with poor record keeping and accounting information among secondary school principals making it difficult for financial institutions to evaluate potential risks and returns making them unwilling to lend to most schools whose managers have imprudent financial management skills. In a study carried out in Gatundu District, Mwangi (2012) record keeping is an essential skill that should be included in financial management training. However, most secondary school principals still manifest inadequacies in data transfer from books of original entry such as cash books and journals to ledgers and be able to prepare trial balance and make final accounts for the school. Mwangi (2012) asserted that principals and school development committees do have a major role to play in the management of resources. Despite these assertions, Mwangi (2012) had not expressly articulated how different accounting and book-keeping skills would guarantee prudent use of resources, efficiency and financial accountability.

STATEMENT OF THE PROBLEM

Financial book-keeping skills which principals possess are crucial for successful financial performance in public secondary schools. However, in Banisa Sub-county, this has not been the case. As noted earlier, a report by the Ministry of Education (2019) shows that 34.9% of public secondary schools have reported cases of wastages, financial pilferage, poor accountability and inefficiency. Mwangi (2012) also stated that, despite various trainings

principals undertake, complaints have been raised by different education stakeholders in relation to poor management of school finance. The government through the Ministry of Education has also complained about the loss of free day secondary education funds due to principals' incompetence in financial management skills (Mwangi, 2012).

Yet, it was not clear how principals' financial book-keeping skills influence financial performance in public secondary schools, thus, the study.

OBJECTIVES OF THE STUDY

- i. To assess the status of financial performance in public secondary schools in Banisa Sub-county.
- ii. To examine the influence of principals' book-keeping skills on financial performance in public secondary schools in Banisa Sub-county.

THEORETICAL FRAMEWORK

This study was guided by the Agency theory which was postulated by Adams (1994). This theory is extensively employed in the accounting literature to explain and predict the appointment and performance of external finance managers. The Agency Theory not only helps to explain and predict the existence of internal audit but that it also helps to explain the role and responsibilities assigned to secondary school principals by the organization, and that agency theory predicts how the internal financial function is likely to be affected by organizational change. Adams (1994) concludes that agency theory provides a basis for rich research which can benefit both the academic community and the internal auditing profession. The rationale of using this theory in this study is that it justifies the fact that financial book-keeping has to be framed in the social and cultural context in which this branch of knowledge exercises a fundamental and credible role in the dissemination of financial information.

This study was also guided by Resource Based Theory which was developed by Porter (2002) as some of its main proponents. With its focus on the structure conduct-performance paradigm, the industrial organization view put the determinants of firm performance outside the firm, in its industry's structure. Being positioned against this view, the RBV explicitly looks for the internal sources of sustained competitive advantage and aims to explain why firms in the same industry might differ in performance. The rationale of using this theory in this study is that the RBV theory indicates that exploiting a secondary school's non-imitable resources enables a school to create long-lasting competitive capabilities and to generate a competitive advantage which in the long run reduces pilferage and enhances efficiency.

RESEARCH METHODOLOGY

The study applied mixed methodology and employed concurrent triangulation research design. The target population comprised 33 principals, 500 teachers, 363 members of School Board of Management and the Sub-county Financial Auditor totaling 897.

Using the Central Limit Theorem, a sample of 8 secondary schools, that is, 24.2% of 33 secondary schools and 201 respondents, that is, 22.4% of 897, were selected. Stratified sampling was applied to create 4 strata based on the number of zones in Banisa Sub-county. From each zone, two principals and 25 members of school board of Management were selected using purposive sampling. However, from each zone, 23 teachers were selected using simple random sampling to eliminate bias. The Sub-county Financial Auditor was also purposively considered for the research. This sampling realized a sample of 8 principals, 92 teachers, 100 members of school Board of Management and the Sub-county Financial Auditor. Questionnaires were used to collect data from teachers and interviews for principals, members of School Board of Management and the Sub-county Financial Auditor. Data analysis began by identifying common themes. Qualitative data were analyzed thematically along the study objectives and presented in narrative forms. Quantitative data were analyzed descriptively and inferentially using Pearson's Product Moment Correlation Analysis in Statistical Packages for Social Science (SPSS Version 23) and presented using tables.

RESULTS AND DISCUSSIONS

This section presents the findings of the study based on the objective. It also outlines the methods of presentation of the study findings and discussions.

