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FACTORS AFFECTING FINANCIAL MANAGEMENT EFFECTIVENESS IN PUBLIC SECONDARY SCHOOLS IN KENYA: A CASE OF GATANGA SUB-COUNTY

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Abstract: **In the current years the government of Kenya has invested huge sums of money on education annually since it recognizes the importance of education for personal and economic development. This huge investment in secondary schools by the government, parents and sponsors calls for proper use and control since it's essential for schools' operations. The general objective of this study was to find out the factors affecting financial management effectiveness in public secondary schools in Kenya and to provide practical recommendations for improving the effectiveness of the public secondary schools financial management system. The specific objectives were; To determine how financial competence affects financial management effectiveness of public secondary school in Kenya, To determine the effect of budget control on financial management effectiveness of public secondary school in Kenya and lastly To establish the effect of auditing on financial management effectiveness in public secondary schools in Kenya. The study adopted descriptive research design. The target population for the study was all the 40 public secondary schools in Gatanga sub-county. A census of all the schools was considered and primary data was collected by use of questionnaires and structured interviews. Collected data was analyzed using descriptive statistics and OLS regression model. The findings were presented using tables and percentages. The study established that specifically financial competence, budget control and auditing had statistically significant effect on financial management effectiveness of secondary schools in Gatanga sub-county. The study therefore concluded that these factors had a statistically significant effect on financial management effectiveness of secondary schools in Gatanga sub-county. The recommendations given were; education regulators should ensure that accounting officers have adequate knowledge and skills necessary to manage school funds through organizing periodic relevant training on financial management for the principles. Budgeting should be done objectively with proper forecasts involving all the stakeholders. Every secondary school should have an operational budget in place with strong controls in place. Auditors should be independent and not have personal interests when doing their work. There should be more auditors to enhance frequent auditing of schools as the current number is seriously in adequate. Principals and accounts clerks/bursars should go for frequent training on auditing techniques. The study findings will help the government as policy makers and financiers of institutions in strengthening financial management policies and procedures to ensure that the objective of financial management is achieved and also enhance financial control measures. It will help schools management to improve their financial management practices.**

Keywords: **financial competence, budget control, audit and financial management effectiveness.**

1. INTRODUCTION

1.1 Background of the study:

Financial management is defined as the planning, directing, monitoring, organizing and controlling of the monitory resources of an institution so as to achieve its objectives and maximize its value. It's the efficient and effective management of funds in such a manner as to accomplish the objectives of the institution. Financial management is concerned with organization's decisions on how to source for funds, how to control financial resources through financial controls, prudent allocation of financial resources and accountability measures Munge et al. (2016). The rationale for financial management is raising funds for both short term and long-term use and enhancing proper utilization of the funds Fung (2015). The general public will have greater trust in public sector organizations if there is strong financial stewardship, accountability and transparency in the use of public funds (ACCA, 2010).

The aim of Financial Management is profit maximization and wealth maximization. To achieve these two objectives requires effective procurement and efficient use of finances Margaret et al, (2014). The purpose of any business is to make as high profit as possible. The amount of profit made in a business portrays the growth and the business efficiency which can be used to predict the future and lifespan of the institution or the business, increases the profitability in all possible ways and reduce the risk of the business. Since the target of any business is to increase profit, create wealth maximization and improve the value of the shareholders, that considers the value to cost associated with the business as an area of concern.

No organization has ever succeeded without financial resources Allis (2004). Therefore it becomes imperative for institutions, firms, organizations and business entities to consider financial management in order to enhance their performance and more so mitigate exposure to financial risks. The concept of financial management in a school includes accounting system of a school whose aim is to provide prudent control and proper accountability of all funds received in a school. Its mandate is to provide accurate, current and complete disclosure of the financial status of a school Margaret et al, (2014). School management has responsibility of providing and maintaining true and clear record which exhaustively identifies the source of school funds.

Financial management in private schools is profit driven while in public schools the constraints may prevent the management from acting with a great deal of autonomy. The management in public schools is subject to legislative and regulatory constraints that prevent autonomous action. Kenyan public schools are served with ministerial guidelines on the vote heads and allocation of funds. However, individual schools are at liberty to deliberate on school needs and prioritize them and manage the funds according to the agreed projects depending on the available resources but must be within the ministerial policy. There are also books of accounts for daily transactions of the school. These books of accounts give a clear picture to the management on income and expenditure, capital and liabilities of the school.

The principal should be aware of all those financial documents so that he/she monitors the recording done by the school bursar and give advice where need arises. In the course of discharging their duties, if all the above books are not well prepared and monitored, the Principals may register poor performance in financial management (MOEST, 2007).

In the fiscal year 2006/2007 the GOK spent 108 billion Kenya shillings which increased to 119.5 in the fiscal year 2007/2008. In 2011 the allocation was about 200 Billion Siringi and Macharia (2007). Secondary education has been relatively expensive and many pupils never saw the light past standard 8. The GOK thus in 2008 initiated subsidized secondary education, where the government has been paying Kshs.10, 200 for every child in secondary school. In Kenya today, education has become its largest growth industry and consumes a great deal of the government budget. Kenya Vision 2030 and the Constitution of Kenya (2010) made it necessary to re-align the education sector.

To operationalize the legal and policy frameworks, the Ministry has developed the National Education Sector Plan (NESP) through a Sector Wide Approach to Programming (SWAP). The plan is organized into 33 investment programs that will be used to mobilize funds for the sector. The government of Kenya has continuously invested in education and in October 19th 2017, the GOK through the MOE gave guideline for the implementation of FDSE that all learners in public secondary schools to receive Kshs 22,444 w.e.f January 2018 in order to ensure a 100% transition for all learners and remove the burden from parents. Students in boarding schools each get similar capitation and their parents meet cost of boarding totaling to between Kshs 40,535 and 53,554 per year. The ministry of education funding ranges between 13.5% and 16.5% of the total government budget with funding to public secondary education accounting for 23% of the ministry's budget (MoE, 2012).

In the budget for FY 2017/2018 the government allocated Ksh 14 billion and Ksh 33 billion to support FPE and FDSE respectively. The GOK has also continued to support the 100% transition by funding construction of infrastructure like classrooms, dormitories and laboratories. This money is usually credited to schools accounts. Schools are served with ministerial guidelines on the vote heads and allocation of funds. However, individual schools are at liberty to deliberate on school needs and prioritize them and manage the funds according to the agreed projects depending on the available resources but must be within the ministerial policy.

Against this backdrop, the massive school fees charged defeat the rationale of huge financial resources within these schools coffers. Nonetheless, effective utilisation of financial resources influences the ability to deliver and sustain quality educational services (MoE, 2005). The finances for learning institutions are used for daily operations and activities of concerned institutions, Munge et al. (2016). In the case for secondary schools, school principals and administrators are charged with the responsibility of planning the school budget in order to achieve the objectives of the school and more so effective financial management, Sharma (2011).

A school's financial management is the execution by a person in a position of authority of those management actions (regulated tasks) connected with the financial aspects of schools and having the sole purpose of achieving effective education. Jobert and Bray (2007) describe a school's financial management as the performance of management actions connected with the financial aspects of a school to achieve effective education. The common factor in these definitions of financial management is that a connection is made between the management tasks and the financial aspects of a school. The implication is that the management of school finances involves the task of planning (budgeting), organizing (coordinating), leading (communicating and motivating), as well as controlling (auditing) (Clarke 2007). In an education organization, its financial management activity means bringing all possible input from staff, parents, students and the community together to render the service of quality education. In this respect, organizing of school finances should include aspects such as drawing up a school financial policy; setting up a structure within the school to handle administrative and financial matters; delegating certain functions to clerks, class teachers and the treasurer; and coordinating activities (Kruger 2005; Ntseto 2009). There are schools which have been fundraising for school buildings or buses in perpetuity.

