



**ADDIS ABABA UNIVERSITY**  
**COLLEGE OF BUSINESS AND ECONOMICS**  
**MASTERS OF BUSINESS ADMINISTRATION**

**FACTORS AFFECTING FINANCIAL MANAGEMENT PRACTICES IN  
THE GOVERNMENT SECONDARY SCHOOLS: A CASE OF  
SCHOOLS IN YEKA SUB CITY, ADDIS ABABA.**

**BY**

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**JUNE 2021**

**ADDIS ABABA, ETHIOPIA**

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THE GOVERNMENT SECONDARY SCHOOLS: A CASE STUDY OF  
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**A THESIS SUBMITTED TO ADDIS ABABA UNIVERSITY COLLEGE  
OF BUSINESS AND ECONOMICS GRADUATE STUDIES IN PARTIAL  
FULFILMENT OF THE REQUIRMENTS FOR THE degree MASTER  
OF BUSINESS ADMINISTRATION (FINANCE)**

**ADVISOR: DR. SEWALE ABATE**

**JUNE 2021**

**ADDIS ABABA, ETHIOPIA**

## **Statement of declaration**

All information in this document was collected and provided in compliance with academic rules and ethical behavior. I also declare that, as required by these rules and behavior, I have properly cited and referenced all non-original material and performance.

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## LETTER OF CERTIFICATION

This is to certify that Girmaw Dagnaw has carried out his thesis work on topic of “Factors Affecting the Financial Management Practices in Government Secondary Schools: A case of schools in Yeka sub-city “under my supervision. This work is its nature and it is suitable for submission in partial fulfilment of the requirement for the award of Master Degree in Business Administration (Finance).

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# APPROVAL SHEET

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This is to certify that Girmaw Dagnaw Ayene's thesis, titled "*Factors Affecting the Financial Management Practices of Government Secondary Schools in Yeka Sub City, Addis Ababa*" and submitted in partial fulfilment of the requirements for the degree of Master of Business Administration (Finance), complies with the University's regulations and accepted standards with respect to originality and quality.

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## **ACKNOWLEDGMENTS**

First, I am greatly indebted to my almighty God for helping to complete this research work and for all His help through my life. Much appreciation goes to my advisor Dr. Sewale Abate for his constructive comments and support from the beginning to the end of the research work.

I am also taking this opportunity to thank my beloved wife Charnet Hilmariyam and all my sons for their support me in available a number of ways, care, and encouragement throughout the study.

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## **LIST OF ABBREVIATIONS**

<b>BOM</b>	Board of Management
<b>ESDP</b>	Education Sector Development Program
<b>FM</b>	Financial Management
<b>FMP</b>	Financial Management Practices
<b>EPRDF</b>	Ethiopian People Revolution Democratic Front
<b>GEQIP</b>	General Education Quality Improvement Programme
<b>INGOs</b>	International Non-Government Organizations
<b>KETB</b>	Kebele education training board
<b>MOE</b>	Ministry of Education
<b>MOFED</b>	Ethiopian Ministry of Finance and Economic Development
<b>OFAG</b>	Office of the Federal Auditor-General's
<b>PFM</b>	Public financial management
<b>PTA</b>	Parent-teacher association

<b>SMCs</b>	School Management Committees
<b>SPSS</b>	Statistical package for the social science
<b>UK</b>	United Kingdom
<b>UNESCO</b>	United Nation Education, Science, and Cultural Organization
<b>USA</b>	States of America
<b>USAID</b>	United States Agency for International Development

## ***ABSTRACT***

*The main objective of the study was to investigate factors affecting the financial management practices in secondary schools in Addis Ababa's Yeka sub-city. The specific objectives of this study were to find out the extent to which schools management committee practices, internal control system, budget participation, and Principals' management skills affect government secondary schools' financial management activities. The researcher used descriptive survey and explanatory research design to find out the factors affecting financial management practices in government secondary schools. The study's target population was government high school principals, vice-principals, team leaders of school finance officers, team leaders of school human resource management, chairpersons of teachers' associations, and chairpersons of PTA representatives in Addis Ababa's Yeka sub-city. The selections of the respondents were carried out by using purposive sampling research method. The study, therefore, used a sample size of 72 respondents. A structured questionnaire was used to collect data. The data collection tool used was a questionnaire filled by the respondents. Closed ended and open-ended questionnaires were used for the purpose of data collection. A pilot study was conducted before the main study in order to examine the reliability and validity of the research questionnaire. The Cronbach's alpha coefficient technique was used to test reliability while the university supervisor was consulted to determine the content validity of the research questionnaire. A multiple regression model was used to test the relationship between the study variables. Primary data was collected to achieve the objective of the study. The data collected were analysed using a descriptive technique with the help of a statistical package for the social science (SPSS) program version 26. Data analysis was encompassed both descriptive statistics of frequency results and inferential statistics. The researcher used quantitative and qualitative research approach. Data were presented in tables and charts, and interpretations were made based on the research objectives. The study found that school principals' management skills, budgetary procedures, internal control, and SMC were found to influence the financial management practices in government secondary schools in Yeka sub-city, Addis Ababa to a great extent. According to the regression results, all of the for independent variables are making 53% contributions for financial management practices in government secondary schools of Yeka sub-city. The finding also indicated that the FMP of the government secondary schools in Yeka sub-city would be poor. The researcher recommended that*

*future researchers conduct additional research on factors affecting financial management practices in government and private secondary schools in rural and urban areas of Ethiopia, in order to shed light on the financial management practices of Ethiopian secondary schools.*

**KEY WORDS:** *Financial management, Principal's management skills, management committee, internal control systems, budget practices and secondary schools.*

# CHAPTER ONE

## INTRODUCTION

This research is going to assess and analyse factors affecting financial management practices in Addis Ababa Yeka sub-city Government secondary schools. This chapter includes a background of the study, statement of the problem, general objective, specific objectives of the study, research questions, research hypothesis, significance of the study, scope and limitations of the study, conceptual framework, and operationalization.

### 1.1 Background of the study

Education is the basis of the development and growth of the country's economy and helps to solve problems of the societal need through an appropriate direction and policies. The growth and the development of the educational sector depend on the administration of finance. Finance is very important for any organization and it can be considered as the backbone of any organization. When finance is wisely used an educational sector successfully achieved its goals otherwise the reverse becomes the case. Educational activities cannot successfully run without support from the adequate financial provision and successful financial management practices (Oboegbulem, 2013).

Important of financial management has become much increased in the education system throughout the world. The financial managing system is very important in all types of businesses, including banks and other financial institutions, as well as industrial and retail firms (UNESCO, 1994). This implies that financial management is also critical in governmental financial decisions.

Financial management in secondary government schools is a difficult job in terms of education. The funds allocated to the education sector are used for the day-to-day operations and activities of the institutions concerned. Secondary school principals and administrators are responsible for preparing the school budget to meet the school's goals and, most importantly, for successful financial management (Munge et al., 2016). Management of school funds in governmental schools has been a very sensitive and controversial issue because the achievement of the educational goal of any country depends largely on adequate financial support (Oboegbulem, 2013). The author argues that since resources are limited, educational administrators must make the best and most prudent use of those resources in

order to achieve institutional goals. Embezzlement, diversion of funds from prioritized programs, and misappropriations are all the result of poor control of available funds. It is observed that the management of learning institutions funds has been a challenge in Ethiopia. According to the OFAG (2019), reports submitted to the parliament of Ethiopia, the significant financial management findings of the problems concerning colleges and universities included:- procurement irregularities, cash irregularities, tax irregularities, and late financial statement submissions. School principals, school management committee members with their financial experts are responsible for the running of finances in their schools from cash receivables and inventory management to the success of their administration.

Financial management (FM) is vital in any organization, and it is a procedure of setting up plans, putting them in order, directing and controlling financial activities. A lot of financial capital is involved in running organizations, and therefore to get value from those investments requires a lot of clarity and responsibility from the people in charge (Kendie, 2018). A lot of countries throughout the world are giving more attention to education, and uses a very high budgetary allocation, and therefore, sound financial managing is very important since of the impact education has on development. According to (UNESCO, 1994) has stated that low levels of positions in education are not good for the economy of any state. As a result, secondary education in some nations, such as the United Kingdom, the United States, Canada, Egypt, and Nigeria, is entirely sponsored by the government.

The management of finance is a system that gives a framework for which the resources of an organization are directed towards the attainment of goals of an organization (UK, 2009). This indicates to accomplish organizational goals there exist fully accountable systems of educational governance, and effective use of existing financial resources. An effective financial management practice is important to enhance transparency, efficiency, accuracy, accountability which makes it possible for an organization to achieve its objectives (Kendie, 2018). This indicates that successful financial management practices improve the performance of having a clear plan and eliminate the accounting errors to become more efficient. The administration of government schools must keep a comprehensive record of funds and spent of assets, liability, and financial transactions (MPOLOKENG, 2011). The government, donors, and parents invest so much money on education for the students to get quality education, and therefore school management is required to spend it well towards the success of the school activities to complete timely. Therefore, school principals, school

management committees with school financial experts are responsible for work together for efficient and for successful financial management practices in the schools.

However, most of the countries over the world, including Ethiopia are struggling with serious challenges of financial management at the school level. According to Beckmann (2016), in his study `causes of financial mismanagement of public schools` stated that the local community of the society and the local government influence the financial management practices in the schools. Any country which wishes to compete internationally cannot be competitive without confronting the positive and the negative influences of a global tendency. Financial mismanagement is one of the major problems in the process of financial growth and development in emerging market economies such as countries in Africa (Ahmed & Masood, 2012).

According to a study conducted in South Africa by Swartz (2012), stated that managing school finances is one of the most difficult responsibilities for school principals, as many of them lack experience or skills. This study identifies having financial management skills for a school principal is very important for the school financial policy to control, manage, and use money properly. Implementing education facilities is difficult due to insufficient financial control by the school administration (Oboegbulem, 2013). School principals must not only make use of funds provided by parents and the government, but they must also come up with projects to raise funds to improve the implementation of school activities.

Ethiopia's education system has constantly been in changing, several decades ago, the education system was completely in the hands of the Orthodox Christian church, with the aim of producing students who could read and write well enough to serve as Deacons and Priests. After the liberation from the Italian invasion, a new education system was built from the ground up. At that time of Ethiopia liberation from the Italian invasion there was no adequate money, no trained teachers, no equipment, and no teaching materials (Bishaw, 2012). The fact indicates that up-to-date education in Ethiopia was not opened in all provinces, and the cost was very low in the education system. This expansion work in education in different areas of rural and urban of the country called for increased funds, the need for annual budget increased. Already the year 2019-2020 budget of the ministry of education Birr 50.6 billion represented a large share of the total national budget allocation. This increasing huge amount of money from year to year requires a high level of accountability to ensure the integrity and responsible delivery of the sector.

However, nowadays Ethiopia's education system needs adequate financial resources and management to implement according to its plan. Inadequate facilities, insufficient manpower training, overcrowded classrooms are cited as some basic indicators for the low quality of education which are mainly caused by allocating financial resources that are not sufficient to an educational institution. Planning alone is not enough to attain a desired quality of education, but also the provision of adequate financial resources is highly essential in addition to other resources (ESDP-III, 2020). The amount of finance invested in government learning institutions will fund all activities to determine various types of services schools provide.

In Ethiopia different actors finance education from domestic and external sources, the external source includes loans and grants, while the domestic source includes government budget, PTA contributions, Community contributions, and requests for funds from Donors/Agencies. The responsibility of funds in government secondary schools is under the school principals (UNESCO, 1994). According to REGASSA & A (2017), in his study stated that school principals, together with their Parent-Teacher-Association, have the responsibility of taking care of, controlling, and protecting school funds and resources. This researcher also indicates that in Ethiopia, members of the parents, teachers, and students (PTSA) actively participated in the preparation and implementation of the school budget. Their task is to ensure that schools perform well using the resources provided however, this system has faced several challenges and problems in managing funds in their schools.

Some schools' administrations operate without following the budget practice procedure; purchases are done without following the right procurement procedure and used school funds for unplanned activities. On the other hand, NYAGA (2016) stated that the situation of secondary schools has deteriorated to the point where the key activities have received little attention despite significant financial contributions from the government, parents, and others. This situation indicates that the wrongdoing of funds in secondary schools run by the government will lead to a lot of problems in achieving desired goals in the education sector.

Furthermore, the government budget allocation for secondary schools, especially in Addis Ababa, increases year after year, but the condition of school finance management by school principals and school management committees in government secondary schools in Yeka sub-city has become a sensitive issue over the years, due to increasing public and government interest in the condition of funds for the implementation of school programs. The community

expects the school administrators to ensure careful management of school funds, but on the contrary, there are gossips, and claims of financial mismanagement by the principals and school management committee such as a lack of initiative in finding alternative sources of funding for the school, budgetary policies aren't followed when it comes to funding school programs, inefficient use of funds, shortage of skilled staff, such as cashiers, lack of training in financial management by some principals and management committee, incompleteness of projects already approved and paid for by the government, abuse of PTA funds, poor record-keeping as well as poor auditing and accounting systems are becoming a big problem in secondary schools (AA Education, 2018).

