

EVALUATION OF PRINCIPALS' FINANCIAL MANAGEMENT PERFORMANCE IN SEVENTH-DAY ADVENTIST SECONDARY SCHOOLS IN NORTHERN MALAWI

Samson Sibande, Millicent A. Ojwan'g*, and Daniel Allida

University of Eastern Africa, Baraton, P. O. Box 2500-30100, Eldoret, Kenya

*Corresponding Author: E-mail address - ojwangm@ueab.ac.ke

The purpose of this study was to evaluate principals' financial management performance in accounting and budgeting in Seventh-day Adventist (SDA) secondary schools in Northern Malawi. The study used descriptive comparative research design and was guided by Responsibility Centre Management theory and Accounting model of double entry. It compared principals' performance when grouped as boarding and day SDA secondary schools. The eighty respondents included five principals, five registrars, five business managers, and sixty five teachers. Data was collected through questionnaires and analyzed using Statistical Package of Social Sciences. The study found out that principals follow accounting and budgeting procedures. While there was a significant difference in principals' financial management performance in accounting, there was no statistically significant difference in budgeting in boarding and day schools. The study concluded that principals are effective in financial management performance in SDA secondary schools and recommended that this be maintained by providing in-service training regularly. It was suggested that this study be replicated elsewhere using a different methodology for comparison of results.

Keywords: Principals, financial management, accounting, budgeting, Malawi

Introduction

White (1903) admonishes school principals to be good stewards of all resources entrusted in their care. Effective management of school finances is crucial since all activities of the school and its ultimate performance rely on soundly managed finances (Paisey, 2012). According to Munge, Kimani, and Ngugi (2016), proper management of finances in secondary schools is very imperative to their operations.

The enactment of National Education System Law No. 20 in 2003 marked the beginning of education reform in Indonesia by leading to principals' autonomy in the schools, thereby empowering them to take charge of school financial management (Hadi, 2014). Mokoena (2013) observes that the South African government empowered principals to manage school finances in 1996. In Kenya, secondary school principals and boards of management have the mandate to oversee school financial management (Republic of Kenya, 2013).

According to Kemp (2015), principals participate in workshops for only a few days, receiving 10-20 hours' training in leadership skills upon their appointment in Japan, which is followed by short courses annually. Mito and Simatwa (2012) are categorical that principals must be adequately trained so as to make them effective managers seeing that they

are responsible for financial planning, budgeting, and accounting.

Research Problem

Principals' Handbook (2015) does not give specific responsibilities of the principal regarding financial management but by the end of the day, the reality is that the principal manages school finances. Wamba (2015) asserts that Malawi does not have a formal way to prepare its principals. Further, the Seventh-day Adventist Secondary Schools in Northern Malawi appoint any teacher as principal as long as he or she is in good standing with denominational regulations, has successfully completed a diploma/degree course in education, and has taught for a number of years (Moyo, 2016). In light of the stated scenario, this study, sought to answer the following two questions:

(a) *What is the principals' financial management performance in terms of accounting and budgeting in Seventh-day Adventist secondary schools in Northern Malawi?*

(b) *Is there a significant difference between the financial management performance of principals in terms of accounting and budgeting in Seventh-day Adventist boarding and day secondary schools in Northern Malawi?*



Null Hypothesis

Based on research question (b), the study tested the null hypothesis: There is no significant difference between the financial management performance of principals in terms of accounting and budgeting in Seventh-day Adventist boarding and day secondary schools in Northern Malawi.

Theoretical Framework

This study was guided by the Responsibility Centre Management Theory, which requires units to manage their own budget and increase accountability (Robinson & Last, 2009). This study was further informed by the Accounting Model, which is the key that unlocks the mystery of double-entry accounting (ICAEW, 2009).

Significance of the Study

The findings of the study will benefit Education Directors of the General Conference, Divisions, Unions and Field Conferences of the Seventh-day Adventist Church; Education Advisory Committees; and Ministry of Education and Teacher Education programs.

