

Effects of Management Commitment on Financial Performance of Private Schools: A Survey of Selected Schools in Trans-Nzoia County, Kenya

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Abstract

The aim of this study was to examine the effect of management commitment on financial performance of private schools in Transnzoia County The study was conducted through a descriptive research design. In this study the target population was all the directors and employees of selected twenty five private schools in Transnzoia County. For the purpose of this study, the researcher used both primary and secondary data. The secondary data was obtained from comprehensive archived sources namely published material, journals, internet sources and books while primary data was collected by the use of questionnaires. Descriptive analysis was employed to analyse qualitative data. Pearson correlation coefficients were constructed to test the relationship between the dependent and independent variable. The findings were presented in the form of frequency distribution tables. The findings of this study indicated that all the study variables management commitment ($r=0.798$, $p=0.000$) training ($r=0.868$, $p=0.000$), monitoring and evaluation ($r=0.776$, $p=0.000$) and organization policies & structure ($r=0.819$, $p=0.000$) had a significant relationship with financial performance. Based on the findings of this study, it was recommended that Private schools in Transnzoia County should invest more in staff development, they should ensure effective budgeting process is facilitated through capacity building, robust systems and processes and prioritization All stakeholders should get involved in budget execution in enhancing the overall budget control process and there is need to establish a strong link between the planning process and the budget control process. Schools need to adopt a medium term plan to define priorities for their daily tasks. The study lastly recommended that further research be done on the same field but in other sectors or organizations another should focus on other determinants' of budget control.

Keywords: Management Commitment, Financial Performance, Budget Control.

1.0 Introduction

All over the world, the budget is recognized as the key element for economic management (Kiringai, 2002). It is nevertheless also recognized that a country can have a sound budget and financial system and still fail to achieve its intended targets. This suggests that the rules of the game by which the budget is formulated and implemented are equally important and that they do influence outcomes of organizations (Schick, 1999). Budgetary control is the process of developing a spending plan and periodically comparing actual expenditures against that plan to determine if it or the spending patterns need adjustment to stay on track. This process is necessary to control spending and meet various financial goals. Organizations rely heavily on budgetary control to manage their spending activities, and this technique is also used by the public and the private sector as well as private individuals, such as heads of household who want to make sure they live within their means (Dunk, 2009). Budgetary control is a system of management control in which the actual income and spending are compared with planned income and spending, so that the firm can make decisions if plans are being followed and if those plans need to be changed in order to make a profit. Budgetary control is the one of best technique of controlling, management and finance in which every department's budget is made with estimated data. Then, the management conducts a comparative study of the estimated data with original data and fix the responsibility of employee if variance will not be favorable. Organizations can use budgetary control in forecasting techniques in order to make plan and budget for the future (Epstein and McFarlan, 2011). According to Siyanbola&Tunji (2013), a budget is a parameter which measures the actual achievement of people, departments, ministries and firms, while budgetary control ensures that actual results are positively or negatively in accordance with the overall financial and policy objectives of the establishment. Therefore private schools financial performance can be influenced by their budgetary control measures applied to determine the extent of achievements of expected and set goal in relation to the outcome.

1.2 Statement of the Problem

According to Scarlett, (2008), budgetary controls refer to the principles, procedures and practices of achieving given objectives through budgets. The budgetary control system helps in fixing the goals for the organization as a whole and concerted efforts made for its achievements. It enables economies in the enterprise. Preetabh,(2010),

highlighted the benefits of budgetary control as profit maximization; a budgetary control aims at maximization of profits or an organization through, proper planning and co-ordination of different functions, proper control over various capital and revenue expenditures and putting resources into best use. Coordination; achieved through working of different departments and sectors. Waren,(2011) noted that within an organization , different departments have a bearing on one another, this therefore makes coordination of various executives and subordinates necessary in achieving of budgetary targets. Other budgetary benefits as indicated by Preetabh (2010) include; Specific time aims; the plans, policies and goals are decided by the top management. All efforts are put together to reach the common goal of the organization. Although the Kenya Education Management Institute has been inducting private school Head teachers on financial management skills, some school managers are still involved in financial mismanagement through: misappropriation, misallocation and embezzlement of school manager financial resources. In addition there has been unprecedented continuous poor students' academic performance in national examinations especially in schools with poorly managed finances leading to outcry from stakeholders. There has been an increase in dissatisfaction with the way Principals have been managing the school finances resulting to students' violence, parent's demonstrations and interdiction of some Head teachers in private schools (Baraka, 2010).

Even though the Principals have attended financial management skills under KEMI, in transzoia county most of the Principals are not able to adhere to public financial accounting instructions it is noted that in the county, 10% of the Principals could not prepare financial books of accounts, 30% had incomplete cash books, 60% had incomplete payment vouchers and 80% had inadequate training on financial management skills [(GOK: private Schools (2009)]. This inefficient skill in financial management makes it difficult for the management to monitor and evaluate their financial performance. There was therefore great need to effect of management commitment on financial performance of private schools in Transzoia County.