In light of this, the researcher needs to conduct a study to determine the factors that influence financial management activities in government secondary schools, using Yeka Sub City as a case study.

## **1.2 Statement of the Problem**

School principals together with their school management committees and financial experts are responsible for managing funds in their schools from cash, receivables, and inventory management to the success of their administration. All activities and materials in the school need finance; this means finance can purchase all other resources that are important for education in the schools. The amount of finance invested in education heavily determines various types of services schools provide. But most of the school responsible bodies in Ethiopia do not have enough skills to manage school financial resources.

Different researchers carry out a study to identify the challenges related to school financial management differently and identify several challenges related to financial management practices. In his study investigating the causes of poor FM in secondary schools Kibinu (2004) described financial mismanagement as "poor financial management in a school as a result of school responsible bodies, school principals, and other important school leaders not being able to carry out their work properly and effectively." This means that unethical activities, such as the misappropriation of school funds by an authorized individual, are described as improper financial management in schools, whereas cheating is defined as the dishonest use of funds for personal benefit. Incompetency in procurement, insufficient and irregular auditing, and a lack of accounting supporting documentation and records, as well as the failure to prepare end-of-year financial statement reports, are some of the financial issues

that facing government learning institutions (Magak, 2013). This study concluded that budget utilization and management in secondary schools in the study area is inefficient and ineffective and that there is an urgent need to investigate the factors that affect financial management practices and provide appropriate financial management training to school principals.

In spite of the fact that government secondary schools receive funding from the government budget, PTA contributions, Community contributions, and requests for funds from donors/agencies all increased year to year, but there has been the worst condition in a number of secondary schools (AA Education, 2018). The report of the bureau also indicates that most of the schools in Addis Aababa still lack the necessary resources and operate in poor conditions, as shown by the following examples: most books in their libraries are out of date, laboratories equipment is out of date if it exists at all, school buildings are in urgent need of repair, and infrastructural facilities in schools are alarming. But, other schools in some places have been able to successfully use the same amount of money, hence the issue has been linked to financial mismanagement or weak financial management practices by school administrations lacking basic financial skills (AA Education, 2018).

According to AA Education (2018) supervision report, indicated that the financial utilization of the schools are not transparent for the stakeholders and community, some school did not use approve finance and did not follow their financial plan, school finance used for unplanned activates, no financial report, method of internal regulation is weak, few of school principals fail to observe laws or guidelines when handling finance of schools and documents of finance were not appropriately kept in some schools. Such status of schools' performance usually puts down the room for misused funds by dishonest persons who have access to school funds and therefore there is a need to carry out ways of improving well-organized and successful managing of finance in public secondary schools.

According to (knight) year cited in Mobegi et al. (2012), school principals and school management committees come up with plans for the school, however, such plans may fail if they are not linked to the budget allocation since it is through budgeting that schools will efficiently allocate resources to meet a variety of educational purposes and thus grow the organization. Bad financial management, which may lead to misappropriation and mismanagement of school funds, is one of the causes for poor budgeting (Mito & Simatwa (2012). This is due to a lack of experience in handling finances by school principals and

school management committees, as well as poor financial management. Similarly, the financial management activities of government secondary schools in the Yeka sub-city of Addis Ababa have drawn criticism from parents, school staff members, and the general public during the end-of-year assessment of school performance; hence, need to be studied.

There is a problem of financial management in Ethiopia. As indicated in ESDP V (2015), there was a problem of low budget utilization in government schools due to the weak capacity of management implementation. The basic education sector review study MOE (2012) also shows there is weak administrative capacity of educational finance management. The majority of researches on FM variables have been conducted in other countries, with only a few studies conducted in Ethiopia focusing on the public sector, but not on educational institutions. An earlier research in Ethiopian schools such as Alemu (2019) and REGASSA & A (2017) examined problems of financial management in Haramaya and Nono woreda Secondary schools. Their finding showed that only Government intervention, Students parents association, and internal and external auditing were significant for financial mismanagement. These studies were not considered school principals' management skills, budgetary practices, and internal control systems as factors affecting financial management hence the need for further research. Due to variations in geographical location, the study focused on Nona woreda secondary school in terms of financial management and usage, which does not apply to Yaka sub-city secondary schools in Addis Ababa. They focused only on the problems of financial management, not on the practices of financial management. Thus, this gap needs to be addressed.

As a result, it is clear that there is no enough empirical evidence on the factors affecting FMP in Ethiopian government secondary schools, especially in Addis Ababa, Yeka sub-city has not been fully utilized. It is also clear that research on factors affecting FM in government schools may not have been exhaustive enough. So, to fill the gap of the previous researchers the study focused on the overall status of financial management practices like principal's management skills, stakeholders budget participation, internal control systems, and school management practices in government secondary schools. Therefore, in this study, an effort was made to evaluate factors affecting FMP in government secondary schools.

### **1.3 Research questions**

This research poses the following basic questions.

1. To what extent do the school principals' management skills influence financial management practices?
2. To what extent does stakeholder budget participation influence financial management practices of government schools in Yeka sub-city?
3. To what extent does the internal control system influence financial management practices of government schools in Yeka sub-city?
4. To what extent does the school management committee practices influence financial management practices of government schools in Yeka sub-city?

### **1.4 Objectives of the study**

#### **1.4.1 Main objective**

The main aim of this study is to investigate the factors affecting financial management practices in government secondary schools in the Yeka sub-city of Addis Ababa.

#### **1.4.2 Specific objectives**

This study has the following specific objectives:

1. To determine the influences of principals' management skills on Yeka sub-city secondary schools' financial management practices.
2. To see how the stakeholders budget participation affects financial management in Yeka's secondary schools.
3. To assess the effect of internal control system on financial management practices in secondary schools in Yeka sub-city.
4. To determine the effect of the school management committees on the financial management activities of government schools in the Yeka sub-city.

## **1.5 Research hypothesis**

The following hypotheses were tested for these objectives using the NYAGA (2016) hypotheses as a reference point.

H<sub>01</sub>: Principal's financial management skill has no significant influence on financial management practices.

H<sub>02</sub>: Budget participation has no significant influence on financial management practices.

H<sub>03</sub>: Internal control system has no significant influence on financial management practices

H<sub>04</sub>: School management committee practice has no significant influence on financial management practices.

## **1.6 Significance of the study**

The finding of the study may help as important for several groups of people. This study would help school principals, vice-principals, account clerks, finance officers, team leader of human resource, chairperson of teacher association, and PTA representatives by allowing them to consider the factors affecting financial management practices and thus be better prepared to deal with them. The research would support managers from different sectors in terms of their ability to handle finances, as well as the Addis Ababa city education bureau and sub-city education office in terms of gaining a better understanding of the financial management weaknesses in Yeka Sub-city government secondary schools. Finally, it may give confidence and initiates other researchers in related fields to carry out further study.

## **1.7 Scope and limitation of the study**

The focus of this study was on the factors that influence financial management practices in government secondary schools in Addis Ababa's Yeka sub-city. The reason for the choice of that government schools receives more funds and resources from the government, parents, community, and donors/ agency as compared to private schools. The choice of the Yeka sub-city was influenced by the nearest to the researcher as well as easy access to information and the openness on the head of sub-city education office and Yeka sub-city secondary school principals and support staff since the researcher is a worker in Yeka sub-city. The study respondents were the school principals, Vice-principals, team leaders of school finance

officers, team leaders of human resource management, chairperson of teachers’ association, and chairperson of PTA members in secondary schools run by the government.

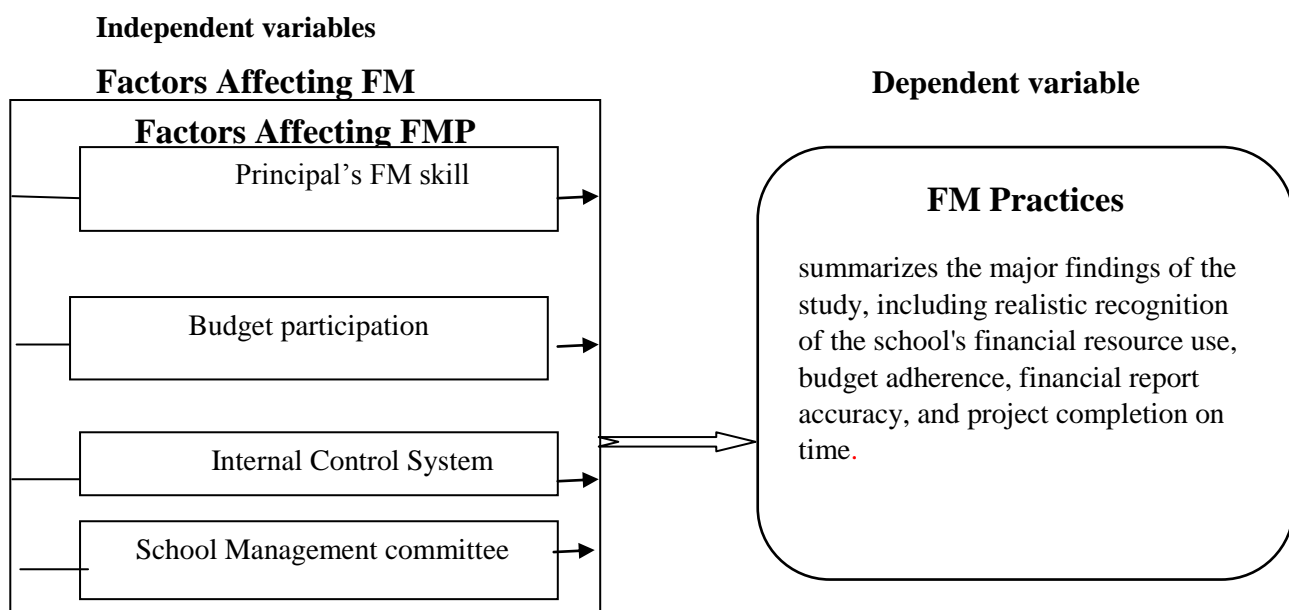
**On the limitation of the study**

The lack of cooperation of the respondents and their commitment to fill out and return the questionnaires on time to provide the researcher with the relevant information was seriously limited the outcome of the research. Since the study was made based open and closed ended questionnaires, these methods were not certain to clearly reveal real situations due to biased, especially the open-ended questionnaire’s part were made may not be volunteer to give the true situation because they may fear that their school principals. The other limitation was due to the outbreak of Coronavirus (COVID 19), it may be difficult to distribute and collect necessary information. However, the researcher avoided these obstacles by close supervision.

**1.8 Conceptual framework**

A conceptual framework is a research tool that can help in the development of knowledge and understanding of the situation under investigation. It shows the interaction of variables both independent and dependent variables. The independent variables are those factors that affecting financial management in secondary schools run by the government and the dependent variables are financial management practices.

**Figure 2.1: Conceptual Framework**



*Source: Author NYAG (2016 p.20)*

In the model, there are four independent variables and one dependent variable.

## 1.9 Operationalization

The study operationalized the factors affecting FMP. The independent variables are the principal's management skills, budget participation, internal control, and SMC practices. The dependent variable is financial management practices. The following operationalization table gives insight into how various variables will be measured, analysed, and a conclusion drawn thereafter.

**Table 1.1: Operational Framework**

<b>Objective</b>	<b>Variable</b>	<b>Indicators</b>	<b>Measurement scale</b>	<b>Questionnaire section</b>
To determine the influences of principals' management skills on Yeka sub-city secondary schools' FMP.	<b>Independent</b> Principal's management skills	Interval	Five-point Likert scale	Section <b>B</b>
To see how budget participation affects financial management in Yeka's secondary schools.	<b>Independent</b> Budget participation	Interval	Five-point Likert scale	Section <b>C</b>
To assess the effect of internal control system on FMP in secondary schools in Yeka sub-city.	<b>Independent</b> Internal control systems	Interval	Five-point Likert scale	Section <b>D</b>
To determine the effect of the SMCs on the FMP of government schools in the Yeka sub-city.	<b>Independent</b> SMC practices	Interval	Five-point Likert scale	Section <b>E</b>
	<b>Dependent</b> Financial management practices	-Quality Financial statement -Timely Finance reporting -Efficient utilization of resources -Completion of projects	Five-point Likert scale	Section <b>F</b>

*Source: Author NYAG (2016 p.21)*

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

This chapter summarizes the findings of writers and other scholars who have studied the factors that influence secondary school financial management practices. The literature will come from books, a journal, and the internet. The chapter will also aim at acknowledging and appreciating a work done by other researchers on the same topic. The chapter concludes with a summary of the research gaps that have been found.

#### **2.1 Theoretical review**

Analysis of financial management theories is presented in this section. Budget theory, stakeholder theory, financial management theory, and agency theory are examples.