Mechanisms for financial oversight over such funds are minimal and thus the head teacher is able to manipulate the money collected under the pretext of paying for bills resulting from delays in disbursements from the ministry Wamuyu (2012). Many countries have decentralised management of financial resources to schools in attempts to improve their management, Crouch et al, (2008). For example schools in USA have a decentralized system of management where funds are released from Federal government to county government, then to schools which are managed by school management teams and County Education management teams (CEMT). In USA school management teams are trained in funds management by members of CEMT who are professionally trained and they assist SMC in effective funds project management and they account such school project funds to county government.

In Indonesian the government expects SMC to operate a prudent financial management system by management of school project funds and accounting to the Indonesian central government, the SMC is also expected to monitor the school projects, maintain approved school projects books of accounts for effective accounting which necessitates provision of facilities, like tables, chairs, desks which contribute highly to students' academic performance by providing adequate project funds (Burrow, 2000). In Zambian government has mandated school management committees (SMC) and school Governing boards (SGB) to manage funds from the central government (Benell and Sayed, 2002). The disbursement of school project funds from Zambian Government aided schools is delayed due to conflict between SMC and SGB and school projects are not completed in time Sayed (2002). These funds are meant to disburse financial resources to targeted populations i.e. the generally poor and the disbursement should be in a rapid manner thus avoiding the highly centralized and often overly bureaucratic spending mechanisms of central Government. According to Maronga et al. (2013) the government of Kenya has been influencing financial management in schools and institutions. This is through financial regulations such as financial management policies that involve imprest management, financial auditing, credit management policy and inventory management policy. The GOK decentralised the management of financial resources to secondary schools and made appropriate regulations to ensure auditing of public schools. B.O.M is corporate body established by the Basic Education Act 2013 as part of the reforms in the Education Sector by the government.

B.O.M is stewards of public resources in the learning institutions with one of its objectives being to enhance financial discipline, and exercise control over the operations of learning institutions. Boards of Management of secondary schools are accountable for the standards of education provided and for balancing cost and effectiveness (GoK, 2013). Nonetheless, the primary responsibility for management of financial resources of secondary schools still remains with school principals (Ntseto, 2009: Thenga, 2012; MoE, 2012). They prepare budgets, manage facilities, procure, expend and manage stores (Asuga & Eacott, 2012; Okumbe, J. A., 2001; TSC, 2007). A financial manager's role of management may be by non-adherence to set financial policies (procurement), budgets and its control.

There are a lot of challenges facing education over the world and making it difficult for good quality education that is capable of bringing about sustainable development. A study by Okon et al. (2011) in Akwa Ibo state Nigeria, found out that financial mismanagement still occur due to improper use of control measures despite the inadequate funding. In Ghana a study by Opong (2011) found out that financial irregularity continued to persist in senior high schools due to laxity in controls and disregard of financial rules and regulations. In Malysia, Fauzi et al. (2015) the study found that only 26.9% of the total numbers of principals were directly involved in the financial management of the school.

The number showed a quite disturbing rate of the lack of involvement of principals in the financial management of their schools. In India (Education audit report 2007) found out that mismanagement still occur in schools due to lack of adherence to guidelines like; Procurement without tender, non maintenance of records, irregular assignments and avoidable expenditure. New Zealand office of the AG- education Audit (2012) In the case of the New York School District, at least $11.2 million of public funds were misappropriated for the benefit of individuals employed by the district. Among the items purchased or paid for with the district's resources were private mortgages and loans, unauthorized salaries and personal benefits.

Auditors eventually determined that this misappropriation of funds occurred because there was a complete breakdown of internal controls – the lack of having sound business practices in place to reveal improper and excessive spending created an environment where multiple abuses of fraud and other unscrupulous activity occurred. In Kenya, fees guidelines were gazetted in March 2015 following the release of the 2014 Task Force report and wide consultation within the executive. This was after an out cry by parents and other stakeholders that schools were charging very high fees to parents with less end results for the money paid.

The GOK has put in control measures to ensure efficient management of finances in public secondary schools e.g. sending auditors annually to schools, non cash payment of suppliers, setting procurement procedures, budgeting procedures, having proper books of accounts and authorization of any expenditure done in these schools. Despite the control measures put in place by the GOK somehow some funds are still swindled and such moneys are misappropriated and go to the pockets of a few, Omondi et al. (2016). A study carried out by Wichenje et al. (2012) showed that in the former western Kenya, an average of 17 head teachers were implicated in misappropriations of funds and other school property every year since 2007.

These misappropriations involve millions of shillings. Some of the reasons they found responsible for the misappropriations include long span of period before auditors check books of accounts in schools, signing blank cheques and collusion with suppliers and auditors(Charles & Omwenga,2018). Watsulu and Simatwa (2011) Found out that auditing was not adequately done due to shortage of auditors thus long span of time elapses before auditing is done. Some schools have incomplete financial accounting documents like payment vouchers. Some schools delay in submitting the books of accounts for auditing thus it took long before feedback is given. Some heads claimed they lack adequate time to carry out audit internally. Senior officials in the MOE, in Kenya have been accused of protecting corrupt principal and members of P.A suspected of embezzling funds because they are also indirectly benefiting from incentives that are being paid by parents, disgruntled senior education officials have revealed, (UNESCO, 2005). In August 19, 2016 the president gave a directive that school fees for 2017 shall remain at the ceilings set by the said Gazette notice. In January 2017 the ministry of education gave a directive ordering County education directors to investigate which schools in their jurisdictions have flouted the school fees guidelines.

The directive by the Education ministry came as parents complained that some principals are asking them to pay extra charges, ones not indicated in the fees structure. A parent at Ngara Girls High School in Nairobi reported that the administration was asking parents to pay an extra fee of KShs7,000 saying it is for the institution's funds drive. This was against the government fees guidelines. Basic Education Principal Secretary affirmed that the ministry would not tolerate head teachers who ask for more money, warning that tough action would be taken against them. About 700 school heads are guilty of violating the Government guidelines on fees for public secondary schools. The offending head teachers were exposed during an audit by the Education ministry on schools' fees structures after public uproar over exorbitant fee demands.

Education Cabinet Secretary reportedly told a meeting of head teachers and representatives of teachers unions that a survey conducted on January 4th 2016 had found between 7% and 10 % of secondary schools had exceeded the stipulated rates and he was going to take action in consultation with the Teachers Service Commission (TSC). In Feb 2017 the TSC interdicted a primary school head teacher in Kisii for asking pupils to pay for a school bus and examinations administered every term. In year 2018 as the term began, the GOK opted to supply textbooks to public secondary school as a measure of mitigating loss of public secondary school money by cartels and their colluders in schools. Certainly, the question of effective financial management arises and the various aspects of financial management have raised eyebrows. Various scholars have documented the theme of financial management of the education sector in Kenya precisely secondary schools.

According to a study by Wango and Gatere (2012), school management and school heads are responsible for demonstrating accountability and transparency and delegating financial responsibility. The scholars noted that loss of funds was common in secondary schools in Kenya. A study by Miriti and Wangui (2014) noted that financial management remained a challenge for secondary schools. These past studies have further justified existence of financial management challenges in public secondary schools and other learning institutions. Various factors have been identified as affecting financial management effectiveness in secondary schools. Wanga et al (2010) adds that principal is the accounting officer in school and is in-charge of any expenditures incurred in other words (A.I.E) holder, thus they should continuously boost their professional development by acquiring relevant skills and abilities required to effectively manage resources of the school.