RESPONSE RATES

In this study, 92 questionnaires were administered to teachers out of which 88 questionnaires were filled and returned. At the same time, seven (7) principals, 80 members of school Board of Management and the Sub-county Financial Auditor were interviewed. This yielded response rates shown in Table 1;

Table 1: Response Rates

Respondents	Sampled Respondents	Those Who Participated	Achieved Return Rate (%)
Principals	8	7	87.5
Teachers	92	88	95.7
Members of School BoM	100	70	70.0
Sub-county Financial Auditor	1	1	100.0
Total	201	166	82.6

Table 1 shows that principals registered a response rate of 87.5%, teachers registered 95.7% as the response rate, members of school BoM registered 70.0% whereas the Sub-county Financial Auditor took part in the study.

On average, this yielded a response rate of 82.6%, which affirmed the assertions of Creswell (2014) that a response rate above 75.0% is adequate and of suitable levels to allow for the generalization of the outcomes to the target population.

Status of Financial Performance in Public Secondary Schools

The study sought to assess the status of financial performance in public secondary schools. This was done by assessing the number of cases financial misappropriation which have been reported in the schools. Results are shown in Table 2;

Table 2: Status of Financial Performance in Public Secondary Schools (2019-2023)

Financial Performance	No. of Cases About Financial Misappropriation
	%
Use of financial resources	11
Accountability	14
Financial efficiency	21

Source: Field Data (2024)

Table 2 reveals that financial performance in public secondary schools has been low with many cases of imprudent use of financial resources, accountability as well as financial efficiency. These findings corroborate the findings of a report authored by the Ministry of Education (2024) which showed that 34.9% of public secondary schools have reported cases of wastages, financial pilferage, poor accountability and inefficiency. These findings are indicative of the fact that, despite all the concerted efforts by all education stakeholders, financial performance in public secondary schools still remain low with many schools reporting instances of imprudent use of financial resources, lack of accountability and inefficiency.

Principals’ Book-keeping Skills and Financial Performance in Public Secondary Schools

The study sought to establish the influence of principals’ book-keeping skills and financial performance in public secondary schools. Descriptive data were collected and results are shown in Table 3;

Table 3: Teachers’ Views

Test Items	Ratings				
	SA %	A %	U %	D %	SD %
Accounting skills have enabled public secondary schools’ principals to ensure prudent use of resources, accountability and efficiency	52.4	9.5	3.2	23.0	11.9
Principals’ cash flow management skills have enhanced prudent use of resources, accountability and efficiency	60.3	8.7	5.6	20.6	4.8
Principals’ stock taking skills has enhanced prudent use of resources, accountability and efficiency	58.7	6.3	3.3	24.6	7.1
Public secondary schools’ principals’ ability to prepare regular financial reports has enhanced financial performance	65.1	10.3	3.1	16.7	4.8
Public secondary schools’ principals’ ability to prepare regular financial performance in schools	76.5	3.8	3.3	10.1	6.3

Field Data (2024)

Table 3 shows that 46(52.4%) of the teachers strongly agreed that accounting skills have enabled principals to ensure prudent use of resources, accountability and efficiency whereas 8(9.5%) agreed. On the contrary, 20(23.0%) of them disagreed whereas 10(11.9%) strongly disagreed. Majority 53(60.3%) of the teachers were in strong agreement that principals’ cash flow management skills has enhanced prudent use of resources, accountability and efficiency while 9(8.7%) agreed. On the contrary, 5(5.6%) were undecided, 18(20.6%) disagreed whereas 4(4.8%) strongly disagreed. The study revealed that 52(58.7%) of the teachers strongly agreed with the view that, principals’ stock taking skills has enhanced prudent use of resources, accountability and efficiency while 6(6.3%) agreed. However, only 22(24.6%) of them disagreed whereas 6(7.1%) were in strong disagreement.

In the same vein, 57(65.1%) of the teachers strongly agreed that principals’ ability to prepare regular financial reports has enhanced prudent use of resources, accountability and efficiency while 9(10.3%) agreed. However, 15(16.7%) disagreed whereas 4(4.8%) strongly disagreed. Majority 67(76.5%) of the teachers strongly agreed that principals’ ability to prepare regular financial performance in schools while 3(3.8%) agreed. However, 9(10.1%) disagreed whereas 6(6.3%) strongly disagreed. These findings corroborate the findings of a study carried out in

Czech Republic in which Nakpodia (2017) found that principals need to have accounting and book-keeping skills for proper recording of financial transaction in the school. These findings further support the assertions of Ezeocha (2019) that principals must keep clear records on the expenditure indicating what was purchased in regard to quality, date of purchase and evidence of goods or services for which the stated payments were made.