##### **2.1.1 Budget Theory**

The modern proponents of budget theory are Bozeman & Strausman (1982). The theory takes two dimensions which are descriptive and normative (Rubin, 2007). The descriptive dimension emphasizes participation in government sector activities. These philosophers describe sequences of events, trends, and infer cases. Rather than observation, the normative component is more concerned with value. The descriptive aspect of the theory regulates that budgeting entails, at the very least, selecting particular target levels of operation by activity and then calculating how much it would cost in terms of staff and supplies to achieve those specific targets. This theory advocates for departments to request for what they needed to accomplish specific tasks. The normative perspective of budget theory states that there should be wide participation of the public in budgeting, and the budgets ought to reflect the average person (Munge et al., 2016)

In addition, Khan and Hildreth (2002) examined the budget theory in the public sector. In their analysis, Munge et al. (2016) opined that it is not absolutely necessary to have a single theory of budgeting; however, there ought to be a set of theories, each specific and unique to the problem budgeting is attempting to address. In context of public secondary schools, the budgeting process should involve all stakeholders particularly, parents, government representatives, financiers, and the schools' management. More so, the budget should be in cue with ordinary parents and students. In other words, it should not be so ambitious that some parents will find it hard to contribute towards catering for the activities and expenses spelt out in the budget.

### **2.1.2 Theory of Financial Control**

The theory of financial control was advanced by Östman (2009). The theory considers the individual functions of persons, both present and future, as its important reference point. According to this theory, the current and potential functions of financial resources for organizations are the most important. It goes on to say that expenditures, financial instruments, accounting, control models, economic calculations, and related questions, both within and outside the company, should be addressed in terms of internal characteristics as well as potential consequences. It is noted that establishing the relationships between various activities and financial processes, from a financial control point of view, is a general and basic issue (Östman, 2009).

The theory of financial controls for organizations places a natural focus on the firms such that they are viewed from several latitudinal areas. The first regards the human beings' functions of what is accomplished through organizations, their activities and output. The second is about the structure of the organization and activities, and of transactions that various parties have with each other. The third area covers the control systems in the sense of recurring procedures and methods that are employed to relate present and future functions to resources both externally and internally. The aforementioned financial control tools are argued to be crucial from individual perspective of organizations and also for larger economic systems. The fourth and last area illustrates the specific processes of individual organizations for certain issues. The theory further states that structure and financial control system works together (Östman, 2009). The financial control theory is very important to the current study because it allows for the understanding of financial controls, which are a component of financial management in government secondary schools in Addis Ababa's Yeka sub-city.

### **2.1.3 Financial Agency Theory**

Financial Agency Theory is a way of checking/monitoring the work of a principal i.e., an employer by an agent i.e., an employee. The theory also emphasizes on the cost and benefits of the principal-agent relationship. Beneficial agency cost is one that increases a shareholder's value while unwanted agency cost arises when management actions conflict with those of shareholders.

Agency theory was proposed by Jensen and Mackling (1976). The theory states that an agency relation exists when a person (the principal) hire another person (the agent) to

performance certain tasks or services on behalf of the principal. According to this theory, conflict arises between the principal and the agent. This stems from conflicting interests between the two parties. The agent strives to maximize reward for their effort, or if the reward is given, minimize the effort. On the other hand, the principal wants to reduce the costs of hiring agent, or to maximize the output of the principal. It is noted that the discrepancy of interests between the two parties leads to agency problems (conflicts). These agency conflicts are often severe and common in public institutions (Jensen& Mackling, 1976).

Since government secondary schools of financial management are managed by government belief as principal, this principle is applicable in this report. The agents, on the other hand, are the school principals, vice-principals, bursars, and account clerks. The government through the public service workers hires the services of the school principals, vice-principals and bursars, and Accountant clerks. The government has delegated decision-making authority to school principals and SMC, and the government monitors and supervises how well these agents fulfill their financial management responsibilities. These employees are tasked with careful management of the funds disbursed to schools, and then they are paid salaries and allowances for performing their services.

## **2.2 Empirical Review**

In this section, literature is reviewed based on studies done by others on factors affecting financial management. The empirical studies are relative to study variables namely principal's management skills, stakeholders budget participation, internal control systems, school management committees, and financial management.

According to Nyaga (2016), it is always recommendable to understand well those factors that affect management of finances. Failure to understand these factors may lead to spending a lot of energy and efforts hence no improvements in an organization performance. According to Mobegi et al (2012), public secondary schools are completely supported by the government budget to provide for their needs, and school principals with management committee have the first responsibilities for managing and directing the school finance based up on the educational plan which has developed to meet a variety of educational purposes. Despite this, some schools are currently experiencing financial constraints. This may be due to school principals' and staff's lack of financial management skills. Factors such as school principals' lack of financial management experience, and weak school management

committee practices, lack of government regular internal control structures, and lack of all concerned bodies involving in budget preparation and financial utilization decision-making may have a great influence on the financial management of government schools. An effective financial control system can prevent an organization from failing (Paisley & Borders, 1995).

According to Oboegbulem (2013), mismanagement of funds in secondary schools run by the government has led to a lot of problems to achieve the goals, and objectives set in the secondary school. He further states that the success of any principal depends on his prudence and judicious ways of spending the school funds in line with the planned objectives. The condition of secondary schools has worsened so much that the main activities have received poor attention despite the great financial contributions by the federal government and other (Bua et al., 2014).

According to REGASSA & A (2017), in his study found that in a school there is no training about financial management for the concerned body. Since they have no adequate capacity for managing and utilizing school finance effectively and efficiently, as a result here are no financial utilization report regularly, which makes financial utilization are not to be transparent for the stakeholders, and society influences the participation of the communities. In addition, this researcher also noted that the level of financial record keeping, number of accomplished activities, involvement of management committee, the efficiency of purchasing, ware housing function, and quarterly and annual submission of reports is all measured more or less good. This study indicates there are very high and serious problems that affect financial management practices in schools that indirectly affect the education quality and needs deep study for recommendations of a possible solution.

Furthermore, there are issues in Addis Ababa with the administration of funds in government secondary schools. Recently, Addis Ababa education office report 2010 E. C has complained secondary schools experience weak financial management controls, as well as the misappropriation of funds in its annual schools performance evaluation and the report, also indicates there was a lack of financial transparent to the school community, schools were not sent their financial report regularly to the sub-city office, some schools were unable to use income vouchers, school internal auditors were not conducted properly, and documents of finances were not appropriately held in reserve in some schools and it was confirmed ineligible expenditure. Such conditions usually leave room for misused school funds badly by dishonestly of anything put in one's care and therefore there is a need to find out ways of

improving efficient and successful financial management practice in secondary schools run by the government. Much of this is indicative of poor financial management, and secondary schools are no exception. This demonstrates that handling finances are a major challenge in Addis Ababa government secondary schools (AA Education, 2018).

### **2.2.1 Factors affecting financial management practices in government secondary schools**

According to MABLE SIMWEELEBA (2019), there exist both internal and external factors that contribute to financial mismanagements in organizations. First, a low management capacity which can lead to a failure to actively participate in budgeting for school funds monitors its utilization and a lack of control mechanisms creates a great risk of mismanagement of finances like destruction or cheating of funds. To solve this problem, it needs good governance which requires suitable accounting and auditors operate under the guidance of the ministry of education. Second, there are few ethical norms for educators in many countries, with only a code of ethics and no effective compliance mechanism in place. Third, lack of financial transparency at each level of an administration leads to create an opportunity for financial mismanagement. Fourth, lack of clear financial management policies, regulations, and procedures for dealing with frauds and theft in public organizations. Fifth, low wages for finance professionals can contribute to financial mismanagement and last lack of an opportunity for promotion and poor prospects after retirement.

Financial management in public secondary schools was affected by budget financial controls, governance management, and transparency (Munge et al., 2016). Furthermore, the most important factors that affected financial management were governance and transparency, according to the report. In addition, it was noted that governance and accountability were the most significant factors that influenced financial management. According to the report, public secondary school administrators must develop strict financial controls in the form of specific policies and procedures for the use of school funds, and ensure that the controls are enforced and followed.

BEALEM (2015) carried out the study on the Assessment of FMP in selected International Non-government organizations in the health sector, Ethiopia. The study's main goal is to evaluate the financial management activities of a selected INGOs in Addis Ababa. This study has also proved that the current financial management activities are working and are at a high standard as in most of the major categories reviewed, they have well laid down procedures and processes. A good system of financial management will prevent wastage of resources

enhancing performance and ensuring control of funds that can carry the organization through more difficult periods or fund shortages.

ALEMAYEHU ADERA DURET (2018) did a study on the status of financial resource management in the government schools of Oromia special zone and the study noted that factors affecting management of school finance are: schools used finance without a plan, school management was not responsible for the utilization of finance, a budget was not released at the time schools is in a need, the external auditors give a little attention to the financial management at schools and schools were not submitting a financial utilization report quarterly and annually. This research will focus on will the following causes, which serve as the study`s objectives; a lack of skills, dishonesty, and corruption on school principals, a lack of budget involvement, poor internal control systems, and weak school management committee practices.

### **2.2.2 School principals' financial management skills and financial management practices**

The primary functions of monetary management in secondary schools run by the government are to explain how money should be received and use the money for its purpose. In accomplishing their duties, all school principals are responsible bodies to organize, implement, and run the financial affairs of their schools. For any business and non-business organizations the knowledge and management skills are considered key factors in managing finances. Many definitions are given about the concept of management skills. Good financial management skills can improve financial wellbeing in a positive way and failure to manage finances well can lead to long-term negative social consequences (MABLE SIMWEELEBA, 2019). This indicates that the management of finance in a school is mainly concerned with good quality management skills. If there is a failure in financial management then it will be leading to negative long-term consequences on a personal level activity, and also in society, hence the concern of researchers recently increases on the study of management skills.

The school must hire an adequate number of financial skilled workers that conduct effective and efficient financial management but the management of finance is the responsibility of the school principal to ensure that school funds and resources are managed well. The school principals must have basic knowledge of financial management to give the necessary instructions, as the head of the school. The success of a school may be determined by the skills and experience of the school's principal. MPOLOKENG (2011) did a study on ``the

effectiveness of financial management in schools` and indicated that financial managers skill is a crucial success factor and determine the future performance of the school. Many school principals, school committee representatives, and experts lack the financial expertise needed to address financial issues in schools, and as a result, training in financial management is recommended (O. E. Atieno, 2013).

According to Wango & Gatere (2016) indicated that the school principals appointed for secondary schools in African, countries have inadequate knowledge on financial management and skills hence they were appointed based on the past teaching experience records rather than their leadership potentials. The delegation of school principals in our country is not based on financial management skills, but they were delegated simply by the criteria of EPRDF party membership and having an intimate relationship with an authorized person.

According to Mputhia (2014), school principals have the first responsibilities for managing and directing the school fiancé and every resource in the school. The school principals are responsible and accountable for the efficient financial control of the school. But most of the school principals don't have the skills to manage their school finance. School principals have financial limitations, especially in keeping financial books like the cashbook (Wanjiku & Nairobi, 2014). A school principal who lacks proper financial management skills, according to this author, would have difficulty carrying out his accounting processes. According to M. E. Atieno & Simatwa (2012), the task of running a school requires the head teacher to have professional skills to be able to set achievable goals. The school principals acquire the skills finance report accurately so that receipts and expenditures are summarized to show the purpose for which money was spent.

Day & Sammons (2014) in their book `` successful school leadership`` refer to the popular trend of delegating the successful leadership of school funds to school principals and parent-teacher associations as an increase in the part of decision-making, school-based management, and participative decision-making. According to Jabal (2006), did a study on School leader: challenging roles and impact on teachers and school effectiveness`` indicated that school principals and parent-teacher associations should be empowered to improve school effectiveness in terms of learner`s outcome and educational development in schools. The author continues that school principals should work with their parent-teacher associations in the financial matters dealing with budgeting, purchasing, and managing school resources.

According to REGASSA & A (2017), did study indicated that sometimes the PTA members and SMC committee complain of not being provided with the necessary documents by the school principals enable to monitor and even understand how school finances are being used up. Due to this inactive involvement, the effective roles of PTA and SMC have not been recognized and are limited to financial contribution.

Despite the fact that most school principals lack adequate financial management skills, it has been identified that they play an important role in school finance management in collaboration with the board of management (MPOLOKENG, 2011). According to ALEMAYEHU ADERA DURET (2018) who conducted a study on schools in Ethiopia's Oromia special region, most school principals were trained as teachers, not as financial administrators, and most secondary schools did not have in-school financial management training, implying that school principals need advanced knowledge of high-level financial management and strategies for handling funds in schools.