Justification of the Study

There are minimal studies done on financial management performance of principals in secondary schools in Malawi, hence the decision to conduct this study. The choice of Seventh-day Adventist secondary schools in Northern Malawi for this study was determined by the fact that the key researcher hails from and is an educator in Malawi.

Review of Literature

Financial Management Performance

Harrison (2014) observes that the term financial management, which was widely used in business circles for many years, is now applied to education also. Financial management in education is concerned with both the cost of education and the spending of the income in order to achieve clearly stated educational objectives. Okumbe (2007) asserts that it is the principal's responsibility to account for school revenue

and how it is spent.

Accounting. Hough (2000) describes school accounting as recording and reporting financial activities and events affecting personnel, facilities, materials and its programs. Specifically, it is concerned with determining what accounting records are to be maintained, how they are maintained; the procedures, methods and forms to be used; recording, classifying and summarizing activities or events; analyzing and interpreting recorded data; preparing and issuing reports and statements. In 2012, the Ministry of Education Science and Technology in Malawi specified the objectives of school accounting as:

- (a) Maintaining an accurate record of significant details in the business transactions of the school system.
- (b) Providing a basic and medium for planning and decision making of both policy making and administrative bodies at all levels.
- (c) Providing control system to ensure appropriate use of resources in educational organizations.
- (d) Setting priorities, establishing, analyzing and selecting alternatives in budgeting process and establishing an operational blueprint for the school system.
- (e) Providing a medium for reporting the financial condition of the school system to stakeholders for purpose of planning and policy making, accountability and control.
- (f) Providing basic input information to calculate and extend sub-budgets, tax levies, or transfer payments.

Budgeting. According to Wango and Gatere (2013), a budget is a financial master plan, which pulls together and makes resources available for various aims and purposes of the institution and sets out in advance, monetary requirements for a period of time. Preparing a budget is a major responsibility of the school principal, as it records the projected sources of revenue and items of expenditure.

Every school has a unique way of making and administering its budget. The budget is vital, because it helps to ensure that the school achieves its goals, establishes a control system, and motivates employees to work harder. KEMI (2013) describes three processes of budgeting as follows:

- (1) Preparation of budget, which is done before school opens.
- (2) Adoption and administration of the budget,

which is done during school Board of Management meetings.

- (3) Evaluation of budget result, which is done in the mid-year or at the year-end Board of Management meetings.

Some of the functions and uses of a budget include:

- Mapping: A budget is used to give the financial road map to be travelled in achieving the school goals and objectives.
- Controlling: The budget is a controller as it directs what to do and with how much over a period of time.
- Coordinating: By spelling out the connections of the school's plans and activities.
- Communicating: The budget acts as a means of communication that informs Board of Management members and staff what the organization will be doing.
- Instructing: A budget is regarded as a managerial directive to be followed.
- Authorizing: It authorizes actions to take place within the specified limits and time.
- Motivating: A budget is a motivational tool

- as it encourages managers to do the school developments within specified limits.
- Performance measurement: A budget is a framework within which activities are to take place.
 - Decision-making: Before drafting a budget, the principal and school management brainstorm on activities to take place at school (Republic of Kenya, 2012).

Methodology

Research Design

This study used a descriptive-comparative research design to describe the financial management performance of secondary school principals in accounting and budgeting and to compare their performance when grouped as boarding and day schools.

Population and Response Rate

Table 1

Categories and Number of Respondents

Category of Respondents	Number of Respondents
Principals	5
Business Managers	5
Registrars	5
Teachers	65
Total	80

All principals, Business Managers, Registrars and teachers in the five SDA secondary schools in Northern Malawi were respondents in this study as they were well-placed to describe the principals' financial management performance in the schools. There was 100% response rate.