Oduor A (2012) in the E.A Standard informed of a major audit of free education cash in all the public schools as it emerged that some head teachers could be involved in a syndicate to siphon funds meant for textbooks. Omanga B, in The E.A. Standard of August 2012 reported that auditing of government financial institutions in some parts of the country had been halted and a couple of senior auditors suspended. This raises the question of whether the audit function is performing its work well and adding any value to secondary schools' financial management. Principals are appointed on the basis of their teaching experience, as well as their academic and professional qualifications. Training in or even having a working knowledge of financial management is not considered a prerequisite for appointment to the position of principal which tends to affect them in performing financial management duties. Macharia (2002) has noted that there has been many problems in schools with parents who were kept in the dark over how much money were used, complaining about financial mismanagement. It is obligatory for principals to ensure accountability and prudence in the utilization of school funds and this requires them to be conversant with financial accounting procedures for effective and efficient financial management.

The schools principals as accounting officers lack the knowledge and skills required in financial management. Technical competence lays the foundation of any organization, particularly so in the modern business industry. Skills in accounting management function is essentially a checklist of data base of organizational capacities that can help a school determine whether it can deliver particular services on time to the required expectation efficiently. On the other hand, the principals are employees of the TSC an independent commission with a role of teacher management but is not the financier of secondary education therefore no direct responsibility is attached to the accounting officer by the financier.

Other factors affecting financial management effectiveness in public secondary schools include: Political issues – political pressures from interest parties, environmental factors, lack of financial stewardship, lack of sound accounting systems etc. Bad financial management is likely to lead to derailing of school's operations such as procuring teaching materials, remunerating teaching and non-teaching staff employed by schools' B.O.M, long overdue payables (creditors) among others.

1.2 Statement of the Problem:

In an effort to enhance accessibility and equity, free day secondary education (FDSE) was introduced by the government in 2008. The government and other education stakeholders have continued to give their support for the realization of FDSE initiative. Each of them therefore would like to see prudent management of such funds so that the intended goals of education and institutional objectives are achieved optimally. Despite the introduction of FPE and FDSE, 1.9 million primary school age children and 2.7 million secondary school age children were out of school in 2009 (2009 Census). This was mainly because school managers in both public primary and secondary school levels introduced numerous school levies and these off-budget expenditures add to the high cost of schooling in Kenya (MOEST strategic plan 2013-2017).

There are serious financial challenges in public secondary schools in Kenya. The result of which is characterized by high fees charged on every student and the outcry by suppliers on long overdue payables despite the billions of shillings channeled to these institutions by the national GOK Munge et al. (2016). Some schools indeed have income generating projects like leasing out their buses and other facilities and even school farms that provide food subsidies and income. In line with these funding in public schools some government officials are corrupt and hence they mismanage funds that are allocated to them, UNESCO (2005). A study carried out by IPAAR in 2004 found out that the bursary schemes put in place by the GOK to assist bright children from poor families was being abused by the principals and other stake holders.

Poor financial management in an educational institution leads to inefficiency and misuse of financial resources Okumbe (2007). According to Mito and Simatwa (2012), poor budgeting is one of the major reasons that derail effective management of schools funds. In the same breadth, it is pointed out that incompetency in procurement, poor financial reporting, inadequate and irregular auditing are some of the financial problems facing public learning institutions in Kenya (Magak, 2013). The scholars noted that loss of funds was common in secondary schools in Kenya. Magak's (2013) study noted that school administrators in learning institutions experience thorny issues while managing institution funds. Miriti and Wangui (2014) noted that financial management remained a challenge for secondary schools.

These past studies have further justified existence of financial management challenges in public secondary schools and other learning institutions. It is against this backdrop that the study sought to find out the factors affecting financial management effectiveness in public secondary school and examined ways of ensuring prudent management of financial resources so that the intended goals of education and institutional objectives are achieved optimally.

1.3 General Objective:

To find out the factors affecting financial management effectiveness of public secondary schools in Kenya

1.3.1 Specific Objectives:

i. To determine the effect of financial competence on financial management effectiveness in public secondary schools in Kenya.

ii. To determine the effect of budget control on financial management effectiveness of public secondary school in Kenya.

iii. To establish the effect of audit on financial management effectiveness in public secondary schools in Kenya.

1.3.2 Research Questions:

The study sought to answer the following questions:-

i. What is the effect of financial competence on financial management effectiveness in public secondary schools in Kenya?

ii. What is the effect of budget control on financial management effectiveness of public secondary school in Kenya?

iii. What is the effect of audit on financial management effectiveness in public secondary schools in Kenya?

2. LITERATURE REVIEW

2.1 Introduction:

It contains Literature on factors affecting financial management effectiveness in public secondary schools and it highlights on the following: An overview of theoretical review of the study, Agency theory, Information asymmetry and lastly efficient market hypothesis. It also contains empirical review that is relative to variables namely: Financial competence, budgeting and lastly auditing.

2.1.1 Agency theory:

Agency theory suggests that when the owners of firm leaves management in the hands of other people, then the management and other employees are referred to as agents while the owners are called principals. The primary agency relationships in business are those between stockholders and managers and between debt holders and stockholders. These relationships are not necessarily harmonious; indeed, agency theory is concerned with agency conflicts, or conflicts of interest between agents and principals. Jensen & Meckling, 1976 these agency conflicts are often severe and common in public institutions. The conflict of interest potentially arises in almost any context where one party is being paid by another to do something, whether it is in formal employment or a negotiated deal.

This theory is very critical for the stakeholder in education sector in that it asserts that managers as agents will not always act in the best interest of the stakeholders and may pursue their own interest at the expense of the stakeholders, Letza

(2002). This theory is relevant to management of finances of public secondary schools in Kenya since the B.O.M and P.As are agents engaged by the government, parents and other stakeholders to manage the school on their behalf. The principals and school bursars are employees of Teachers Service Commission (TSC) and B.O.M respectively who are tasked with prudent management of the funds disbursed to school, and then they are paid salaries and allowances for executing their services.

The principals put trust in the agents, however because of information asymmetry and differing motives, the principals may lack trust in their agents and may therefore put in place mechanisms such as audit to reinforce this trust. The MOE should have a binding agreement between them and the head teachers that despite them being employees of TSC, they are agents of MOE responsible for prudent management of financial resources put under their control by the MOE. Some scholars suggest that various mechanisms may be used to align the interest of the agent with those of the principal. These may include piece rates, commissions, profit sharing, efficiency wages, performance measurements or threat of termination of employment. On these mechanisms, the TSC recently introduced performance measurements appraisal for teachers which are mostly on academic performances.

A study on school management by Orwa (1986) revealed that most schools did not adhere to all the practices established as sound financial principles in the management of schools finance. Olembo (1992) studied the effects of individual schools being allocated moneys in lump sum based upon the number of students enrolled at the school and then the school principal is given great discretion to spend the funds as he deems fit. This is quite relevant with FPE of 2003 in Kenya. The study found that school based management practices enabled the schools to better serve the needs of the students and some principals involved parents and staff greatly in budgeting. This made the other stakeholder especially the parents feel that they were being involved in financial issues in the school.

2.1.2 Information asymmetry.

The concept of asymmetric information was first introduced in George A. Akerlof's 1970 paper The Market for Lemons: Quality Uncertainty and the Market Mechanism. Asymmetric information means that one party has more or better information than the other when making decisions and transactions. The imperfect information causes an imbalance of power between two parties. Lack of equal information causes economic imbalances that result in adverse selection where undesired results occur. Information asymmetry causes inefficiency and risks. In financial markets; an information asymmetry arises between borrowers and lenders because borrowers generally know more about their investment projects than lenders do.