### **2.2.3 Stakeholders budget participation and financial management practices**

A budget can be regarded as an expression of the school plan in monetary terms. It provides information that facilitates a more effective cost-benefit analysis and also the SMC's/principals' control over school expenditure. It is an organizational tool used for planning and can be controlled within an organization. Profit organizations that are more dependent on private sources' helpful contributions have to use less participatory control practices as compared to Non-profit organization`s funding by the government. According to, Matthias D. Mahlendorf (2016) defined participatory budget is a process whereby assistant managers are given an opportunity of involvement in and have an influence on the budget practice procedure through information exchange with their superiors. Most decentralizing administrations use financial decentralization which shifts some responsibilities for expenditures and/ or revenues to lower levels of government.

For developing countries, including those in Africa, decentralized budgeting has been recognized as necessary. Budget participation is the involvement of all concerned bodies in the budgeting process and in financial utilization decision-making. Most studies, Otley & Pollanen (2000) agree that participatory budget preparation is expected to improve the performance evaluation, and effective management in a non-profit organization and develop a feeling of belonging or ownership and responsibility in stakeholders. According to Jabal (2006), participating in budgeting has a positive effect on school principals' performance, and

not participating in budgeting creates a budgeting gap between the individuals. In this connection, Mhd Noor & Othman (2012) explained that participation in preparing budget give up increase such as increasing employee motivation, increasing sense of responsibility, an ever-increasing commitment of creativity, increasing job satisfaction, increasing performance of an organization and also greater acceptance from organization member. A budget represents the result of a detailed study of planned expenditures and revenues for a stated period. According to NYAGA (2016) on his study would have proved that country can have a good budget and financial system, but still fail to accomplish its planned target if the budget is not well managed. The school principals with management committees may come up with plans for the school, but such plans may be failing to work if they are not linked to the budget allocation (Mobegi et al., 2012). The allocation budget is implemented in accordance with the plan as schools are able to distribute resources effectively to meet a variety of educational goals while still extending the organization.

Participatory budget preparation is expected to improve performance and increase a sense of belonging or ownership of responsibility in the process` budget which shows that the level of participation in the preparation of budget will increase. Budget participation is vital to inspect the budget at school to reduce the chance for financial misused or cheating and be in a situation to observe the actual performance of the school (Otley & Pollanen, 2000). Schools allow stockholders to participate in the budget-setting process expecting to reduce budgetary loose or improve performance.

Mestry (2006) in his study revealed that schools in South Africa, budgets were poorly done while (Mbogi 2012) in his study note that in most secondary schools a budget is just a document on paper and its actual implementation is a mystery. These researchers also explained that the need to complete urgent projects affects proper budget implementation, and even pave way for misappropriation. A situation where there is no budget means that money will be spent at any rate and this gives the school principal a chance to spend money as they wish and account for the same purpose. Sande et al, (2015) noted that school principals of secondary schools must look ahead, develop goals, and schedule the activities in the school in order to effectively manage their finances. He studied that effective school financial management is brought about by understandable long-term plans and priorities. Having a clear plan is very important for spending the limited funds is drawn. Therefore, it is expected that for this study, all concerned bodies involve in the budget process would enhance the practices of financial management of the government of secondary schools.

#### **2.2.4 Internal control system and financial management practices.**

The objective of managing school finance is to ensure efficiency, accountability, and transparency. All these can be achieved through internal control systems. Different authors and organizations have defined the system of internal control in different ways. According to Suleiman et al. (2008), internal control system is defined as the policies and procedures which are put in place to ensure that the assets of an organization are protected, and they are reliable for financial reporting. Internal control refers to the plans, processes, and procedures that are used to fulfil a company's mission, goals, and objectives while also supporting performance-based management (GIZAW, 2016). That means internal control consists of an organization's system of makes sure and sense of balance designed to ensure reliable information in the management and therefore, resources and accounts of the organization are not stolen, misused, or accidentally destroyed, the organizations' policies and the government regulations are met, overall organization objective is achieved.

The Ethiopian Ministry of Finance and Economic Development (MOFED) gave another concept of internal control in 1997 E. C, stating that internal control is used by the head of a public body to help it achieve its goal (MINYASHAL, 2016). According to Mohd et al. (2015), defined internal control is the policies, and procedures which are put in place security that the properties of an organization are protected, and are reliable for financial statement reporting. Furthermore, according to the author, an effective control mechanism ensures that the organization's manager can use financial resources in a way that protects the interests of donors and contributors. Effective internal controls in any organization encourage efficiency, compliance with laws, regulations, and organizations policies, and seek to eliminate dishonesty and abuse (NYAGA, 2016). This shows that internal control is an important part of managing an organization.

Internal control structure includes policies and procedures on controls such as withdrawal, applications for funds and grants accounts, bank and cash, purchase, payments and monitoring, evaluation and reporting. Ma and Yu, (2012) indicated that policies are important in setting limits and giving guidelines to stakeholders involved in the budget process and thus the need for all stakeholders to be aware of such policies. According to Avery & Obah, (2018), internal control serves as the first line of defence in safeguarding properties and preventing and detecting errors and cheating, these internal controls depend on the activities under consideration procedures which include locking reviewing monthly financial statement

to verify transactions, requiring authorization on certain documents, and performing reconciliations on organization accounts. The continued existence of an organization depends on effective financial control and managers should implement rules and regulations to prevent dishonesty, predictable overspending, and have continuous and accurate knowledge of the overall financial position (Paisley & Borders, 1995).

To prevent fraud in school finances, the principal should come up with clear procedures and responsibilities (Chruy, M., & Tiep, 2017). This indicates that school principals should create a good control environment with clear policies, procedures, and responsibilities that help in ensuring the management directions are successfully implemented to prevent fraud in school finances. These responsibilities include separating staff duties, delegation of procurement authorization, and exercise effective supervision to make sure that rules and regulations for dealing with frauds and theft. Establishing effective internal control in a school can help the departments operate more efficiently and effectively in teaching-learning processes for which it is responsible are effectively protected. Similarly, NYAGA (2016) in his study indicated that there is no appropriate internal auditing set up in schools and that the government auditing is irregular, and hence school funds could be misused which is the result of the lack of supervision and internal control mechanism create risks of financial management.

The research done in secondary schools by Mobegi et al. (2012) in his study on ``factors contributing to financial mismanagement and misappropriation`` noted that more than 58% of BOG chairpersons, Bursars/accounts clerks, and principals who were involved in the study concluded that, weak internal controls system was the most important factors contributing to financial mismanagements. There was proof that receipting of school money was an issue at the time of the study because fee records were missing, schools lacked qualified inventories, and school property was stored in the offices of deputy head teachers. They came to the conclusion that all of these circumstances resulted in students being moved in and out due to financial mismanagement at the school. Therefore, to have a successful organization in secondary government schools requires cash from other sources to be accurately and correctly recorded in the book of accounts, all statutory accounting books were maintained by Bursar/account clerk, and utilize appropriate management control systems.

### **2.2.5 School management committee practices and financial management**

The school management committees are the most important bodies in the schools and assumed a pivoted role in the development of the education systems in the developing

country (World Bank, 2005). According to Kiprono et al (2015), on his investigation indicated that an empowering school management committee system has become strong team management and ensures efficiency and successful transparency at all levels of education.

Most Countries are empowering school management communities to manage the delivery of education. In all developing country efforts of decentralizing education are under way. Lack of knowledge and skills in managing school finance in school management committees and principals are some of the challenges were created in the implementation of decentralization policies in schools (USAID, 2005). A school-based management system is critical, as it increases school-level administration, assumes greater financial responsibility, and is accountable to the local community. The role of school-level administration has grown as financial management has become more decentralized, requiring schools to bear increasing financial responsibility and accountability to the local community. Such school levels of managing finance are usually done through SMC which oversees management, budgets, revenue, and expenditures.

Supervising and assessing the school's results, drafting and recommending a school strategic plan, and monitoring the use of government and community funding are only a few of SMC's key responsibilities (MOE, 2012). It is the responsibility of the SMC to set the secondary school fees using the guidelines from the MOE (2012) ensuring sound financial management, resource mobilization, setting of priorities for spending, and raised a question on expenditures that do not appear to conform with the budget and approves estimates.

According to Abebe (2012) did a study on ``school management and decision-making in government schools`` indicates that before implementing annual budgets, the higher decision-making of the SMCs should know the budget allocation and check and agree for implementation. This helps the departments to link to the approved budget and creates accountability for the budget allocation. It also helps the SMCs to follow up in line with funds that have been approved. However, MWANGI MOSES KIMANI (2019) stated that most committee members do not understand the financial reports presented to them, this makes them make poorly informed choices or make them make poorly informed choices or make delayed decisions indefinitely. That is most of the school committee members do not know the technical details of financial management presented to them. Bad school governance is partly to blame for the unusually high cost of secondary education (Cleophas Ndiege Kaseya \*, 2016).

According to Mobegi et al (2012), maintained that even though there are scarce literature and documentation on week secondary school governance, observation and experience clearly shows that there is no clearly defined governance framework and financial management systems. This has led to corruption, especially at the administrative and SMC levels, when it comes to purchasing school supplies, consumables, learning materials, and non-teaching staff.

According to KEBE ALEMU ASEFA A (2018), in his study found that with active leadership backside by healthy community member support in planning processes and effective communication, school improvements were achieved. The participation of the school management committee on financial management in such responsibilities as monitoring and evaluating, attending a regular meeting to deliberate financial issues of the school, participate in budget preparation encourages good governance, accountability, and transparency with public funds. However, in both good performing and underperforming communities, there was under achievement of transparency and accountability objectives. This was found to be largely due to inactive parental involvement that was typical of parent-teacher associations. The lack of ability on most school management committees, according to the report, made them feel unable to understand the planned decision-making as well as the procedure for implementing those set strategies.

In most African countries, the responsibility for overseeing the management of primary and secondary schools is often assigned to a management committee to ensure that governing bodies operate on some common principles; every SMC has a structure that provides basic guidelines, and the legal framework for its operation. The structure is usually approved by the Ministry of Education and it provides a blueprint for a board operates as a legal entity. The powers of Addis Ababa's school management committee secondary schools are typically derived from Addis Ababa Education Bureau proclamation No 51/2009 or a similar law (UNESCO, 1994).

SMCs are the administrative hand of basic management schools in Ethiopia, and these are the main grouping of the schools, and their responsibilities are essential to the main activities and operations at the secondary school level. The SMC is expected to work for the improvement of the school and society by working in the interest of the school community (MOE, 2012). According to Ethiopian rule, the SMC is the governing body of basic schools and is responsible for promoting the school community's and students' interests in receiving a good

education (MOE, 2012). Every government school has such a committee, which is established and operated in accordance with state guidelines. The participation of communities in school management helps to improve the relationship between the schools, and communities; it also opens the door for cooperation and creates the feeling of shared ownership (Abebe, 2012).

Some researchers have identified the advantage of decentralization administration for critical independent decision-making at the school level. In education, decentralization reduces unfairness mainly when financial responsibility is delegated to the local government. Sub-Saharan African countries from Ethiopia to South Africa have recently been engaged in decentralized administration and efforts have been made to increase school-level decision-making independence through the state of direct financial support to schools as a school grants and by promoting community participation in school governance (Abebe, 2012). Thus, decentralization facilitates sensitivity to local needs through community participation, transparency, and accountability in the school management committee.

The Ethiopian government has also launched the (GEQIP), in which getting better SMC and school administration areas taken as one of the tools for getting better education decision-making at all levels (Abebe, 2012). However, it was one of the factors leading to financial mismanagement in government schools and outcomes under the success of clarity and accountability due to inactive school committees' participation. The next step in this investigation is to look at the relationship between the school's management committee activities and its financial management practices.

### **2.2.6 The role of Parent-Teacher-Association members on financial management**

The first step in organizing school finance is to institute the governing body of the school, which in turn assigns the school finance committee. Both bodies are prescribed by legislation (MOE, 2015). The parent-teacher association is made up of parents of the learners at the school, teachers, and the local community. People from the community may choose parent-teacher association members. For example, an expert on financial matters may co-opt in the finance or fund (MOE, 2012). The PTA is an important part of democratization in education. Therefore, it is necessary that the parent-teacher association work intimately with the school principals as school financial managers.

The parent-teacher association should help principals in administering the school finances; with fund-raising projects; establishing a school fund account, and administering it in agreement with the guidelines. The Parent-Teacher Association should find ways of obtaining enough money for the schools by approaching business people to sponsor school activities; asking parents to contribute, as they want; and organizing fundraising projects for their schools allows Parent-Teacher-Association to use the school hall for fundraising.

School finances should administer concerning the rules drawn up by (MOE, 2015). The guidelines on school financial management indicate that the school principals and Parent-Teacher-Association should open and maintain a single bank account in the name of the school at a registered bank. Nobody allowed keeping money or depositing it into a bank account other than the one that exists in the name of the school. The Parent-Teacher-Association should look after the school property. Principals are not free to use the school finances as they please and money donated to the school should have used for educational purposes only (MOE, 2012). This indicates that the PTA works closely with school principals and gives serious attention when they prepare the school finance plan.