Validity and Reliability of Research Instruments

Questionnaires were checked for content validity. Reliability was established through a pilot study conducted in two SDA secondary schools in Central Malawi. Cronbach's Alpha coefficient of 0.619 was

obtained in accounting items on the questionnaire, while in budgeting, it was 0.707, which were acceptable for this study.

Statistical Treatment of Data

Data gathered through questionnaires was analyzed using the Statistical Package for Social Sciences (SPSS) software. Research questions (a) and (b) obtained quantitative data, which were organized, summarized and described using descriptive statistics. Mann-Whitney U test was used to test the null hypothesis.



Ethical Considerations

Upon seeking and acquiring research clearance and authorization from all relevant authorities, the researchers got consent of every participating respondent in writing, whose information was treated with con-

fidentiality. Honesty and integrity were maintained throughout this study.

Table 2

Age of Respondents

	Frequency	Percent
40 years and below	4	5.0
41-55 years	35	43.8
56-65 years	40	50
66 years and above	1	1.3
Total	80	100.0

Table 2 shows that most (93.8%) of the respondents were in the 41-65 age brackets, which is an indication that most secondary school workers in North

Malawi Field Conference are matured enough to give dependable school financial management information.

Table 3

Gender of Respondents

	Frequency	Percent
Male	73	91.3
Female	7	8.8
Total	80	100.0

Table 3 shows that most (91.3%) secondary school workers in North Malawi Field Conference are male, with an underrepresentation of the females.

Table 4

Academic Qualifications

	Frequency	Percent
Diploma	4	5.0
Bachelor's degree	71	88.8
Masters' degree	5	6.2
Total	80	100

Table 4 shows that all respondents were well qualified and could understand the questions and provide appropriate answers to the items on the questionnaire.

ranging between six and twenty five years, therefore, they were knowledgeable enough to provide appropriate responses to items on the questionnaire.

Table 5 shows that almost 94% of the respondents had stayed in their current schools for a period

Table 5

Period Stayed at Current School

	Frequency	Percent
1-5 years	5	6.2
6-10 years	24	30.0
11-15 years	47	58.8
16-25 years	4	5.0
Total	80	100.0

Findings of the Study

Interpretation Scale:

1.00-1.49 Disagree (Low)

1.50-2.49 Tend to Disagree (Below Average)

2.50-3.49 Tend to Agree (Average)

3.50-4.00 Agree (High).

Research Question (a): *What is the principals' financial management performance in terms of accounting and budgeting in Seventh-day Adventist secondary schools in Northern Malawi?*

Table 6

Financial Management Performance in Accounting

	N = 80	M	SD
There is accounting system in the schools.		3.66	.73
Controls are in place in terms of preparation and approval transactions.		3.71	.67
Regular records of account and expenditure are submitted by the Accounts office to the principals' office		3.89	.32
Funds are properly accounted for and reported in accordance with established agreements		3.74	.59
Accounting and supporting documents such as receipts and vouchers are submitted and kept in the accounts office		3.75	.59
Disbursement of funds to school departments is done on time		3.04	.66
Priority is given to areas of school needs that are most pressing		3.13	.51

Findings in Table 6 show that there is accounting system in the SDA secondary schools; there are controls in place in terms of preparation and approval transactions; regular records of account and expenditure are submitted by the Accounts office to the

principals' office; funds are properly accounted for and reported in accordance with the established agreements; and accounting and supporting documents such as receipts and vouchers are submitted and kept in the accounting office. Respondents tended to agree that



disbursement of funds to school departments is done on time and priority is given to areas of school needs that are most pressing.