Intermediaries, which specialize in collecting information, evaluating borrowers, and monitoring borrower's performance, can help overcome the information problem. Financial intermediaries thus exist because there are information and transactions costs that arise from imperfect information between borrowers and lenders. In education setup, it is a situation where the school principal as the agent having more information than the investor (MOE) such that the investor cannot directly ensure that the principal is always acting in the best interest of the MOE. The MOE put trust in the school principals for good returns from the investment made in education, however because of information asymmetry and differing motives, the MOE may lack trust in the principals and may therefore put in place mechanisms such as audit to reinforce this trust.

This trust is built by the school management led by the principal through financial reporting as expected by the MOE. Financial reporting and disclosure are potentially important means for management to communicate schools' performance and governance to outside stakeholders. While the MOE is the financier of secondary schools, it may lack some information on financial management in secondary schools. This will result to policies and guidelines being issued to secondary school principal as interventions on gap of information between the two parties. On the other hand, school principals may have certain information in regard to administration of the schools and use this information to exploit MOE. One of the goals of financial management is to maximize shareholders wealth. Thus, financial managers must find ways of securing the funds necessary for achieving these goals Abzari et al. (2008).

Principals are involved in managing all school financial activities, which includes sourcing of resources, disbursement of funds, allocation of funds in various school projects and accounting for money which is utilized. It is the duty of the principal to ensure budgeting, accounting and auditing functions are carried out effectively as required by the Ministry of Education and communicate this adherence. The principal works closely but independent from finance officer (bursar). The bursar's role is to verify financial transactions as per the financial regulations. Controlling school budgets requires the principal to have a thorough understanding of the financial status of the school and its priorities for the expenditure.

These reports may be misleading and exploit the MOE and so there is the school auditor to monitor, verify and ascertain the fairness of the financial statements. Information asymmetries can affect the administration of public finance. Given the agency relationship between public managers (school principals), politicians and the public, information asymmetries can create incentives for public managers to be opportunistic in the implementation of investment (education) policies. Such opportunism can take the form of illegal actions, corrupt practices or even subjecting institutions' financial resources to risks.

2.1.3 Efficient Market hypothesis

The efficient market hypothesis (EMH) is an investment theory that states it is impossible to "beat the market" because stock market efficiency causes existing share prices to always incorporate and reflect all relevant information. According to the EMH, stocks always trade at their fair value on stock exchanges, making it impossible for investors to either purchase undervalued stocks or sell stocks for inflated prices. As such, it should be impossible to outperform the overall market through expert stock selection or market timing, and the only way an investor can possibly obtain higher returns is by purchasing riskier investments.

The Efficient Market Hypothesis (EMH) essentially says that all known information about investment securities, such as stocks, is already factored into the prices of those securities. Therefore, assuming this is true; no amount of analysis can give an investor an edge over other investors. Efficient markets require some mechanisms for overcoming the imperfect information problem. There are three forms of efficient market hypothesis. The Weak Form of the EMH argues that all new public information and private information may or may not be available to investors, and that only historical price information is. It suggests that all information is not incorporated in the current stock price. It's used as an argument against technical analysis, and suggests that past price performance does not give predictive future price.

The Semi-Strong Form of the EMH argues that, in addition to the historical price data available in the weak form of EMH, public information about a company is available to investors and is incorporated into the current price of the stock. As information becomes publicly available, traders price the underlying immediately to reflect the new information. It's used as an argument against fundamental analysis, and suggests that any public information does not give predictive power on an underlying's future price. This means that performing fundamental analysis or watching the news can't give traders a better ability to predict an underlying's future price. The Strong Form of the EMH argues that, in addition to the information in the weak and semi-strong forms, even non-public insider knowledge is factored into the current price of the stock. Even if the information is not available to investors, and is only known to corporate directors, the current stock price still reflects it.

Conceptual Framework:

The researcher used the broad variables identified in financial management effectiveness in public secondary schools. Under the variables are factors relating to the variables that are part of the practices involved in financial management.

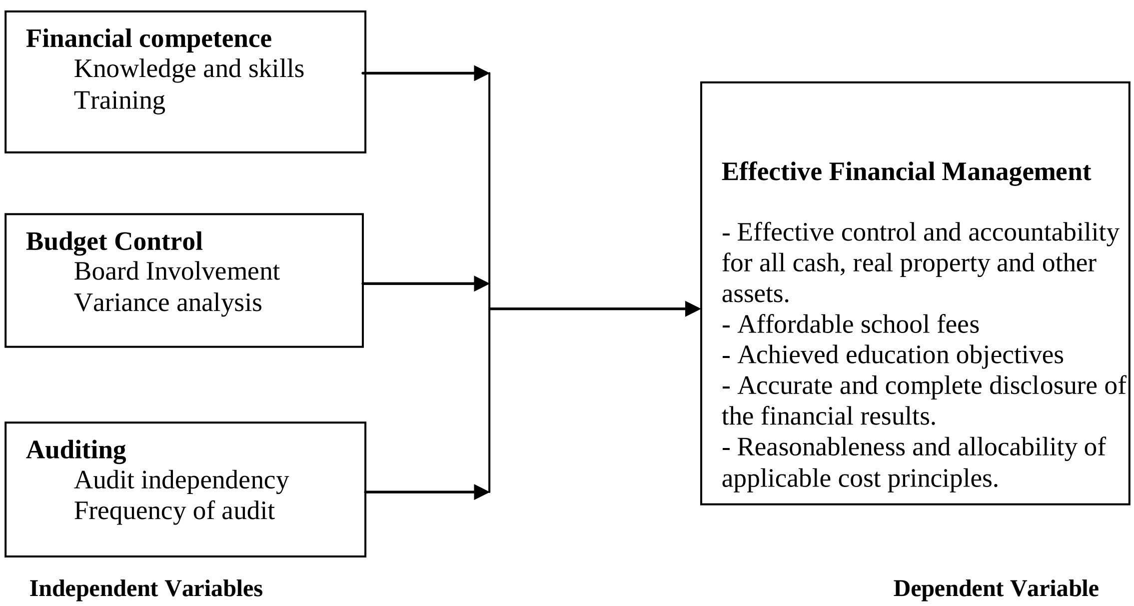

Figure 2.1: Conceptual Framework

2.2 Empirical Literature:

In the empirical review, the study is relative to variables namely: Financial management knowledge, budgeting and lastly auditing.

2.2.1 Financial competence :

Omondi et al. (2016) on evaluation of control system on financial management in public secondary schools stated that, technical competence lays the foundation of any organization, particularly so in the modern business industry. They also added that, skills in accounting management function is essentially a checklist of data base of organizational capacities that can help a school determine whether it can deliver particular services on time to the required expectation efficiently.

Mbae and Wangui (2014) looked into financial management in the context of training needs of public secondary school principals in Machakos County. It was noted that many principals still face challenges in financial management tasks. Many were appointed before receiving much formal training in financial management. Furthermore, even after being appointed they received insufficient support and training. Despite the existence of various publications to provide guidelines for procurement procedures in schools (PPOA, 2009), it emerged that principals still faced challenges related to procurement of goods and services including adhering to the set procurement procedures. Osiri et al. (2012) found out that the accounting officers in some schools including the principals were not properly qualified for their duties and most principals lacked adequate skills to carry out internal controls.

The training through the education staff institute was not enough to equip the principals with necessary skills as it was not able to take all managers for training and the way it was done was haphazard. Onderi and Makori (2011) found out that most B.O.M and PTA members lacked the confidence, skills, knowledge and understanding required to discharge their duties effectively. Ngaba (1990) studied on working capital management practices in Kenyan Secondary schools; he looked at financial management of cash receivables inventory management and credit management. His finding was that there was a weak management practice in place. Kenyanya et al. (2010) recommend the increasing of checks and controls to monitor the integrity of the procurement systems. They also highlight the need to empower implementers through training for better skills.