### **2.2.7 Financial management practice (FMP)**

Finance consists of three interrelated areas (Ackom-Wilson, 2015). The first one is the money and capital market which deals with the securities market and financial institutions. The second type of finance consist is an investment that focuses on the decision made by both individual and institutional investors as they select securities for their investment portfolios and the third one is financial management which involves decisions within the firm. Along with these three, financial management is the broadest of all. Financial management is important in all types of profit and non-profit organizations.

Different authors defined financial management in different ways. Financial management is a system that provides a framework that includes relevant legislation, policies, and guidelines for which the financial capitals of an organization are directed towards the attainment of goals of an organization (International Monetary Fund, 2009). The secondary school administration of finance is concerned with the cost of education, source of income meets up the educational spending, and the spending of the income attains the educational objectives (Nwakpa, 2015).

According to Akomolafe (2012) did a study published in the journal of education and practices title ``a comprehensive study of principals administration effectiveness in schools'' and explained that financial management is crucial for the school to have financial knowledge and skills on the basic processes involved in managing the school's financial records, the budget practice`s procedure, and internal controls are essential to ensure the school responsibilities are not misappropriated. The implementation of community engagement in schools (Erasmus et al., 2008) also explains that it contributes to the development of policies, standards, and guidelines for effective implementation of financial management as a requirement of school principals have to take responsibility for their actions and performances in schools.

Financial management encompasses planning, budgeting, accounting, financial statements, internal monitoring, including internal audit, procurement, fund disbursement, and program physical efficiency, all to effectively manage resources and achieve pre-determined goals (Ackom-Wilson, 2015). The primary goal of managing finance in the government schools is used to support management in the allocation of limited resources to ensure financial system and efficiently and successfully in the delivery of outputs required to achieve desired outcomes that wills serving the school's best interests (Alemu, 2019). Good financial management of schools means that principals should involve parent-teacher association members, school management committee, and staff when making financial decisions. The school Principal, as school financial manager, need to look different ways in which the interest and capability of each individual stakeholder can contribute to effective financial management.

According to the study by Kendie (2018), indicated that a successful organization in managing funds ensures transparency and accountability in the organization. Similarly, MABLE SIMWEELEBA (2019) in his proposal summited stated that successful financial administration is fundamental to enhance transparency, efficiency, accuracy, accountability which makes it possible for an organization to achieve its objectives. The role of school principals in managing funds of schools in South Durban in South Africa was investigated by Myende & Samuel (2018) and in their study were proved evidence that school principals and school management were delegated with the responsibility of ensuring a well-managed school. This was accomplished by careful and sufficient budgeting, implementing proper procurement procedures when purchasing products, and maintaining high standards of accountability and transparency in all operations. The study emphasized practical financial

management on schools to improve resources are allocated adequately and to enhance achievement of school objectives.

Financial administration practices in western companies have been documented in the literature. A good example of ``factors affecting financial management practices`` according NYAGA (2016), investigated that financial administration practices in Motorola and found out that the corporation had meshed part of its business and information system with Citi bank to strengthen Motorola's cash management system. This investigation found out that the US and European Theatre Company is using shared services centres to reduce their cash running. He noted that there is increased interest in understanding the knowledge and skills in financial administration practices of the global firm due to the growth in transactions across national borders. Therefore, financial management practices are very important for the schools to be successful concerning goals and objectives.

Financial management in government organizations is concerned with ensuring that funds are available when they are needed and that they are collected and used most productively and effectively possible to benefit people (Muturi, 2017). That means to be successful it should include keeping accurate evidence of all financial transactions and linking the budget to the firm's strategic and operational plans. Since the government and stockholders invest so much money in providing high-quality education, school administrators must ensure that funds are spent wisely to ensure the effectiveness of school programs. Finance experts work closely for effective financial management, to care organization in an efficient and effective. According to CITATION Rose (2015), managing finance is a control system that can optimally utilize the available resources and producing good results. That is school financial administrations are concerning with the appropriate use of funds to improve the operational efficiency of the schools.

Bad financial management has resulted in a shortage of basic school infrastructure, misguided goals, and a poor learning climate, all of which have resulted in poor efficiency, effectively crushing the government's goal of ensuring that the majority of children obtain an education by 2030 (NYAGA,2016), Poor performance in government secondary schools is linked to poor financial management by school administrators, making it difficult for them to carry out school programs (Oboegbulem, 2013). The school governing bodies are not only responsible for how they spend funds received from parents and the government, but they should also develop strategies and procedures for generating funds to improve the execution

of school programs. The achievement of financial management of every organization depends on how funds are generated and managed efficiently and effectively.

Financial management activities, according to a proposal written by (MABLE SIMWEELEBA, 2019), require careful preparation, budgeting, and efficiency in order to achieve full benefits against defined targets and objectives. The schools set SMART (specific, measurable, achievable, realistic, and time-bound objectives) to use the school budget effectively. The aims of managing finance in a proper way in any government organization are to use the insufficient resources effectively in the best interest of the government and local community (Mathiba, 2011).

Goal achievement can be utilized to evaluate good financial administration in schools, which will be focused on resource efficiency and budget commitment in this study. To get accepting in the education sector regarding finances, (Mestry, 2004) noted that the management who is accountable for the school finance must take an active role in its audit function and punish the school principals and financial experts found guilty.

### **2.3 Research Gap**

There is a problem of financial management in Ethiopia. As indicated in ESDP V (2015), there was a problem of low budget utilization in government schools due to the weak capacity of management implementation.. The basic education sector review study MOE (2012) also shows there is weak administrative capacity of educational finance management. The majority of researches on FM variables have been conducted in other countries, with only a few studies conducted in Ethiopia focusing on the public sector, but not on educational institutions. As a result, it is clear that the empirical evidence on the factors influencing financial management practice in government schools, especially in Addis Ababa's Yeka sub-city, has not been fully utilized. Earlier researchers have not been able to correlate financial management with the factors that affect financial management in Ethiopia and this study will seek to do that. This therefore necessitates the need to research in this area to bring out the relationship between financial management practices and factors affecting financial management particularly.

Several studies on factors influencing school financial management have been conducted all over the world. In these studies, the researchers tried to address the factors of the important issue affecting FM, because FM is an important tool in enhancing transparency, efficiency,

accuracy, accountability which makes it possible for an organization to achieve its objectives. It is clear that research on factors influencing FM in government schools may not have been exhaustive enough. The fact is that while there have been attempts to resolve the FM problem in public institutions, there has been no concrete research on the relationship between budgeting and FM.

An earlier research in Ethiopian schools such as Alemu (2019) and REGASSA & A (2017) examined problems of financial management in Haramaya and Nono woreda Secondary schools. Their finding showed that only Government intervention, Students parents association, and internal and external auditing were significant for financial mismanagement. These studies were not considered school principals' management skills, budgetary practices, and internal control systems as factors affecting financial management hence the need for further research. Due to variations in geographical location, the study focused on Nona woreda secondary school in terms of financial management and usage, which does not apply to Yaka sub-city secondary schools in Addis Ababa. They focused only on the problems of financial management, not on the practices of financial management So, to fill the gap of the previous researchers the study focused on the overall status of financial management practices like principal's management skills, stakeholder's involvement in budget process, internal control systems in government secondary schools.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

This chapter shows the whole process of how the study was done systematically. It includes: a research design, a source of data, a target population, and sample size and sampling techniques, data gathering instruments, a procedure of data collection, validity, and reliability, and a method of data analysis are treated in separate sections.

#### **3.1 Research approach and design**

The design is the arrangement of any work that gives the research direction and a systematic approach. The study design usually consists of how data will be collected, what instruments will be used, how the instruments will be used, and how the data will be analysed. According to Magout (2020), a research design is a strategy for obtaining answers to a research issue. It is also said to be the blueprint for the collection, measurement, and analysis of data. This study adopted a descriptive survey and explanatory research design to find out the factors affecting financial management practices in public secondary schools. The researcher used quantitative and qualitative research approach to improve an evaluation by ensuring that the limitations of one type of data are balanced by the strengths of another.

#### **3.2. Sources of data**

The data that can be used in this study include relevant information on the practices and problems of school fund management in secondary schools in Addis Ababa's Yeka sub-city, as well as data from primary sources. Primary data was collected using questionnaires. Questionnaires can be either devised by the researcher because they enabled the researcher to collect information more easily and within a reasonable time (Fox & Hunn, 2013). The primary data were gathered from high school principals, Vice-principals, team leaders of school finance officers, team leader of school human resource management, chairperson of teacher association, and chairperson of PTA members through a questionnaire.

#### **3.3 Target population, sample size and sampling techniques**

The study concentrated on government secondary schools only. Private secondary schools were excluded because they were not funded by the government. The selections of the respondents were carried out by using purposive sampling research method. The target population consisted of high school principals, Vice principals, team leader of school finance

officers, team leader of school human resource management, chairperson of teacher association, and chairperson of PTA members in government secondary schools in Yeka sub-city, Addis Ababa. These respondents were proper representatives of the target people to generate data on the factors that influence financial management activities in government secondary schools. These selected respondents were preferred because they deal day to day with finance, hence they are in a place to answer the researcher's questions. Yeka sub-city was preferred because it was the most convenient to the researcher by the nearest to the researcher as well as easy access to information and the openness on the parts of the sub-city head education office, secondary school principals, and support staff since the researcher is a worker in the sub-city.

Finally, all government secondary high school principals, Vice principals, team leader of school finance officers, team leader of school human resource management, chairperson of teacher association, and chairperson of PTA members. The selections of the respondents were carried out by using purposive sampling research method and census sampling technique used to select schools since they are small and manageable. Therefore, the study had a total of 72 participants and 9 schools.

### **3.4. Data collection instrument**

In this study, the researcher used structured questionnaires which were constructed to enable the researcher to collect relevant data information from high school principals, Vice principals, team leader of school finance officers, team leader of school human resource management, chairperson of teacher association, and chairperson of PTA members who were directly involved in the management of finance in government secondary schools. The questionnaire is one of the tools that were used to gather primary data in the study and it is designed using the Likert scale. The questionnaire was contained both open and close-ended questionnaires addressing all the research objectives. The questionnaires were evaluated and commented on by the adviser. To ensure the reliability of the instrument a pilot study was done in two government secondary schools from the Bole sub-city. This pilot study served to establish the weakness of the questionnaire before being administered to the target population. All statements regarding the question under investigation were rated as follows: Strongly agree=5, Agree =4, Neutral =3, Disagree =2, and strongly Disagree=1.

### **3.5 Procedures of data collection**

The data collection procedure involves the approach that the researcher takes to collect data that will be used in the study. The researcher first took a formal letter from the university as an official introduction to the Yeka Sub-city education office given that all government secondary schools under the study filled. This was followed by a formal letter from the head of the sub-city education office issued to the school principals of the targeted government secondary schools. Then, the researcher introduced himself to the school principals and management committee members. After I introduced myself, I gave a detailed orientation about the purpose of the study and how to fill the questionnaires. To this end, an agreement was reached before the distribution of the instruments.

Finally, the researcher personally administered the questioners to high school principals, Vice principals, team leader of school finance officers, team leader of school human resource management, chairperson of teacher association, and chairperson of PTA members of government schools, and the distributed questionnaires were collected carefully from all participants on the same day of their guarantee while the rest took after a few days.

### **3.6 Method of Data Analysis**

The collected data was analysed and interpreted by using both qualitative and quantitative techniques, The data collected by open ended questionnaires were analysed qualitatively, whereas closed ended questionnaires were analysed quantitatively by using figures, tables, percentages and Likert scale (five-point scale) statement computations.

The Statistical Package for Social Science (SPSS) computer software program is used to conduct data analysis. This SPSS computer software is found to be simpler and makes it is easy to analyse and interpret social science findings. According to Nzoka & Orodho (2014), the SPSS program is able to hold enormous amounts of data, and it has a wide range of statistical procedures which are designed for social sciences. It is also very effective. General information of the respondents was presented in form of percentage and frequency. A reliability test was conducted to ensure that the measuring test is consistent to produce an accurate result.

Both descriptive and inferential statistics were used to analyse the data. The responses of the respondents were analysed using descriptive statistics from a display frequency table. The

quantitative data were analysed by use of frequency result of variables in form of frequency counts and percentages of Likert scales. Furthermore, parametric tests such as correlation, coefficient of determination, analysis of variance, and multiple regression analysis were used in inferential statistics. Multiple regression models were used in examining the effect of the factors on the financial management practice of schools. In this study, the dependent variable was financial management while factors that affect financial management practices were independent variables. Results of the study presented in tables. The following multiple regression model was adopted.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon_i$$

Where;

Y = Financial Management practices

$\beta_0$  = Constant term

$X_1$  = Principal's Management Skills

$X_2$  = Budget Participation

$X_3$  = Internal Control Systems

$X_4$  = School Management committee Practices

$\beta_1, \beta_2, \beta_3$  and  $\beta_4$ , are beta coefficients of  $X_1, X_2, X_3$  and  $X_4$  respectively

$\epsilon_i$  = Error Term associated with the regression model

### **3.6.1 Reliability and Validity**

Reliability test tries to determine the degree of consistency to the researcher instrument. The researcher will ensure reliability or the degree of consistency and precision in which the measuring of an instrument is demonstrated (Bruin, 2011). In establishing the reliability of the instrument, data for questionnaires were administered, and the collected data were entered into a statistical package for social science (SPSS) a computer software version 26 and Cronbach's alpha coefficient was used to assess the internal consistency, and the general rule of thumb is that a Cronbach's alpha of 0.70 and above is good, 0.80 and above is better, and 0.90 and above is the best instrument to be considered reliable for the study.