Table 7

Financial Management Performance in Budgeting

	N = 80	M	SD
Budgeting includes physical and financial resources		3.83	.55
Expenditure is frequently compared to the budget		3.69	.67
The approval of budget is done during school session		1.28	.73
The principal is responsible for preparation of budget		2.89	.62
All teaching and learning materials bought are within the budget		3.14	.52
The principal is responsible for control, approval and implementation of budget		1.24	.73
We follow budgeting procedures strictly		3.78	.55
Budgeting systems are adhered to		3.71	.62
School finance runs within the budget		3.60	.67
Staff salaries are accommodated in the budget		3.83	.59
There is provision for unforeseen expenditure in the budget		3.95	.29
The costs of implementing educational programs are carefully considered		3.16	.46
Principals collaborate with heads of departments on budgetary plans		3.83	.55

Findings in Table 7 affirm that budgeting includes physical and financial resources; expenditure is frequently compared to the budget; they followed budgeting procedures strictly; budgeting systems are adhered to; school finance runs within the budget; staff salaries are accommodated in the budget; there is provision for unforeseen expenditure in the budget; and that principals collaborate with heads of departments on budgetary plans. Respondents tended to agree that the principal is responsible for preparation of budget; all teaching and learning materials bought are within

the budget; and that the costs of implementing educational programs are carefully considered. Respondents disagreed that the principal is responsible for control, approval and implementation of budget.

Research Question (b) *Is there a significant difference between the financial management performance of principals in terms of accounting and budgeting in Seventh-day Adventist boarding and day secondary schools in Northern Malawi?*

Table 8

Comparison of Financial Management Performance in Accounting: Group Statistics

	Category of school	N	Mean	Std. Deviation	Std. Error Mean
Financial performance in accounting	Boarding	59	3.65	.21	.027
	Day	21	3.32	.23	.051

The group statistics displayed on Table 8 reveals that boarding secondary schools mean ($M=3.65$) was higher than that of day secondary schools ($M=3.32$), which means that workers in boarding sec-

ondary schools agreed with a high rating with principals' financial management performance in accounting while those in day secondary schools only tended to agree, an average rating.

Table 9

Mann-Whitney Test Ranks

	Category of school	N	Mean Rank	Sum of Ranks
Financial performance in accounting	Boarding	59	48.22	2845.00
	Day	21	18.81	395.00
	Total	80		

Table 10

Test Statistics

	Financial performance in accounting
Mann-Whitney U	164.000
Wilcoxon W	395.000
Z	-5.128
Asymp. Sig. (2-tailed)	.000

When the Mann-Whitney U statistic, was calculated to determine whether there was any statistically significant difference between the financial management performance of principals in terms of accounting in SDA boarding and day secondary schools in Northern Malawi, the study yielded a Z score of -5.128 with

a p- value of 0.000, which is less than the significant level of 0.05 and confirm that the null hypothesis was rejected: there is a statistically significant difference between principals' financial management performance in accounting in SDA boarding and day secondary schools in northern region of Malawi.

Table 11

Comparison of Financial Management Performance in Budgeting: Group Statistics

	Category of school	N	Mean	Std. Deviation	Std. Error Mean
Financial management performance in budgeting	Boarding	59	3.24	.17	.02
	Day	21	3.18	.15	.03



Table 11 shows group statistics indicating that boarding schools had a mean of 3.24 while day schools had a mean of 3.18. Both categories of SDA secondary schools had an average rating that principals in northern of Malawi had effective financial management performance in budgeting.

When the Mann-Whitney U statistic, was calculated to determine whether there was any statistically significant difference between the financial

management performance of principals in budgeting in Seventh-day Adventist boarding and day secondary schools in Northern Malawi, the study yielded a Z score of -1.513 with a p- value of .130, which is greater than the significance level of 0.05. Therefore, the null hypothesis was accepted: there is no significant difference between the financial management performance in budgeting of principals in SDA boarding and day secondary schools in northern Malawi.