2.2.2 Budgeting:

Budget's purpose can be summarized as assisting systematic planning; quantifying objectives and identifying priorities; coordinating activities and communicating plans within the organization; motivating and increasing the accountability of middle management; authorizing expenditure and activities; controlling, monitoring and analyzing expenditure; and evaluating performance. Jungle et al. (2014) analyzed the effect of budgetary practices on performance of public secondary schools in Nakuru municipality. The 22 public secondary schools in the municipality were targeted. The study noted that budget practices such as budget control and allocation positively influenced financial performance of the schools. In the study, it was also noted that budget allocation and annual budget planning were important aspects that improved financial management in organizations in the public sector.

Osiri et al. (2012) found that the way the budgetary process in most schools in Gucha District was done was haphazard. The budget committee was in place headed by the deputy principal with other HODs as members but they were not active. Tendering was done by the principal and his or her cronies and did not pass through the tender committee. Rose et al. (2015) looked at financial management in public schools in Lurambi Sub-county. They found that it was evident that schools did not involve all the people in the school system in budget building.

The budgets produced were therefore the work of the principal and the bursar and this could have been shoddy. It was clear that monitoring and supervision was only done by principals and the B.O.M and therefore this could raise opportunities for collusion and corruption. Omondi et al. (2016) in their study on control systems on financial management in Kakamega Central district found out that budgeting is haphazardly done in school and relevant stakeholders are not involved they are also rarely adhered to. Many of the people who get involved in preparing the expenditure also get involved in their actual purchase. This shows lack of segregation of duties which encourage misappropriation of funds. Ogbonnaya (2005) noted that some administrators do not involve their subordinates in budget making and preparation. Rather, they prepare budgets single-handedly or as if it is their own private affairs. Such administrators see budget making as their own exclusive preserve.

Lucy K (2007) in her study on budgeting process and financial management in public secondary school revealed that the principals exercised complete control over financial matters and the amount of participation allowed in the schools was not sufficient to give teachers, bursars and board of governors a chance to practice democratic skills. It was also found out that the principals minimally involved teachers, bursars and Board of Governors in the budgeting process. Hansraj (2007) The financial management role of principals in schools in South Durban in South Africa was investigated and the study noted that school principals and school governing bodies were entrusted with the responsibility of ensuring funds were well managed in the school. This was through proper and adequate budgeting, procurement of items and purchases and ensuring high levels of accountability and transparency in all activities.

2.2.3 Auditing:

Millichamp (2002) defines auditing as the activity carried out by an independent individual (auditor) he/she verifies the accounting data, determines the accuracy and reliability of accounting statement and then reports upon his efforts to the stakeholders. Okumbe (2007) explains the role of auditing in educational institutions, auditing should be done internally by the school principal but also done annually by the government auditors. Auditing helps to determine accuracy of financial statements, compliance with legal provisions, policies and procedures stipulated by the MOE and to identify operational problems in accounting procedures used by the educational organization so as to provide remedial recommendation for improvement.

Rose et al. (2015) looked at financial management in public schools in Lurambi Sub-county and found out that auditing is a factor affecting financial management. They found that it was evident that schools did not involve other people in the school system in budget building to provide for monitoring and supervision of the budget, leaving school financial records open for scrutiny by the people in the system to curb on corruption and mismanagement of funds. They can serve as good internal auditors which can be a stepping stone for external auditing. Omondi et al. (2016) in their study on internal control systems on financial management in Kakamega Central district found that a long span is taken before external auditing is done and this may mean so many backlogs that needs much time for auditing in each school and encourage mismanagement.

Owalla et al. (2014) in their study on effectiveness of Internal Audits in Public Educational Institutions in Kenya found that the majority of auditors were still using the traditional approach probably caused by their lack of full accountancy qualification and absence of membership in professional associations. The study therefore concluded that the internal audit function as it is currently carried out in public educational institutions did not add value to the said institutions. It was therefore recommended among others to institute a more formal and systemic training of internal auditors in order to enhance their proficiency and skills, have the relevant professional bodies compelled to regulate and institute quality measures in audit work of public educational institutions.

Owalla et al. (2014) in their study on effectiveness of Internal Audits in Public Educational Institutions in Kenya found that the aspect of sending the accounts to the ministry headquarters for approval is also a serious impairment to the objectivity and independence of the internal audit function. The auditors especially in the secondary and primary schools sat on governing committees that discussed the accounts which had not been approved and where they had been approved, it was well into the following financial year, in some instances years later meaning that then they served no useful purpose and no follow up was possible.

2.3 Critique of Existing Literature:

There are a number of studies on financial factors affecting financial management in public and private secondary schools. A study by Nnyane (2006) pointed out that Principals have challenges in financial management. However the study was carried out outside Kenyan context. Astudy by Mbae and Wangui (2014) looked into financial management in the context of training needs of public secondary school principals in Machakos County. The study established that many principals still face challenges in financial management tasks. The study however did not show how training woul impact on effectiveness of financial management.

2.4 Research Gap:

From the critical analysis, a number of gaps in literatures have been identified. Astudy by Mbae and Wangui (2014) looked into financial management in the context of training needs of public secondary school principals in Machakos County. The study established that many principals still face challenges in financial management tasks. However the study did not relate financial management effectiveness to the training needs. A study by Rose et al. (2015) on financial management in public schools in Lurambi Sub-county found out that auditing is a factor affecting financial management. The study did not relate effective in financial management to auditing as a factor.

A study by Kingori 2012 on challenges facing secondary school heads in financial management, a case of Mathira constituency. The study established that many principals still face challenges in financial management tasks, however the study failed to shed some light on financial management effectiveness related to this challenges.

3. RESEARCH METHODOLGY

3.1 Research Design:

The study used descriptive research design.According to Malhotra (2007), the main objective of descriptive research design is to describe something - usually characteristics or functions. Because of this, the descriptive research was best suited for this study to ensure that the problem is well structured and understood. Descriptive research was also suitable because respondents required to address the research problem were drawn from a cross-section of units (public secondary schools).

3.2 Target Population:

The study target population was the principal of each of the 40 schools form Gatanga Sub County as at year 2017. Since the population was not too large, there was no sampling and a census of all the schools was considered. (See appendix IV)

3.3 Research Instruments:

The study used structured questionnaires and interviews to collect the primary data. The questionnaire had both open-ended and closed-ended questions but major in close-ended questions since they are easy to administer and analyze. The structured interviews were used together with the questionnaires in order to give in-depth information that may not be given by questionnaires. Secondary data was collected through document analysis of the school accounting records as well as from journals and the internet. The researcher conducted a pilot study to help in identifying items in the research instrument that were suspected to be ambiguous in eliciting the relevant information. Two schools – a boarding and a day school were used in the pilot study.

3.4 Validity and Reliability:

Validity is the accuracy and meaningfulness of inferences which are based on the research results (Mugenda and Mugenda 1999). To enhance validity of the questionnaires, information gathered was cross-checked with other secondary sources to ensure authenticity and accuracy. To establish reliability of the research instruments, test-retest technique was used, where by the researcher administered the questionnaires to the pilot study respondents at an interval of two weeks. The two sets of questionnaires were scored separately then the correlation co-efficient computed using the Karl Pearson's Product – Moment Correlation. A correlation coefficient r 0.7 was considered appropriate.

3.5 Data collection procedure:

The researcher first obtained an introduction letter from the university as an official introduction to the Sub-county director of education- Gatanga, who then stamp the letter as an authority to enter schools within the sub-county and engage the respondents with questionnaires. The researcher used a questionnaire and structured interview to collect data. The researcher visited all the schools and administered the questionnaires personally both at pilot and main study for an opportunity to schedule for a face to face interview with principals. The researcher covered four schools a day and thus took ten days to administer the questionnaire and collect them. The schools' audit office was visited one day and data collected.