A validity test tries to determine whether the research instrument to be sure what supposed to measure. According to Mohajan (2017), an instrument can only be valid upon attaining the required reliability threshold. This study was concerned with shaping the content validity of the research instrument. The content of the questionnaire was realized by the assigned university

supervisor. None of the items in the questionnaire were modified as they were believed to have attained the content validity threshold.

### 3.6.1.1 Pilot study

A pilot study is a minor study that was carried out before the main study. The participants of this study are not supposed to be included in the final study. As such, the pilot study was carried out across two government secondary schools from Bole sub-city neighbouring Yeka sub-city. The purpose of carrying out the pilot study was to look out for any probable weaknesses in the research instrument, before being administered to the target population. This was enabled by conducting reliability and validity tests on the data collected at this stage.

To ensure the reliability of the instrument was ascertained by conducting a pilot study in Lam and Bole secondary government schools from the Bole sub-city. Mainly the survey method was the strategy of the research and Cronbach’s alpha should exceed the threshold of 0.70. Cronbach’s alpha is a function of the average inter-correlations of items and the number of items in the scale.

For any measurement to be valid it must first demonstrate reliability (Drost, 2004). To check the reliability, the questionnaires were pretested with 16 sample questionnaires. As a result, Cronbach’s alpha showed satisfying reliability, above 70%.

**Table 3.1 Reliability statistics**

Study variable	No Test items	Alpha coefficient
Reliability test for the whole data	28	0.850
Reliability test for Principal’s FM skill.	6	0.792
Reliability test for Budget participation	5	0.845
Reliability test for Internal Control System.	6	0.641
Reliability test for School Management committee	5	0.901
Reliability test for Financial Management	6	0.795

From Table 3.1, the test of the Internal Control System element for reliability is 0.641 (64.3%). According to Field (2009) referred by Millan (2013), a factor with four or more loadings greater than 0.6 is reliable regardless of sample size. Thus, the component is still acceptable for analysis. In addition, table 3.1 shows that the result of the reliability of the whole data for the sample questionnaire was 0.850 which is above 70%, which means the variables items in the questionnaire that used to test the items have proven the significant relationship towards this research objective.

### **3.7 Ethical consideration**

The researcher is tried to observe some ethics in the procedure of carrying out the research. The researcher was informed to the respondents about the purpose of the study i.e., purely for academic; the purpose of the study was also introduced in the introduction part of the questionnaires. The data collected was kept secret and the information was treated with respect. The respondent's participation was voluntary, according to the researcher. The research was not personalizing any of the respondents' responses during data presentations, analysis, and interpretation. The researcher ensured that the data gathered was original by referencing the source. This was done to avoid plagiarism, which is against the law. The information gathered was only used for the purpose for which it was collected.

## CHAPTER FOUR

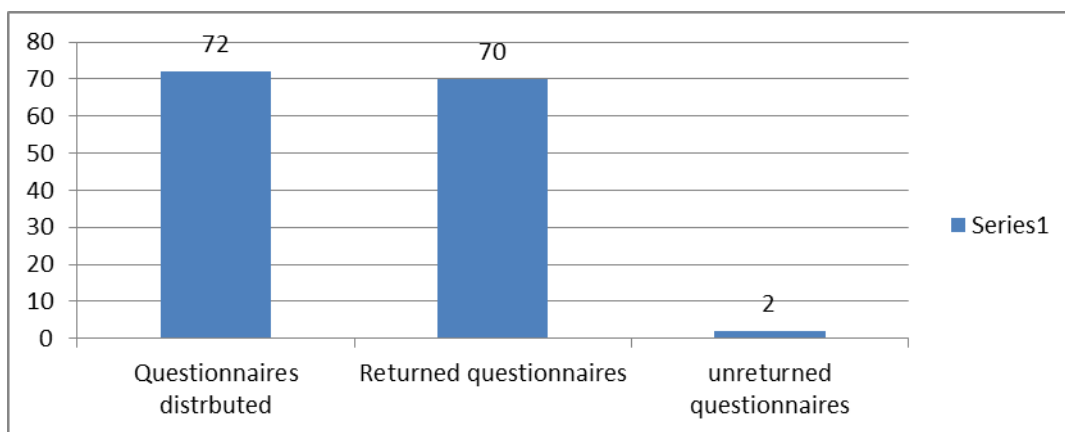
### DATA PRESENTATION, ANALYSIS, INTERPRETATION, AND DISCUSSION OF THE FINDINGS

This chapter will present a discussion of the final results and the process through which the results were obtained. In addition to this, the background information of respondents was presented. The study aimed to look into the factors that influence financial management in government secondary schools. Finally, the statistical methods of analysis were discussed, which included descriptive analysis, a correlation, and regression analysis through SPSS version 26.

#### 4.1 Response Rate

The number of respondents who filled out questionnaires completely and according to directions divided by the total number of respondents who make up the survey group is known as the response rate (Holbrook et al., 2007). After the pilot study, seventy-two questionnaires were distributed to the seventy-two respondents in the study area. The number of questionnaires that were successfully filled and returned for analysis totalled 70. This means that the response rate was 97.2%. According to Nulty (2008), this response rate was highly adequate for analysis.

**Figure 4.1 Response rate**



Source: Source: Own Survey Result (2021)

#### 4.2 General information of the respondents

General information of the respondents including gender, student population, job position, years of service in the current position, the highest level of education, and training attended

towards the variables are summarized by descriptive statistics using frequencies, percentage, and Cumulative Percent.

**Table 4.1 General information**

	Frequency	Percentage (%)	Cumulative Percent
<b>Gender</b>			
Male	55	78.6	78.6
Female	15	21.4	100
Total	70	100	
<b>Student Population in a school</b>			
Less than 500	0	0	0
501-1000	0	0	0
1000-1500	16	22.9	22.9
Above 1500	54	77.1	77.1
Total respondents	70	100	
<b>Job Position</b>			
School principal	9	12.9	12.9
Vice principal	27	38.6	51.5
The team leader of the school finance officer	9	12.9	64.4
Team leader of school HRM	8	11.4	75.8
Chairperson of a teacher association	8	11.4	87.1
Chairperson of PTA members	9	12.9	100
Total	70	100	
<b>How long have you served in the current position?</b>			
1-2 years	15	21.4	21.4
3-5 years	10	14.3	35.7
5-10 years	21	30	65.7
Above 10 years	24	34.3	100
Total	70	100	
<b>Level of Education</b>			
Certificate	2	2.8	2.8
Diploma	6	8.6	11.4
Degree	23	32.9	44.3
Masters	39	55.7	100
<b>Total</b>	70	100	

*Source: Own Survey Result (2021)*

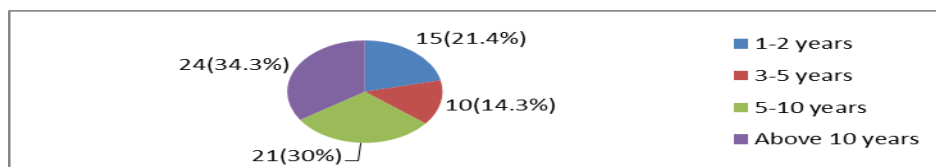
Table 4.1 indicates that fifty-five respondents (78.6%) of the total were males, while the remaining fifteen (21.4%) were females. This suggests that the majority of secondary school principals and school management committee members in Yeka sub-city government

secondary schools were men, and female involvement in the school's financial management system appeared to be limited.

Table 4.1 above shows the population of students per school. Most of (77.1%) of the schools had a student population of above 1500 students, while 22.9% of the schools had a population between 1001-1500. Given that funding levels are tied to the number of students, this indicates that the majority of schools received substantial government support.

Table 4.1 indicates that the respondents' on-the-job positions were school principals and vice-principals (51.4%), team leader of school finance officers and human resource management (24.3%), and chairperson of teacher association and PTA (24.3%). All of the respondents were involved in the school's financial management.

**Figure 4.2 Years of service in current position**



Source: Source: Own Survey Result (2021)

Figure 4.2 shows the years of service of the respondents. According to the findings the respondents 15(21.4%), were served for about 1 to 2 years. About 10(14.3%) respondents were served 3 to 5 years. About 21(30%) of the respondents were served between 5 and 10years. About 24(34.3%) of the respondents were served above 10 years, this meant that were the majority of the respondents were served above 3 years.

The level of education for the school principals and school management committee members is a critical issue as it determines the success of financial management. Table 4.1 further shows that were most of the respondents 62 (88.6%) had a first degree and second degree followed by 8.6% who had a diploma while 2.8% had a certificate.

**Table 4.2 Financial practical training enhances financial management skills**

	<b>Frequency</b>	<b>Percentage (%)</b>	<b>Cumulative Percent</b>
Strongly agree	66	94.3	94.3
Disagree	4	5.7	100
Total	70	100	

*Source: Own Survey Result (2021)*

As shown in table 4.2, the majority of respondents (94.3%) strongly agreed that financial training improves financial management skills, implying that the respondent recognized the value of financial training.

**Table 4.3 what type of training have you ever undertaken?**

Type of training	Frequency	Percentage (%)	Cumulative Percent
Workshop	4	6.1	6.1
Seminar	2	3.0	9.1
On the job training	60	90.9	100
other	0	0	100
<b>Total</b>	<b>66</b>	<b>100</b>	

*Source: Research data (2021)*

The respondents who had agreed were asked to give the type of training that they had undertaken. According to the facts in Table 4.3, the majority of school principals with school management committee members 60 (90.9%) had gone through on-the-job training, 4 (6.1%) had attended a course, and 2 (3.3%) had attended a seminar. This demonstrates that on-the-job training was the most common form of training for school financial managers.

### **4.3 Reliability of Data collection Instruments**

The Cronbach's Alpha test was used in determining the consistency of the instrument. It is commonly used in multiple Likert questions in a questionnaire that form a scale and wish to determine the scale is reliable. The 28 items in the instrument resulted in an alpha value of 0.749, which was greater than 0.7 and hence the instrument was considered good reliable (Tavakol & Dennick, 2011).

**Table 4.4. Reliability Test Results**

<b>Study variable</b>	<b>Test items</b>	<b>Alpha coefficient</b>
Reliability test for the whole data	28	0.749
Reliability test for Principal's FM skill.	6	0.720
Reliability test for Budget participation	5	0.781
Reliability test for Internal Control System.	6	0.761
Reliability test for School Management committee	5	0.860
Reliability test for Financial Management	6	0.755

*Source: Own Survey Result (2021)*

Reliability statistics

The reliability test of the whole data shows 0.749 or 74.9%, this tells that internal consistency for the whole test of the data is good. All study variables of the financial management factor and its reliability coefficient in Table 4.4 show that all values are greater than 0.7 which are acceptable for the analysis. Therefore, the reliability test for overall data as well as for each element read acceptable. Having this truth, the data analysis for the questionnaire is explained here below as follows.

#### **4.4 Descriptive analyses and discussion**

This section provides the results of descriptive analyses and related discussions. The findings related to the five studying variables which included principal financial management skills, budgetary practices, internal control, school management committee practices, and financial management practices. The results are on a five-point Likert scale where counting numbers 1, 2, 3, 4, and 5 represented strongly disagree, disagree, not sure, agree, and strongly agree respectively. The findings in this section are presented using descriptive statistics of frequency count and percent.