Besides, the principal who is not exposed to the basic concepts, which make it difficult or set back in their future career. In addition, the payment vouchers, cashbooks and the ledgers, the journals, and cheque books are useful to the principals since they assist them to manage finance in schools. These findings affirm the fact that poor recording and lack of basic management skills are major contributions of small business failure. These findings point to the fact that, though crucial in attaining financial performance envisaged in many public secondary schools, many principals still manifest low book keeping skills, which has made it difficult for schools to evaluate potential risks and returns. In other words, many public secondary school principals still manifest inadequacies in data transfer from books of original entry such as cash books and journals to ledgers and be able to prepare trial balance and make final accounts for the school. This has led to imprudent use of resources, inefficiency and lack of financial accountability.

Inferential Analysis

To further verify the influence of principals’ book-keeping skills and financial performance in public secondary schools, data were collected from the seven (7) sampled public secondary schools on how often (Very Often = 5, Often = 4, Sometimes = 3, Rarely = 2 and Never = 1) principals manifest financial book-keeping competencies and the average number of financial misappropriation cases reported in such schools for the last five years (2019-2023). Results are shown in Table 4:

Table 4: How Often Principals Manifest Financial Book-keeping Skills and the Financial Performance in Public Secondary Schools

How Often Principals Manifest Financial Book-keeping Skills	No. of Cases About Financial Misappropriation
2	9
1	13
2	17
4	12
5	14
1	3
2	7

Table 4 shows that the number of times principals manifest book-keeping skills contributes to financial performance in public secondary schools. In other words, schools where school heads

frequently manifest accounting, cashflow management and reporting skills, the number of cases of financial misappropriation have been low and vice-versa. Data in Table 4 were subjected to Pearson’s Product Moment Correlation Analysis. Results are shown in Table 5:

Table 5: Relationship between Principals’ Book-keeping Skills and Financial Performance of Public Secondary Schools

		Principals’ Book-keeping Skills	Financial Performance
Principals’ Book-keeping Skills	Pearson Correlation	1	.734*
	Sig. (2-tailed)		.038
	N	7	7
Financial Performance	Pearson Correlation	.734*	1
	Sig. (2-tailed)	.038	
	N	7	7

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

Table 5 shows a Pearson Product Moment Correlation Test Analysis which generated a correlation coefficient of $r = 0.734$ with corresponding significant level (p-value) of 0.038 which was less than the predetermined level of significance, 0.05, that is, $p\text{-value} = 0.038 < 0.05$. This indicates that there is a significant influence of principals’ manifestation of book-keeping skills on financial performance of public secondary schools.

Thematic Analysis

During the interviews, the principals also responded in favour of the view that book-keeping skills enable them to ensure prudent use of resources, accountability and efficiency. Principal, P1, noted;

I have basic accounting, cashflow management and stock taking skills as well as the ability to prepare regular financial reports which has made it easy for me to ensure that financial resources in my school are well-utilized, there is accountability as well as financial efficiency.

These views were supported by the members of school BoM who stated that, despite the challenges, most principals possess financial book keeping skills. However, on his part, the sub-county financial auditor indicated that most principals still lack financial book keeping skills. The Sub-county Financial Auditor noted,

Many principals do not keep clean financial records. Most of the records are haphazardly kept and sometimes not easy to understand the financial operations in most public secondary schools. In some occasions, there are not receipts for money spent.

Despite these contradictions, these findings underscore the vitality of financial book keeping skills in determining financial performance of public secondary schools. Just like quantitative findings, these views further corroborate the findings of Nakpodia (2017) and Ezeocha (2019) that principals need to have accounting and book-keeping skills for proper recording of financial transaction in the school. In summary, these mixed findings are indicative of the fact that many principals still manifest low book keeping skills, which has made it difficult for schools to evaluate potential risks and returns. In other words, many public secondary school principals still manifest inadequacies in data transfer from books of original entry such as cash books and journals to ledgers and be able to prepare trial balance and make final accounts for the school. This has led to imprudent use of resources, inefficiency and lack of financial accountability.

SUMMARY OF FINDINGS AND CONCLUSIONS

From the study findings, it is evident that, over the past five years (2019-2023), financial performance in public secondary schools has been subpar due to widespread cases of irresponsible financial resource management, lack of accountability, and inefficiency. Many public secondary schools continue to struggle with maintaining improved financial performance. This is attributed to principals' book-keeping skills. The study also found that a significant number of principals lack sufficient bookkeeping skills. In other words, financial records are often disorganized and difficult to comprehend in most public secondary schools. Additionally, there are instances where receipts for expenditures are not available.

RECOMMENDATIONS

The study recommends that the Ministry of Education should continually organize refresher courses to equip principals with financial book-keeping procurement skills.

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