3.6 Data analysis:

Data collected was sorted, classified and tabulated for ease of analysis. The researcher used a statistical software (SPSS statistical package for social sciences) to assist in generating data analysis based on research questions and objectives. Qualitative information was sorted and organized into homogenous groups. In particular, data analysis involved descriptive statistics. These included frequencies, percentages, means and standard deviations. Using a code sheet, the researcher transcribed all open ended questions, and then code key words and summarized the information in frequencies and percentages using SPSS.

The results from the data analysis were then interpreted, inferences made and presented. The data is presented in Tables and Percentages in a word document. The study used Analysis of Variance (ANOVA) to test the level of significance of the variables on the dependent variable at 95% confidence level.

3.7 Statistical Model:

The statistical model shows the relationship between the independent variables - financial factors and dependent variables – financial management effectiveness. The model was useful to the study as it enabled the researcher to estimate the coefficients of the independent variables and to establish the causal effect relationship between independent and dependent variables. The following multiple regression analysis model (1) was used.

$Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \varepsilon$ …………………...……………..…………………..(1)

Where by:

Y = Financial management effectiveness

X1= Financial competence

X2= Budget control

X3= Auditing process

β1, β2, β3 = Coefficients of Determination

ε = Error Term.

4. RESEACH FINDINGS AND DISCUSSION

4.1 Response Rate:

The researcher administered 40 questionnaires to the respondents in Gatanga sub-county; however 8 questionnaires had incomplete information. The researcher therefore analyzed 32 questionnaires (n=32) which were filled and usable for the study accounting for 80% response rate. This high response was achieved as the researcher self-administered the questionnaires assuring the respondents that the data collected was for academic purposes and would not be diverged for any other purpose.

4.2 Descriptive Statistics

4.2.1 Financial Competence

Financial competence as measured by the degree of efficiency and effectiveness in management of funds and achieving objectives has been identified as one of the factors affecting financial management effectiveness in public secondary schools. Therefore the researcher sought to determine the extent to which financial competence was an issue in explaining financial management effectiveness in Gatanga sub-county. All the measures were on a five point Likert scale where; 1= strongly disagree, 2=Disagree, 3=Uncertain, 4=Agree, 5= strongly agree. These results are summarized in table 4.1

The results in table 4.1 indicate the responses of principals as accounting officers about financial competence in financial management of public secondary schools in Gatanga sub-county. The respondents were asked to evaluate different statements relating to financial competence. The statement that financial planning and control in schools is a challenge and affects financial management was supported by all respondents (100%) who strongly agreed or just agreed. The statement that directing and monitoring monitory resources in schools affects financial management effectiveness was also supported by all (100%) respondents who either strongly agreed or just agreed.

The statement that preparing cash projections and organizing financial resources in schools is a challenge that affects financial management was supported by 51% of respondents against 49% of respondents who had contrary opinion. The statement that book keeping and financial reporting knowledge affects financial management in schools was supported by the least number of respondents (9%) with the majority having contrary opinion. Generally it is evident that financial competence is a factor affecting financial management effectiveness in public secondary schools in Gatanga sub-county. All respondents (100%) supported the statement that training accounting officers has positive impact on financial management.

Table 4.1: Financial Competence

Statements.	SA %	A %	U %	D %	SD %	n	Mn	Mx	Mean	Std.
Financial skills on planning and control is a challenge to accounting officers	69	31	0	0	0	32	4	5	4.688	0.463
Directing and monitoring financial resources impacts on financial management	60	40	0	0	0	32	4	5	4.594	0.490
Preparing cash projections has a great effect financial management	31	20	29	20	0	32	2	5	3.656	1.121
Proper book keeping and financial reporting results to effective financial management	9	0	39	41	0.1	32	1	5	2.531	1.004
Trained accounting officers are effective in financial management in schools	72	28	0	0	0	32	4	5	4.719	0.449

4.3 Budget Control:

The researcher also wanted to establish the extent to which budget control was being practiced by financial managers in financial management of public secondary school in Gatanga sub-county. The respondents were required to rate a number of responses given on Liker scale. The data collected and associated analysis is given in table 4.2

Table 4.2: budget control

Statements.	SA %	A %	U %	D %	SD %	n	Mn	Mx	Mean	Std.
Board members are not involved in budgeting process.	22	31	29	9	9	32	1	5	3.469	1.187
Schools do not follow their budgets in their operations within the year.	9	71	9	0	11	32	1	5	3.656	1.037
Budget variance analysis and budget review is rarely done in schools.	72	28	0	0	0	32	4	5	4.719	0.449
There is little use or no use of procurement plan as a guide in procuring goods and services.	28	63	9	0	11	32	3	5	4.188	0.578

Table 4.2 shows the data presentation and analysis of responses about statements on budget control being practiced by financial managers in financial management of public secondary schools in Gatanga sub-county. The statement board members are not involved in budgeting process was supported by slightly half of the respondents (53%) who agreed with the statement. Majority of the respondents (80%) were of the opinion that the schools do not follow their budgets in their operations within the year. The statement that budget variance analysis and budget review is rarely done in schools was supported by all respondents who filled the questionnaires.

Majority of respondents (91%) also supported the statement that there is little use or no use of procurement plan as a guide in procuring goods and services. Generally, it is evident that budget control is an important practice that is essential in effectiveness of financial management in public secondary schools in Gatanga sub-county as evidenced by majority of respondents who supported different statements on budget control.

4.3.1 Auditing:

The researcher also sought to establish the extent to which schools' auditing affect effectiveness of financial management in public secondary schools in Gatanga sub-county. A Liker scale was utilized for this purpose with statements that were rated by the respondents in the study. The results are presented in table 4.3

Table 4.3: Auditing

Statements.	SA %	A %	U %	D %	SD %	n	Mn	Mx	Mean	Std.
A long period of time before audit is conducted in schools minimizes the value of the audit.	40	60	0	0	0	32	4	5	4.406	0.490
Auditing without independence will have minimal results to financial Management in schools.	11	51	20	18	0	32	2	5	3.563	0.910
Audit reports that are not adopted and implemented reduce the value of the audit in financial management	49	51	0	0	0	32	4	5	4.500	0.500
Inadequate audit in schools will encourage financial mismanagement.	69	31	0	0	11	32	4	5	4.688	0.463

The table 4.3 shows the results of the responses on the statements about auditing in public secondary schools in Gatanga sub-county. The statement that a long period of time before audit is conducted in schools minimizes the value of the audit was supported by all respondents who either strongly agreed or just agreed. A big chunk of respondents (62%) supported the statement that auditing without independence will have minimal results to financial Management in schools. Still all respondents (100%) were of the opinion that the audit reports that are not adopted and implemented reduce the value of the audit in financial management. Lastly the statement that inadequate audit in schools will encourage financial mismanagement was supported by 100% respondents.

Majority of respondents agreed with statements about auditing as a factor affecting financial management effectiveness in public secondary schools. This is evidenced further by majority of mean responses being above 4 with the exception of one statement.