##### **4.4.1 Description of independent variables**

###### **4.4.1.1 Influence of Principals management skills on FMP**

The first objective of the study was to determine the influences of principals' management skills on financial management practices in secondary schools in the Yeka sub-city. The findings are as shown in tables 4.5

**Table 4.5 Frequency results of principals' financial management skills**

No	Principals' financial management skills	Strongly disagree		Disagree		Not sure		Agree		Strongly agree		Mean
		Frequency	(%)	Frequency	(%)	Frequency	(%)	Frequency	(%)	Frequency	(%)	
9	Tuition fees charged is approved by the sub city finance office.	2	2.9	6	8.6	3	4.3	26	37.1	33	47.1	4.17
10	The school principal is competent enough in budgeting and accounting processes.	1	1.4	6	8.6	7	10	29	41.4	27	38.6	4.07
11	Competent finance officers are hired by the school.	8	11.4	13	18.6	8	11.4	27	38.6	14	20	3.37
12	Cash from other sources are accurately and correctly recorded in the book of accounts.	3	4.3	4	5.7	9	12.9	33	47.1	21	30	3.93
13	Auditing skills will enable principals to detect fraud.	1	1.4	0	0	2	2.9	19	27.1	48	68.6	4.61
14	School principals acquire the skills of finance reporting accurately.	3	4.3	7	10	8	11.4	31	44.3	21	30	3.86

Source: Own Survey Result (2021)

The results of table 4.5 indicate that the majority of the respondents 33 (47.1%) strongly accepted that the school fees paid to be approved to a large degree by the sub-city finance office. A further 26 (37.1%) agreed with the fact that the school fees paid have been approved by the sub-city finance office. Generally, with 4.07 mean of the respondents agreed that school expenditures have been approved by the sub-city finance officer, ensuring that school funds are used efficiently and effectively

Nyaga (2016) did a study on `` factors affecting FMP in public secondary schools` indicated that financial managers' skills, competence, and confidence that persons establish with the school principals are very useful. The majority of the respondents, fifty-six (about 80% of them) said that their school principals are competent enough in budgeting and accounting processes; Generally, respondents remarked with the mean of 4.07 that school principals are competent enough in budgeting and accounting processes as it is indicated in the table 4.5. This shows that, majority of government school principals in the Yeka sub-city of Addis Ababa are experienced and capable of budget preparation, some school administrators lacked the necessary budgeting and accounting skills.

Pérez-Pueyo & Casanova (2012) contended on the human resource management, that for an organization, having qualified and experienced staff is seen as a human asset, the organization gains its distinctive character through its human capital. According to the findings in table 4.5, the majority of respondents 41 (58.6%) agreed or strongly agreed with the statement that competent finance officers are hired by the school, indicating that most schools have a sufficient number of financial professional staff who perform effective and productive financial management. Respondents who gave neutral responses disagreed or strongly disagreed with the argument 9 (12.9%) and 21 (30%), respectively. Generally, 3.37 mean of the respondents were not sure indicated that certain schools do not have enough competent finance officers in their staff who perform the financial activate of the school efficiently and effectively.

Maintaining an accurate accounting record in school is not only a legal requirement, it is also essential to the sustainability of the schools. Accurate bookkeeping will help you make more informed spending decisions, plan investments, and manage your cash flow. In table 4.5, more than half (54%) agreed or strongly agreed with the argument that cash from other sources is accurately and correctly recorded in the book, although 7 (10%) disagreed or disagreed with 9 (12.8%) not being sure. Generally, the respondents agreed with the mean of 3.93 that cash from other sources were correctly reported in the book of accounts, according to the majority of respondents. This meant that recording cash from other sources in the books of accounts was important.

The study findings in table 4.5 on the auditing skills will enable principals to detect fraud. Most respondents 48 (68.6%) strongly agreed and 19 (27.1%) agreed while only 1(1.4%) disagreed. On the whole, the respondents agreed with the mean of 4.65 that agreed auditing skills were important in financial management. This implied that a relationship exists between auditing skills and financial management practices.

The processes of financial events undertaken in accounting are ended with results of accurate financial reporting. The school financial reports are prepared for different internal and external stakeholders' users. These users need financial reports timely to make decisions. Therefore, financial reports are to be prepared accurately on time for users. Concerning school principals acquire the skills of reporting accurately, 31 (44.3%) of the respondents agreed and 21(30%) strongly agreed that financial reports are prepared accurately. With the mean of 3.86 of them were disagreed and not sure on the argument. This result shows that some number of school principals have no skills of preparing an accurate financial report, so that receipts and expenditures are not summarized to show the purpose for which money was spent.

The findings indicated that principal’s financial management skills have a direct effect on the management of finances in government secondary schools. Therefore, it was concluded that the school schools who have principals with financial management skills focus more on how the above-mentioned areas affect financial management practices of government secondary schools in Yeka sub-city, Addis Ababa.

#### 4.4.1.2 Correlation between Principal’s financial management skills and FMP

**Table 4.6 Correlation between Principal’s financial management skills and FMP**

##### Correlations

		Principals’ management skills	Financial management
Principals’ management skills	Pearson Correlation	1	.632**
	Sig. (2-tailed)		.000
	N	70	70
Financial management	Pearson Correlation	.632**	1
	Sig. (2-tailed)	.000	
	N	70	70

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

Source: Own survey data 2021 (SPSS output)

The research used Pearson's correlation coefficient (r) to determine if there was a correlation between Principals' financial management skills and financial management activities. The correlation coefficient (r) = + or - 1.00 was taken to mean a perfect (positive or negative) correlation between bivariate variables. When r was zero (0) there was no relationship between the variables, r = 0.01 showed a very weak relationship and r = 0.9 meant the relationship was very strong. A correlation was considered significant or non-significant when the probability value was below 0.05 or greater than 0.05 respectively hence the p-value of statistic tells us whether the coefficient is significant or not. If the p-value is 0.01 or smaller than 0.01 then the coefficient is significant at the 1% level and if the p-value is 0.05 or smaller than 0.05 then the coefficient is significant at 5% level.

The study findings revealed that principals’ management skills and financial management practices had a positive, strong and statistically significant relationship (r = 0.632; p < 0.01). This implied that Principals’ management skills positively and largely enhanced financial management in the surveyed schools. This means an increase in principals’ management skills result in an improvement in FMP and vice-versa

#### 4.4.1.3 Effect of Stakeholders budget participation on financial management practices

The second objective of the study aimed was to evaluate how to stakeholders' budget participation in Yeka's secondary schools affects FMP. The findings are as shown in tables 4.7.

**Table 4.7 Frequency result of Stakeholders Budget participation**

No	Budget participation	Strongly disagree		Disagree,		Not sure		Agree		Strongly agree		Mean
		Freq uenc	(%)	Freq uenc	(%)	Freq uenc	(%)	Freq uenc	(%)	Freq uenc	(%)	
16	Budget practices procedure is in line with the (MOF) recommendations	1	1.4	1	1.4	5	7.1	29	41.5	34	48.6	4.34
17	All concerned bodies involve in preparing budget/.	2	2.9	5	7.1	8	11.4	33	47.2	22	31.4	3.97
18	Employees have a sense of belonging or ownership of their branch & process' budget	2	2.9	10	14.3	13	18.6	32	45.7	13	18.6	3.63
19	Budget is implemented according to its plan	3	4.3	7	10	6	8.6	28	40	26	37.1	3.96
20	Capital expenditures being budgeted for after wider consultations with the parents and other stakeholders	9	12.9	7	10	13	18.6	26	37.1	15	21.4	3.44

*Source: Own Survey Result (2021)*

On the whole, the respondents have responded indifferently with mean 4.34 that budget practice procedures are in line with Ministry of Finance (MOF) guidelines. This would show that secondary government schools were supported with guidance to obey the rules laid out by the Ministry of Finance (MOF) recommendations on budgetary practice procedures.

One of the ways to achieve effective financial administration practices in any organization is necessary to involve all stakeholders to make it more acceptable and realizable participatory

budget preparation. Generally, with 3.97 mean of the respondents agreed that all concerned stakeholders involve in the preparation of the budget and decision-making. This result indicated that inactive school stakeholders' involvement in budgeting was one of the factors contributing to financial mismanagement in schools and result under success of transparency and responsibility.

On the whole, the respondents have responded indifferently with the mean of 3.63 that the employees have a sense of belonging or ownership of their branch & process' budget. This would show that participation in the process of budget give up benefits such as increasing employee motivation, increasing sense of responsibility, increasing commitment of creativity, increasing job satisfaction, increasing performance of an organization and also greater acceptance from organization members (Mohd Noor & Othman, 2012).

Table 4.7 shows that, it was agreed (mean  $\approx 4.00$ ) that the budget was implemented in their government schools in Yeka Sub-city according to schedule. Even though the majority of respondents agreed with the statement, the responses of a small number of respondents revealed that some schools were implemented the budget for unplanned activities.

In table 4.7, it was established that 41(58.6%) of respondents agreed that their school capital expenditures being budgeted for after wider consultation with the parents and other stakeholders. However, the respondents disagreed and did not respond with the mean of 3.44, shows that some school administrations did not consult school stakeholders before approving capital expenditure budgets or some school principals were not debating capital budgets in meetings.

It is also evident from the findings that aspects of budget involvement were found to influence the financial management practices in government secondary schools in Yeka sub-city, Addis Ababa to a great extent. These findings indicate that best practices in budgeting were observed in the schools, consistent with the findings by Craig and Porter (2003) that best budgeting practices such as efficiency, participation, review and value for money need to be observed.

#### 4.4.1.4 Correlation between Stakeholders budget participation and FMP

**Table 4.8 Correlation between Stakeholders Budget participation and FMP**

**Correlations**

		Principals' management skills	Financial management
Stakeholders budget participation	Pearson Correlation	1	.694**
	Sig. (2-tailed)		.000
	N	70	70
Financial management	Pearson Correlation	.6**	1
	Sig. (2-tailed)	.000	
	N	70	70

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

**Source: Own survey data 2021 (SPSS output)**

Table 4.8 shows a correlation analysis between budget participation and financial management practices.

The study findings revealed that Budget participation and financial management practices had a positive, strong and statistically significant relationship ( $r = 0.694$ ;  $p < 0.01$ ). This implied that stakeholders' budget participation positively and largely enhanced financial management practices in the surveyed schools. As stakeholders' budget participation put in place were improved the greater the likelihood that financial management practices could be enhanced and the reverse was also true. This means the involvement of all relevant parties in budgeting increases ownership, improves organizational efficiency, and increases member acceptance, resulting in the sound financial management of schools (Mohd Noor & Othman, 2012).

#### 4.4.4.5 Internal Control System on financial management practices

The third objective of the study was to assess the effect of internal control systems on financial management practices in secondary schools in the Yeka sub-city. The frequency results are as shown in tables 4.9

**Table 4.9 Frequency result of Internal Control System**

No	Internal Control System	Strongly disagree,		Disagree,		Not sure		Agree		Strongly agree		Mean
		Frequency	(%)	Frequency	(%)	Frequency	(%)	Frequency	(%)	Frequency	(%)	
22	There are specific banks in which school accounts should be maintained	3	4.3	2	2.9	4	5.7	22	31.4	39	55.7	4.31
23	There are clear procedures for dealing with frauds and theft	3	4.3	0	0	9	12.9	36	51.4	22	31.4	4.06
24	All statutory accounting books are maintained by the Bursar/accounts clerk	2	2.9	2	2.9	6	8.6	41	58.5	19	27.1	4.04
25	The auditors operate under the guidance of the Ministry of Finance	4	5.7	2	2.9	10	14.3	33	47.1	21	30	3.93
26	The schools set SMART (specific, measurable, achievable, realistic and time-bound objectives)	2	2.9	2	2.9	8	11.4	35	50	23	32.8	4.07
27	All purchases are done by the procurement unit and documented and followed the right procurement procedure	2	2.9	0	0	6	8.6	32	45.7	30	42.9	4.26

Source: Own Survey Result (2021)

Table 4.9 shows that 39 (55.7%) of the total respondents strongly agreed and 22 (31.4%) agreed that school accounts should be held in separate banks. Generally, the respondents disagreed and were unsure with the mean of 4.31 on this issue. Thus, the finding revealed that some schools in the Yeka sub-city do not have specific bank accounts hence it's difficult to audit such accounts. This is serious wrongdoing as it may show the way to fraud, and the principals maintaining school funds in their bank account.

Fifty-eight respondents (about 82.9% of them) agreed that their schools use financial management policies and procedures to deal with fraud and theft and with the mean 4.06 of them said that use of financial management policies and procedures to deal with fraud and theft were not sure in some schools. This indicates that the existences of such clear procedures are on fraud, and theft management would result in good FM of schools. These findings relate with the explanation by (Chruy, M., & Tiep, 2017).to prevent fraud in school finances, the principal should come up with clear procedures and responsibilities.

As shown in table 4.9, it is clear that most of 41 respondents (58.6%) agreed that all accounting books are maintained by the Bursar/accounts clerk, while 19 (27.1%) strongly agreed. This indicates that proper records are managed, which a necessary for establishing is controls in schools and provides a foundation for auditing. The respondents disagreed with the mean of 4.04 that result certain number of schools have a problem breaking down the financial activities done by the school during the year.

Regular conduct of internal audits is very important for the schools to prevent corruption and other related deeds. Thus, every school should have auditors for internal audit activity. As per the response, 21 (30%) of the respondents strongly agreed, 33 (47.1%) of the respondents agreed, 10 (14.3%) of the respondents are neutral, 2(2.9) of the respondents disagreed and 4 (5.7%) of the respondents strongly disagreed that auditors operate under the guidance of MOF in their schools. There is a popular understanding among respondents with mean 3.93 of them said that the guidance of the MOF to obey rules and regulation were important in financial management. This implied that a relationship exists between the auditors operating under the guidance of MOF and financial management practices.