2.0 Effect of Management Commitment on Budgetary Control

The power of management within budgetary controls may revolve around the degree to which organizations top management accepts the budget program as a vital part of school's activities. It can also be viewed in the context within with organizational management uses budgeted plans developed. All individuals responsible for achieving results should be consulted in the formulation of budgets. No system of budgetary control can succeed without the mutual understanding of superiors and subordinates. The organisation should communicate the outcome of budget decisions to all the relevant staff. Budgets have an important part to play in the communication of objectives, targets and responsibilities throughout the organization. Carried out properly, this can have considerable benefits in promoting co-operation at all levels (Callahan and Waymire, 2007).

Badu (2011) conducted an investigation of budgeting and budgetary Control at Ernest Chemist Laurea. The aim of this study was to conduct research concerning the budgeting practice in Ernest Chemist, a pharmaceutical company based in Ghana, and identify the perception of the budgeting experts in the company and assess their views towards the current status of the company. This research was necessary in order to assess the possibility of solving any problem this organization may face in designing an effective budgeting and budgetary control system. The results of the study indicated that the appropriate system of budgeting and budgetary control had been adopted and used to prepare the pharmacy's budgets but there were a few problems associated with ethical issues which were also revealed.

In their study, Nickson and Mears (2012) examined the relationship between budgetary control and performance of state ministries in Boston Massachusetts, the results concluded that proper budgetary control measures led to performance of state ministries.

In determining resource allocations, the budget should reflect the development agenda of a country through which it influences the attainment of national growth and investment targets (Needles, 2011). The task of budget preparation is often seen as an accounting activity that concentrates on the annual recurrent budget while planning is seen as a medium-term activity. In this approach, the annual budget ensures control over aggregate expenditure and generates detailed financial statements on resource utilization but is not concerned with broad strategic development over the medium-term (Needles, 2011). (Preetabh, 2010). Nyageng'o (2014) carried out a study to identify determinants to effective budget implementation among local authorities in Kenya. The results of the study revealed that effective budgetary controlled to improved performance of local authorities. Serem (2013) established that there is a weak positive effect of budgetary control on performance of Non-Governmental Organizations in Kenya measured by R square at 14.3%.

3.0 Methodology

The study adopted a descriptive survey design. The target population was 25 private schools in Trans Nzoia County. The study targeted a population of all the 25 Directors, 25 Principals and 25 Bursars in the county. Census was applied since the study population was not a large. A questionnaire was applied for collecting data. validity was checked by experts and reliability was tested using Cronbach Alpha. The questionnaires were

administered to the selected Directors, Principals and bursars (Fraenkel & Wallen, 2008). The questionnaires were self-administered through drop and pick from the respondents before leaving for the next selected school to continue with the exercise. The study further employed multivariate regression model to study the determinants of budgetary control on financial performance of private schools. Regression model was used because of its ability to test the nature of influence of independent variables on a dependent variable. Regression was able to estimate the coefficients of the linear equation, involving one or more independent variables, which best predicted the value of the dependent variable.

4.0. Discussions

From the study 75 respondents were sampled, hence 75 questionnaires was issued. However, out of this number, 67 questionnaires were received out of which 8 were poorly or inappropriately filled and were therefore not used in the analysis. In all a total number of 67 questionnaires were used for analysis and this represents 89.3% response rate. Table 4.1 depicts the distribution of the responses. The response rate of 89.3% was deemed adequate for both the analysis and interpretation of the data and hence used in that regard.

The research sought to find out the effects of management commitment on financial Performance of Schools in Tranunty. The results were tabulated in table 4.6 as follows; From the findings respondents indicated that there is a regular follow up on budget plans by the budget committee , this was agreed at 76.1% while a cumulative total of 7.5 % disagreed and 16.4% were undecided, on whether private schools in Trans Nzoia County engages its stakeholders in making key budget decisions, the respondents agreed with 71.7% while 11% disagreed and 8% were undecided, on the issue that private schools in Trans Nzoia County conducts regular audit of the estimated and actual budget , the respondents agreed at 86.6% while 10.5% disagreed and 3% were undecided. Further on whether school managers hold budget conferences and meetings regularly to review performance, it was agreed at 80.6% while 10.4% were undecided and 9% disagreed ,lastly when asked whether the schools budget deviations are reported to budget committees, the respondents agreed at 83.6% while 6% disagreed and 10.5% were undecided. This implies that all the respondents were in agreement that management commitment is significant for financial Performance of private schools in Trans Nzoia County.