4.3.2 Financial management effectiveness:

The researcher was also interested in establishing how the financial management effectiveness in Gatanga sub-county public secondary schools is. A Likert scale was utilized for this purpose with statements that were rated by the respondents in the study. The results are presented in table 4.4

Table 4.4: Financial management effectiveness

Statements.	SA %	A %	U %	D %	SD %	N	Mn	Mx	Mean	Std.
Public secondary schools have challenges in financial management effectiveness.	40	60	0	0	0	32	4	5	4.406	0.490
The level of financial management effectiveness in public secondary schools depends on financial administrators.	58	42	0	0	0	32	4	5	4.594	0.494
Financial management effectiveness in public secondary Schools is not evaluated regularly	20	70	5	5	0	32	2	5	4.000	0.671
Effective financial management in public secondary schools is achievable in all schools.	40	36	11	13	0	32	2	5	4.063	1.015

Table 4.4 presents results of data analysis about the responses on statements about the effectiveness of financial management in Gatanga sub-county. The statement that Public secondary schools have challenges in financial management effectiveness was supported by all (100%) of the respondents. The level of financial management effectiveness in public secondary schools depends on financial administrators. This statement was supported by 100% of the respondents who either strongly agreed or just agreed. 90% of the respondents supported the statement that financial management effectiveness in public secondary Schools is not evaluated regularly.

Lastly majority of the respondents (76%) agreed with the statement that effective financial management in public secondary schools is achievable in all schools.A concern on financial management effectiveness was agreed upon by majority of the respondents who supported the statements by either strongly agreeing or just agreeing. This is exemplified further by mean responses of above 3 simplifying that financial management effectiveness has a challenge. This finding is supported by a study by Kingori 2012 on challenges facing secondary school heads in financial management, a case of Mathira constituency. The study established that many principals still face challenges in financial management tasks.

4.4 Correlation Analysis:

In this subsection the correlation analysis using the Karl Pearson Correlation was done to first determine the degree of multicollinearity between the independent variables and also show the degree of their association with the dependent variable separately and the resulting correlation matrix given in Table 4.5.

Table 4.5: Bivariate Pearson Correlation Coefficient

		FC	BC	A	FME
FC	Pearson Correlation	1	-.331**	.218	.429**
	Sig. (2-tailed)		.007	.081	.000
	N	32	32	32	32
BC	Pearson Correlation	-.331**	1	.044	.382**
	Sig. (2-tailed)	.007		.728	.002
	N	32	32	32	32
A	Pearson Correlation	.259*	.410**	.313*	.354**
	Sig. (2-tailed)	.037	.001	.011	.004
	N	32	32	32	32
FME	Pearson Correlation	.429**	.382**	.301*	1
	Sig. (2-tailed)	.000	.002	.015	
	N	32	32	32	32

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

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

Independent Variables: Financial Competence (FC), Budget Control (BC) and Auditing (A) and Dependent variable: Financial Management Effectiveness in public secondary school in Gatanga (FME)

The results in Table 4.5 show the correlation between financial management factors variables and financial management effectiveness in public secondary schools in Gatanga sub-county. It's the correlation analysis between the independent variables and dependent variable. Financial competence was moderately positively and significantly correlated with financial management effectiveness in public secondary school in Gatanga sub-county ($r=0.429$, $p= 0.00$, $\alpha = 0.05$). The positive correlation means that with improved financial competence of the accounting officers in public secondary school, the level of financial management effectiveness would improve greatly. The findings in this study in relation to role of financial competence financial management effectiveness is in agreement with study by Mbae and Wangui (2014) who looked into financial management in the context of training needs of public secondary school principals in Machakos County. The study established that many principals still face challenges in financial management tasks.

Budget control was significant and positively correlated with financial management effectiveness in public secondary school in Gatanga sub-county ($r= 0.382$, $p= 0.002$, $\alpha = 0.05$) . The positive correlation implies that with stiffer budget control, the financial management effectiveness improved tremendously. A Study by Munge et al. (2016) on factors influencing financial management in public secondary schools in Nakuru county, budget management was found to be significantly influential to financial management in public secondary schools. The correlation between auditing of school financial management with financial management effectiveness in public secondary school in Gatanga was significant and positive ($r = 0.354$, $p=0.004$, $\alpha= 0.05$) meaning that auditing of school financial management was associated with improved financial management effectiveness. The study findings are in line with a study by Omondi et al. (2016) in their study on internal control systems on financial management in Kakamega Central district. They found out that on auditing a long span is taken before external auditing is done and this may encourage mismanagement considering the bulk of books to be audited.

4.5 Regression Analysis:

The study used simple OLS Regression analysis that was multiple in nature as there were three independent variables. The independent variables were financial competence, budget control and auditing. The dependable variable was financial management effectiveness in public secondary schools in Gatanga sub-county. Multiple regression analysis involved calculation of coefficient of determination (R^2), Analysis of Variance (ANOVA) and regression coefficients.

4.5.1 Model Results:

Table 4.6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimates
1	.786[a]	.619	.586	.15192
a. Predictors: (Constant), Financial Competence, Budget Control and Auditing				

In the table 4.6, the overall correlation coefficient (R) between independent variables (factors) and financial management effectiveness in public secondary schools in Gatanga sub-county was 0.786. This means that there was strong positive relationship between financial management effectiveness and the factors affecting it. Furthermore, table 4.6 indicates that the model explains only 58.6% of the variations in financial management effectiveness in public secondary schools in Gatanga sub-county as shown by R^2 of 0.586. Hence 41.4% variations in financial management effectiveness in public secondary schools in Gatanga sub-county is explained by other factors not included in the model.

Table 4.7: Analysis of Variances (ANOVA)

Model		Sm of Square	Df	Mean Square	F	Sig.
1	Regression	2.208	5	.442	19.137	.000[b]
	Residual	1.362	59	.023		
	Total	3.57	64			
b. independent variables: Financial Competence, Budget Control and Auditing						

According to table 4.7 the overall significance of model 1 was 0.00 with an F value of 19.137. The level of significance was lower than 0.05 and this means that the factors shows statistically significant effects on financial management effectiveness in public secondary schools in Gatanga sub-county.

Table 4.8: Coefficients of independent Variables

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig	Collinearity Statistics	
	B	Std Error	Beta			Tolerance	VIF
1 (Constant)	1.809	.803		2.254	.028		
FC	.085	.024	.325	3.538	.001	.767	1.303
BC	.231	.082	.264	2.825	.006	.741	1.350
A	.842	.147	.536	5.728	.000	.738	1.355
a. Dependent variable: Financial management effectiveness in public sec school Gatanga sub-county							
b. Independent variables: Financial Competence (FC), Budget Control (BC) and Auditing (A)							

Table 4.8 further shows the coefficients of independent variables (Financial Competence, Budget Control and Auditing), the values of P and values of t. The model was thus estimated as.

Y= 1.809 + .085 FC + .231 BC + .842A... (2)

The estimated model equation (2) simplifies the casual effect relationship between the affecting factors and financial management effectiveness in public secondary schools. The value 1.809 is the intercept term of the model showing the level of financial management effectiveness in public secondary schools in Gatanga sub-county when the independent variables in the model are held constant at Zero.

Regression analysis was carried out to establish the causal effect relationship between the factors and financial management effectiveness in public secondary school in Gatanga sub-county.

4.5.1.1 Financial competence:

Firstly, Financial competence had a statistically significant effect on financial management effectiveness (β_1 = .085, t = 3.538, p = .001 and α = 0.05). The effect was significant implying that improving the financial competence of financial managers is very necessary for effective financial management in public secondary school. Financial management effectiveness requires financial competence that would help in achieving the objectives of investing in education. Further, the effect was positive meaning that change in financial competence by one unit leads to 0.085 units change in the level of financial management effectiveness in public secondary school in Gatanga sub-county. The findings in this study in relation to role of financial competence financial management effectiveness is in agreement with study by Mbae and Wangui (2014) who looked into financial management in the context of training needs of public secondary school principals in Machakos County. The study established that many principals still face challenges in financial management tasks. Many were appointed before receiving much formal training in financial management. Furthermore, even after being appointed they received insufficient support and training. Despite the existence of various publications to provide guidelines for procurement procedures in schools (PPOA, 2009), it emerged that principals still faced challenges related to procurement of goods and services including adhering to the set procurement procedures.