Table 12

Mann-Whitney Test Ranks

	Category of school	N	Mean Rank	Sum of Ranks
Financial management performance in budgeting	Boarding	59	42.81	2526.00
	Day	21	34.00	714.00
	Total	80		

Table 13

Test Statistics

	Financial management performance in budgeting
Mann-Whitney U	483.000
Wilcoxon W	714.000
Z	-1.513
Asymp. Sig. (2-tailed)	.130

Discussion of the Findings

Findings on principals' financial management performance in accounting had high ratings with relatively low standard deviations, which imply that principals in SDA secondary schools in Northern Malawi are effective in financial management performance in terms of accounting. The principals ensure that financial controls are put in place. This finding is similar to that of Munge, Kimani, and Ngugi (2016) who found out that there were instances of strong financial controls in monitoring how finances were utilized by involved departments and persons and more so the existence of control activities in schools. However, the finding is contrary to a study by Mokoena (2013), who found out that most principals were not prepared to share their financial powers with the school governing

boards and hence, did not submit any accounts reports. A study by Magak (2013) also found out that principals had poor financial management as they were not adequately trained.

Respondents confirmed that receipts and vouchers are submitted to the accounts office as required. This is in line because when records are available, auditing of books can be enhanced. Bragg (2012) postulates that accounting records are typically exhibits of evidence to auditors who need to verify the transactions which have occurred.

Most findings on principals' financial management performance in budgeting had high ratings with relatively low standard deviations. This implies that principals of SDA secondary schools in Northern Malawi are effective in financial management performance in terms of budgeting. Respondents in

this study indicated that budgeting includes physical resources. Taiwo and Abayomi (2012) support this finding by stating that if you look at physical spending as an investment in your organization's future, you will budget for it. This study also affirmed that expenditure is frequently compared to the budget. Bragg (2012) argues that creating a budget versus actual comparison is extremely important because it allows the user(s) to alter their future financial forecasts based upon the figures collected from the monthly reports.

Respondents affirmed that they followed budgeting procedures strictly; budgeting systems are adhered to; school finance runs within the budget; staff salaries are accommodated in the budget; there is provision for unforeseen expenditure in the budget; and that principals collaborate with heads of departments on budgetary plans. These findings are in line with SID Financial Officer's Handbook (2015), which has provisions for the same. Although the response on the item 'principal is responsible for preparation of budget' ($M=2.89$; $SD=.62$) was average, the standard deviation indicates that some respondents were not in agreement. The implication is that the Business Manager does the preparation of the budget in close consultation with the principal.

Respondents disagreed with a low rating ($M=1.24$; $SD=.73$) that the principal is responsible for control, approval and implementation of budget. This is congruent with SID Financial Officer's Handbook (2015), which states that the principals' duty is to review and adjust the budget as necessary. One implication is that the Business Manager does the preparation, control, and implementation of budget. Another implication is that the school governing board does the approval of the budget. Respondents disagreed that the approval of budget is done during school session ($M=1.28$; $SD=.73$). This is in line because approval of budget is done during school holiday so that when school re-opens, it is operational. KEMI (2013) stipulates that preparation of the budget is done before school opens.

This study yielded a Z score of -5.128 with a p-value of 0.000, which is less than the significance level of 0.05, therefore, null hypothesis was rejected: there is a statistically significant difference between principals' financial management performance in accounting in SDA boarding ($M=3.65$) and day ($M=3.32$) secondary schools. This could be due to the fact that boarding schools cater for both room and board apart from academics, thereby having more activities and financial

transactions than day schools, which calls for their principals to have mastery of accounting procedures so as to keep up with the requirements.

This study yielded a Z score of -1.513 with a p-value of .130, which is greater than the significance level of 0.05, therefore, the null hypothesis was accepted: there is no statistically significant difference between the financial management performance in budgeting of principals in SDA boarding and day secondary schools in northern Malawi. This finding is similar to a study done by Grissom (2011) who observed that most principals are able to follow a school budget because they know that in an educational institution, budgeting is a valuable tool for both planning and evaluating.

Conclusions

1. Principals are effective in financial management in Seventh-day Adventist secondary schools in Northern Malawi.
2. Most Principals follow accounting procedures in Seventh-day Adventist secondary schools in Northern Malawi, with boarding schools rating higher than day schools.
3. Principals of both boarding and day Seventh-day Adventist secondary schools follow budgeting procedures.