These findings concur to that of Callahan and Waymire (2007) who stated that all individuals responsible for achieving results should be consulted in the formulation of budgets. They further stated that no system of budgetary control can succeed without the mutual understanding of superiors and subordinates. The organisation should communicate the outcome of budget decisions to all the relevant staff.

Table 4.1 Management Commitment and Financial Performance of Schools

Management Commitment		SA	A	U	D	SD
There is a regular follow up on budget plans by the budget committee	F	14	37	11	3	2
	%	20.9	55.2	16.4	4.5	3
The organization engages its stakeholders in making key budget decisions	F	28	20	8	9	2
	%	41.8	29.9	11.9	13.4	3.0
The organization conducts regular audit of the estimated and actual budget	F	29	29	2	2	5
	%	43.3	43.3	3	3	7.5
Managers hold budget conferences and meetings regularly to review performance	F	36	18	7	4	2
	%	53.7	26.9	10.4	6	3
The organization's budget deviations are reported to budget committees	F	31	25	4	2	5
	%	46.3	37.3	6	3	7.5

4.2 Correlation analysis

From the study Karl Pearson's coefficient of correlation was used to check the linear relationship between the variables, The Pearson correlation coefficient is a very useful way to measure the existence of relationships between independent and dependent variables. The evaluation of the correlation was in accordance to Saunders (2003) who indicated that $r=1$ shows a Perfect linear correlation, $0.9 < r < 1$ indicates Positive strong correlation, $0.7 < r < 0.9$ Positive high correlation $0.5 < r < 0.7$ Positive moderate correlation, $0 < r < 0.5$ Weak correlation $r=0$ No, relationship and $-1 < r = < 0$ Negative relationship.

Correlations between management commitment and financial performance
Table 4.2 Correlations between management commitment and financial performance

		Management commitment	Financial performance
Management..commitment	Pearson Correlation	1	.798
	Sig. (2-tailed)		.002
	N	67	67
financial...performance	Pearson Correlation	.798	1
	Sig. (2-tailed)	.002	
	N	67	67

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

The table 4.2 is giving the relationship between management commitment and financial Performance of schools in Trans Nzoia County whereby the respondents N is 67 and the significant level is 0.01, the results indicate that management commitment has positive high correlation to financial performance($r=0.798$, $p=0.000$) which was less than the significant level of 0.05. When p-value is less than significant level of 0.05, it is can be concluded that variables are correlated and null hypothesis is rejected and the alternative hypothesis is adopted (Saunders, 2003). This indicates that that there is a significant association between management commitment and financial Performance of private schools in Trans Nzoia County. This implies that management commitment contributes to positive financial Performance of private schools in Trans Nzoia County.

4.3 Regression analysis

In this study, a multiple regression analysis was conducted to test the influence among predictor variables and financial performance of private schools. All the null hypotheses were tested using the multiple regression models. For hypothesis, the regression equations were first obtained using the B coefficients on the line of best fit. The decision rule was that when the p-value is less than the conventional 0.05 the null hypothesis is rejected and when it is above the conventional value 0.05 the null hypothesis is accepted. The results are shown in the section that follows

Table 4.3 Model Summary of the dependent and dependent variables

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.939 ^a	.881	.874	.167

a. Predictors: (Constant), Management commitment

Table 4.3 illustrates the model summary used in this study, Adjusted R squared is coefficient of determination which tells us about the version in the dependent variable due to changes in the independent variable, the value of adjusted R squared was 0.881 an indication that there was variation of 88.1% on financial performance of private schools in Trans Nzoia County due to changes in the independent variables management commitment. This shows that 88.1% changes in financial performance of private schools could be accounted for by management commitment. R squared is the correlation coefficient which shows the relationship between the study variables, these findings indicated that there was a strong positive relationship between management commitment. and financial performance of private schools in Trans Nzoia County as shown by 0.874.

From findings revealed that the regression weights of all of the independent variables were significant with Management commitment $p=0.000$. The standardized coefficients indicate the corresponding change in the dependent variable when a change of one unit is effected in the independent variable. Thus, a unit change in Management commitment will lead to a 0.158 unit change in financial performance of private schools in Trans Nzoia County.

5.0 Conclusions and recommendation

From the study it was concluded that there is a regular follow up on budget plans by the budget committee, private schools in Trans Nzoia County engages its stakeholders in making key budget decisions, also private schools conducts regular audit of the estimated and actual budget.

Based on the findings of this study, the following recommendations were made: Private schools in Trans Nzoia County should invest more in staff development in order to enhance their financial performance. More training should be done to the head teachers on how to conduct more efficient controls and monitoring of the school budgeting process. Private schools in Trans Nzoia County should ensure effective budgeting process is facilitated through capacity building, robust systems and processes and prioritization All stakeholders should get involved in budget execution in enhancing the overall budget control process. Lastly there is need to establish a strong link between the planning process and the budget control process. Schools need to adopt a medium term plan to define priorities for their daily tasks.

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