4.5.1.2 Budget control:

Secondly, Budget control had a statistically significant effect on financial management effectiveness in public secondary school in Gatanga sub-county (β_2 = .231, t = 2.825,p = .006 and α = 0.05). The effect was statistically significant implying that having stronger and stiffer budget controls translates to improved effectiveness on financial management in public secondary school. This relationship can be explained by the fact that when a school prepares a good budget and follows it up with controls to ensure the funds are spent as budgeted with minimal variances the schools are expected to perform better in terms of cost and benefits to stakeholders.

In addition, the effect was positive implying that a unitary change in budget controls leads to 0.231 units change in financial management effectiveness in public secondary school in Gatanga sub-county.The current study has a basis in the literature especially concerning role of budget control on financial management effectiveness in public secondary school. A study by Omondi et, al (2014) On evaluation of the role of control systems on financial management in public secondary schools: a case of Kakamega central district. On budget adherence majority of the respondents indicated that it was moderate. This showed that budgets are not accurately adhered to. Some of the reasons for this included inflation and lack of proper forecasting. On positive impact of budgeting on proper financial management, majority strongly agreed that it has positive impact. This showed that budgeting if properly done will contribute greatly to proper financial management. A Study by Munge et al. (2016) on factors influencing financial management in public secondary schools in Nakuru county, budget management was found to be significantly influential to financial management in public secondary schools. The study further revealed that budget management, financial controls and governance and accountability accounted for a large percentage of financial management in public secondary schools.

4.5.1.3 Auditing:

Finally, auditing of school financial management had a statistically significant effect on financial management effectiveness in public secondary school in Gatanga sub-county (β_3= 0.842, t = 5.728, p = .00 and α = 0.05). The effect was statistically significant implying a major causal effect relationship between public secondary school auditing and financial management effectiveness in Gatanga sub-county schools. This means with adequate, frequent and independent audit translates to improved financial management effectiveness in public secondary school in Gatanga. Auditing helps to determine accuracy of financial statements, compliance with legal provisions, policies and procedures stipulated by the MOE and to identify operational problems in accounting procedures used by the educational organization so as to provide remedial recommendation for improvement. The effect was positive meaning a unitary improvement in auditing leads to 0.842 units improvement in financial management effectiveness level. The study findings are in line with a study by Omondi et al. (2016) in their study on internal control systems on financial management in Kakamega Central district. They found out that on auditing a long span is taken before external auditing is done and this may mean so many backlogs that needs much time for auditing in each school and encourage mismanagement considering the bulk of the books to be audited.

5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Findings:

The study findings indicated that financial management effectiveness in public secondary schools in Gatanga sub-county could be attributed to management factors that formed the independent variables of this study. The individual summaries of all the variables are discussed below:

5.1.1 Financial competence and financial management effectiveness:

Majority of respondents supported the statements about financial competence as being very vital for effectiveness of financial management in public secondary schools in Gatanga sub-county. This is evidenced by high percentages of respondents who strongly agreed or just agreed with most statements on the Likert scale about effects of financial competence on financial management effectiveness in public secondary schools. The correlation between financial competence and financial management effectiveness in public secondary schools was significant and moderately positive. This moderate correlation suggests that when the financial managers improved their financial competence, financial management effectiveness improved greatly. Additionally, based on regression analysis, it was established that financial competence had a statistically significant effect on financial management effectiveness implying that when financial managers improved their financial competence, financial management effectiveness improved greatly.

5.2.2 Budget control and financial management effectiveness:

Majority of respondents supported statements regarding effectiveness of budget control in enhancing financial management effectiveness in public secondary schools in Gatanga sub-county as evidenced by high percentages of respondents who agreed with different statements on the likert scale. The study findings from Pearson correlation revealed that the relationship between budget control and financial management effectiveness in public secondary schools was significant and positive. The positive association meant that when the school financial managers implemented strong budgetary controls, effectiveness of financial management improved greatly. Also using regression analysis, it was established that budget control had statistically significant effect financial management effectiveness in schools. The significant effect means that when the school financial managers beefs their budget controls by ensuring there is variance analysis, budget review and that funds are spent based on the budgets allocations, the financial management effectiveness in schools improved in terms of indicators like reduced unmanageable debts**.**

5.2.3 Auditing and financial management effectiveness:

Study findings about effectiveness of auditing to schools financial management received majority support from the respondents as being catalyst for financial management effectiveness in public secondary schools in Gatanga sub-county. Correlation analysis showed that auditing schools accounts was significant and positively correlated with effectiveness of financial management in public secondary schools in Gatanga sub-county. The positive association between auditing public school and their financial management effectiveness could be explained by the fact that when directorate of school audit conducted adequate and independent audit, the effectiveness of financial management improved greatly. This view is further supported by regression analysis, which established that auditing had a statistically significant effect on financial management effectiveness in public secondary schools in Gatanga sub-county.

5.2 Conclusion:

From the findings of the study, the following conclusions were made: Given positive correlation between financial competence and financial management effectiveness in public secondary schools in Gatanga sub-county and the significant effects of the same, the study concluded that financial competence has a statistically positive effect on financial management effectiveness in public secondary schools in Gatanga sub-county and that financial management effectiveness can be improved through improving the financial knowledge and skills of financial managers in public secondary schools. Given a positive relationship between budget control and financial management effectiveness in public secondary schools in Gatanga sub-county and significant effect of the same, it was concluded that budget control has a statistically significant positive effect on effectiveness of financial management in public secondary schools. The causal effect relationship implies that principals can improve the financial management effectiveness in their schools by tightening budget controls and ensuring all expenditures on projects are done according to the preceding budgets.

Finally, the positive association between auditing and significant effect of the same as given by regression analysis, it was concluded that auditing schools has significant positive effect on financial management and is very essential for improving effectiveness of the same. Auditing is not effectively done in schools as long span of time is left before it is done. Imparting adequate and independent audit leads to improved effectiveness of financial managers in public secondary schools.

5.3 Recommendations:

From the findings of the study and conclusions made, the study makes a number of recommendations. The positive correlation and significant effect of financial competence to financial management effectiveness in public secondary schools in Gatanga sub-county shows that, financial competence is very essential for financial management effectiveness. The education regulators should ensure that accounting officers have adequate knowledge and skills necessary to manage school funds by appointing accounting officers who have basic financial competence and through periodic relevant training on financial management for the principals.

Budget as a management tool and the basis of financial management control is a requirement to every institution. Given a positive correlation and significant effect of budget control on financial management effectiveness, budgeting should be done objectively with proper forecasts taking into account inflationary effects and should involve all the stakeholders. Every secondary school should have an operational budget in place with strong controls in place.

With a positive correlation and significant effect of auditing on financial management effectiveness in public, auditing should be done more objectively and thoroughly by the external auditors. External auditors should be independent and not have personal interests when doing their work. More auditors should be employed by the government to enhance frequent auditing of schools as the current number is seriously in adequate. Auditors should have impromptu visits to schools to see what goes on and not wait for books to be doctored to meet their expectations. The Government should also engage principals in subjective performance evaluation by directly evaluating their performance in relation to financial managements.

5.4 Suggestions for Further Study:

The current study was confined to the factors affecting financial management effectiveness in public secondary schools in Gatanga sub-county. The study was limited to three financial factors namely; financial competence, budget control and auditing. Other studies should be carried in other geographical areas with wider public schools population to establish if the findings hold in those environments. In addition, future studies should also include more factors in addition to the three covered in the current study. The researcher also suggests more study in the management of projects and human resource in public secondary schools. This research paper may play a leading role in this regard**.**

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