Recommendations

For practice: Uphold principals' effective financial management performance by ensuring regular in-service training.

For further study: Replicate a similar study elsewhere using a different methodology for comparison of results.

References

- Bragg, S. (2012). *A guide to constraint management guide*. Retrieved from <https://www.toc-goldratt.com/en/product/throughput-accounting-a-guide-to-constraint-management>
- Grissom, J. A. (2011). *Triangulating principal's effectiveness on managerial skills*. USA: University of Missouri.
- Hadi, N. (2014). Principles of democracy, justice and decentralization: *Indonesian Educational Journal*, 81(5), 120-152.



- Harrison, R. (2014). *Manager's expectations: Evaluation and training*. NY, USA.
- Hough, J. R. (2000). *UNESCO report*. U. K.: South borough University.
- ICAEW. (2009). *Development in new reporting model*. London: Author.
- KEMI. (2013). *Capacity building of Education managers towards achievement of Education for all goals*. Nairobi: KEMI.
- Kemp, N. (2015). *Skills outlook*. Paris: Paris Publishers.
- Magak, E. O. (2013). *Challenges facing head teachers in financial management in public secondary schools: A Case of Kisumu East District, Kenya* (Unpublished master's thesis). University of Nairobi, Kenya. Retrieved from erepository.uonbi.ac.ke
- Mito, E.A., & Simatwa E. M. W. (2012). Challenges faced by newly appointed principals in the management of public secondary schools in Bondo district, Kenya: An analytical study. *Educational Research*, 3(4), 388-401.
- Mokoena, K. M. (2013). *Public school principals' understanding of their role in financial management and the implementation of finance policy* (Unpublished master's thesis). University of Pretoria, South Africa. Retrieved from repository.up.ac.za/bitstream/handle/2263/41538/Makoena_public_2013.pdf?sequence=1&isAllowed.
- Moyo, A. (2016). *How to appoint principals*. Workers meeting report in North Malawi Field.
- Munge, M. N., Kimani, M., & Ngugi, D. G. (2016). Factors influencing financial management in public secondary schools in Nakuru County, Kenya. *International Journal of Economics, Commerce and Management*, 14(9), 91-114. Retrieved from <http://ijecm.co.ok/>
- Okumbe, J.A. (2007). *Education management, theory and practice*. Nairobi: University Press.
- Paisey, A. (2012). *Organization and management in schools: Perspective for practicing teachers and governors* (2nd ed.). London: Longman.
- Principals' Handbook (2015). *Seventh-day Adventist primary, secondary & colleges*. Silver Springs, USA.
- Republic of Kenya. (2012). *Budget statement for fiscal year 2012-2013*. Nairobi: The Government Printer.
- Republic of Kenya (2013). *The basic education act, No. 13 of 2013*. Nairobi: The Government Printer.
- Robinson, M., & Last, D. (2009). *A basic model of performance based budgeting*. Washington, USA: International Monetary Fund.
- Taiwo, M., & Abayomi, T. (2012). *Government expenditure and economic development: Empirical evidence from Nigeria*. Osogbo, Nigeria: Fountain University. Retrieved from https://mpr.ub.uni-muenchen.de/37293/1/MPRA-paper_37293.pdf
- SID Financial Officer's Handbook. (2015). Pretoria, South Africa: Southern Africa-Indian Division.
- Wamba, N. (2015). Head teacher preparation in Mzuzu, Malawi, Africa. *Journal of Education and Learning*, 4(4), 119-135. Retrieved from files.eric.ed.gov/fulltext/EJ1097757.pdf
- Wango, G. M., & Gatere, A. W. (2013). *Leadership professional development through integrity and financial accountability: Curbing fraudulent practices in schools*. Nairobi: Kenya Education Management Institute
- White, E. G. (1903). *Education*. Mountain View, CA: Pacific Press Publishing Association.