Table 4.9 shows that the majority of respondents, 58 (82.8% of the) agreed that their schools set SMART goal (specific, measurable, achievable, realistic, and time-bound objectives) and with the mean 4.07of them said that their schools were not able to set SMART goal as presented in Table 4.9

Table 4.9 shows that 62 (88.6%) of the total respondents agreed or strongly agreed that all purchases are done by the procurement unit and documented and followed the right procurement procedure and 6 (8.6%) respondents were unsure, and two respondents (2.9%) strongly disagreed. This indicated that the procurement unit was in charge of the majority of the schools and procured supplies for them according to protocol. However, the respondents disagreed and did not respond with the mean of 4.26 indicated that when the total amount of annual purchases is considered, a considerable amount of money may be misappropriated, putting school funds at risk.

The study concludes that aspects of the principal’s management skills were found to influence the financial management practices in government secondary schools in Yeka sub-city, Addis Ababa to a great extent.

#### 4.4.1.6 Correlation between Internal Control System and Financial Management.

**Table 4.10 Correlation between Internal Control System and Financial Management.**

		Correlations	
		Internal control systems	Financial management
Internal control systems	Pearson Correlation	1	.530**
	Sig. (2-tailed)		.000
	N	70	70
Financial management	Pearson Correlation	.530**	1
	Sig. (2-tailed)	.000	
	N	70	70

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

Source: Own survey data 2021 (SPSS output)

The table above 4.10 shows the correlation between the independents' variable internal control system and the dependent variable financial management practices. The study found that there existed a positive, moderately strong and statistically significant relationship between internal control systems and financial management practices ( $r = 0.530$ ;  $p < 0.01$ ). As Internal control systems became more effective, financial management practices in government secondary schools was enhanced. As financial control systems put in place were improved the greater the likelihood that financial management practices of the schools could be enhanced and the reverse was also true. The existence of strong financial controls in the schools can be argued to prevent fund misappropriations, fraud and other abuses and more so

enhance transparency and proper financial management. The previous emphasises the essence of internal control systems on fund management in government secondary schools. This was in agreement with an empirical study by Magak (2013). on the challenges that faced school principals in managing school funds. The study had revealed that inadequate auditing knowledge by the school principals, lack of internal auditing coupled with irregular auditing by district auditors created gaps for poor financial management in the schools. The two studies underlined the importance of financial controls in financial management practices in government secondary schools.

#### 4.4.1.7 Influence of school Management committee practices on financial management

The fourth objective of the study was to determine the effect of the school management committees on the financial management activities of government schools in the Yeka sub-city. The findings are as shown in tables 4.11.

**Table 4.11 Frequency result of School Management committee**

No	School Management committee	Strongly disagree,		Disagree,		Not sure		Agree		Strongly agree		Mean
		Freq uenc	(%)	Freq uenc	(%)	Freq uenc	(%)	Freq uenc	(%)	Freq uenc	(%)	
29	SMC and PTA members are appointed as per the laid down procedures of the MOE	1	1.4	0	0	3	4.3	25	35.7	41	58.56	4.50
30	The SMC know the financial allocation and approves all revenues and expenditures	3	4.3	3	4.3	8	11.4	32	45.7	24	34.3	4.01
31	SMC has a specific pattern of meeting to deliberate financial issues of the school	3	4.3	10	14.3	7	10	36	51.4	14	20	3.69
32	SMC raises question on expenditures that do not appear to conform with the budgets and approves estimates	2	2.9	5	7.1	15	21.4	36	51.5	12	17.1	3.73
33	The SMC actively participate in budgeting for school funds and monitors its utilization	3	4.3	3	4.3	13	18.6	33	47.1	18	25.7	3.86

Source: Own Survey Result (2021)

The establishment of the school governing body, which then allocates the school management committee, is the first stage in managing school finance. SMCs and PTA bodies are both governed by legislation (MOE, 2002). According to Table 4.11, the majority of respondents 66(94.3%) agreed or strongly agreed that SMC and PTA members are appointed as per the laid down procedures of the MOE, while only one respondent (1.43%) strongly disagreed. The respondents asserted their agreement with the mean of 4.50 about the structure of their school's management committee and PTA representatives were appointed according to the laid down MOE procedures, and as a result, they are capable of managing the financial management of schools. Before implementing annual budgets, the higher decision-making of the school which is SMC should check and agree for implementation (Abebe, 2012).

Fifty-six respondents 56 (about 80% of them), the majority agreed that their SMC approves all revenue and expenditures with the mean 4.01. This was viewed as a strength of SMC's capacity to follow approved expenditures, as well as an indication that the schools have a strong process for approving revenues and expense. However, fourteen (20%) were unsure and disagreed, indicated that certain government school principals are the only ones who can make financial decisions this would result in a big sum of money is being issued for misuse.

On the whole, the respondents have responded indifferently with the mean of 3.69 that the school management committee has a specific pattern of meeting to deliberate financial issues of the school activities. This would show that the existence of regular meetings expected that the school management committee made efforts to inform about what is going on in their committee and in the school, as a whole to solve financial problems in schools.

Majority of the respondents disagreed with the mean of 2.8 that the school management committee asks questions about expenditures that don't seem to match the budgets and authorizes estimates as it is seen in the above table 4.11. This suggested that the SMC should be aware that the school administration is responsible for their financial expenditures. However, eight (11.4 percent) of respondents were unsure, three (4.3 percent) disagreed, and a similar number (4.3 percent) strongly disagreed. The position of school-level administration has increased as a result of the decentralization of financial management, and schools now have more financial responsibility and accountability to the local community. This is typically accomplished through school management committees, which are responsible for overseeing management, budgets, revenue, and expenditures.

According to table 4.11, only 6 respondents (8.6%) disagreed or strongly disagreed that their school's management committee actively participates in budgeting and controlling the use of school finances, while 13 respondents (18.57%) were unsure. However, 33 respondents (47.14%) agreed and 18 (25.7%) strongly agreed that the school management committee actively engages in school budgeting for school funds and monitors.

According to the findings, aspects of SMC activities in government secondary schools in Yeka sub city have an effect on the FMP. Management committee practices influences financial management capability to a greater extent. This implies School management committee practices are a major threat and should be a concern to school management team, which helps to encourage good governance, accountability, and transparency with school funds.

#### 4.4.1.8 Correlation between School Management committee and FMP

**Table 12 Correlation between School Management committee and Financial Management**

		Correlations	
		School management committee	Financial management
School management committee	Pearson Correlation	1	.551**
	Sig. (2-tailed)		.000
	N	70	70
Financial management	Pearson Correlation	.551**	1
	Sig. (2-tailed)	.000	
	N	70	70

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

**Source: Own survey data 2021 (SPSS output)**

The study aimed is to determine whether there was a correlation between the activities of the school management committee and the financial management practices of schools.

The study found that there existed a positive, moderately strong and statistically significant relationship between school management committee and financial management practices ( $r = 0.551$ ;  $p < 0.01$ ). As School management committee became more effective, financial management practices in government secondary schools was enhanced. This implied that School management committee positively and largely enhanced financial management in the surveyed schools. As School management committee in place were improved the greater the likelihood that financial management practices could be enhanced and the reverse was also true. The findings of this study supported those of Abebe (2012), who found that before adopting annual budgets, higher decision-makers should review and approve them for

implementation. The two studies underlined the importance of management committees in financial management practices in government secondary schools.

#### 4.4.2 Description of dependent Variables.

The findings are as shown in tables 4.13

**Table 4.13 Frequency result of financial management practices**

No	Financial management practices	Strongly disagree,		Disagree,		Not sure		Agree		Strongly agree		Mean
		Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%	
34	The school sticks to the budgetary allocation.	5	7.1	5	7.1	13	18.6	24	34.3	23	32.9	3.79
35	The school does not experience deficits in cash flow	5	7.1	10	14.3	16	22.9	24	34.3	15	21.4	3.49
36	The school used its fund only for planned activities	5	7.1	8	11.4	16	22.9	24	34.3	17	24.3	3.29
37	All school projects are completed timely	7	10	6	8.6	11	15.7	36	51.4	10	14.3	3.57
38	Government secondary schools are able to finance all its activities	9	12.9	15	21.4	7	10	25	35.7	14	20	3.51
39	The school submit financial utilization report to woreda and sub city education office report regularly.	5	7.1	3	4.3	5	7.1	26	37.1	31	44.4	4.07

*Source: Own Survey Result (2021)*

The results showed that majority of the respondents indicated that their schools gave confidence to the budgetary allocation mean of 3.79. From this observation, it is clear that the budget is strictly followed the code in the majority of secondary government schools in the Yeka sub-city, and therefore there is no such thing as overspending. However, 23(32.8%) of the respondents disagreed and unsure on the statement.

According to table 4.13, 24 (34.3%) and 15 (21.4%) of school respondents agreed and strongly agreed that a school does not have cash flow deficits, respectively. According to the majority of approved school respondents, government secondary schools have a lot of cash

inflow, which will require the implementation of strong financial management practices. However, with the mean of 3.01 of them were not sure were unsure and disagreed that the school does not experience deficits in cash flow.

According to table 4.13, All school activities/projects are completed timely mean of 3.76. This result indicated that majority of secondary government schools in the Yeka sub-city complete their projects on time. Therefore, funds are properly used for the intended purpose. However, 8 of the respondents (11.4%) disagreed, 5 of the respondents (7.1%) strongly disagreed with 16 of the respondents (22.9%) were not give a response to the statement.

According to table 4.13, the majority of 36 respondents (51.4%) agreed and ten respondents (14.3%) strongly agreed that the school only used its funds for planned events. This meant that the majority of schools spent their funds on pre-planned activities. Generally, the respondents disagreed and were unsure with the mean of 3.29 on this issue. Thus, the finding revealed that some schools did not use approved finance and did not obey their financial plan, meaning that school funds are sometimes misdirected and misallocated.

Table 4.13 shows that at least 39 respondents (55.7%) strongly agreed or agreed that government-run secondary schools can support all of their activities. while 24 respondents (34.3%) disagreed or strongly disagreed, and 7 respondents (10%) did not respond. Thus, the respondents disagreed and were not response with the mean of 3.51 about the government secondary schools are able to finance all its activities as presented in the above Table 4.13

All in all, the respondents believed with the mean of 4.07 about the submission of financial utilization report. to woreda and sub-city education office reports on a regular basis. The finding indicated that majority of the government secondary schools in Yeka sub city sent the financial utilization reports to woreda and sub-city education office on a regular basis as it is seen in the Table 4.13.

## **4.5 Relationship between the factors and financial management practices in schools.**

### **4.5.1 Test of Assumptions**

Before the regression analysis, the data was decided to test the following four points (test for normality, existence of multicollinearity, test for linearity, and test for homoscedasticity) were made to the assumption of regression analysis.

1. The data were tested for normality using the graphical method. The normality test is used to see if the sample data came from a population with a normal distribution. The normal distribution, which resembles a bell curve, is often symmetrical around the mean. The results of the normality test using SPSS performance were normally distributed, as shown in the explained table in (Appendix iii: Normality Test), and the Shapiro-Wilk test P-value should be greater than 0.05.
2. The second assumption tested was the existence of multicollinearity. Multicollinearity is a situation where two or more predictors are highly linearly related. One way of testing multicollinearity in SPSS is using a correlation coefficient. The independent variables were correlated in a test of existence of multicollinearity, resulting in a significant relationship with ( $r \leq 0.3$ ). The weak relationship meant the data did not suffer from multicollinearity. In addition, the value of variance inflation factor (VIF) for all independent variables in the model coefficients is all less than 10, indicating that the multicollinearity test is not problematic (Kennedy,2008).
3. The data set's linearity was tested. The scatter plot test for linearity revealed that the independent variables had a linear relationship with the dependent variable, and the line of best fit is a straight line that comes close to the points on a scatter plot.
4. The last assumption tested was that homoscedasticity. In SPSS, one way to test heteroscedasticity is to examine the residuals using fitted value plots. The residual plots showed that the error term  $\epsilon_i$  was normally and identically independently distributed with mean zero and constant variances along the line of best fit. This meant the error variance in financial management was constant (neither increases nor decreases) as the four factors vary. Hence, the error term of the data has a constant variable, the data did not suffer from heteroscedasticity and instead was homoscedastic.

The study continues to test the four-research hypothesis below;

H<sub>01</sub>: Principal's financial management skill has no significant influence on FMP

H<sub>02</sub>: Stakeholders budget participation has no significant effect on financial management practices.

H<sub>03</sub>: Internal control system has no significant effect on financial management practices.

H<sub>04</sub>: school a management committee practice has no significant effect on FMP.

#### 4.5.2 Regression analysis for an overall model

The influence of the factors investigated which were principal’s management skills, budget participation, internal control systems, and school management committee practices on the financial management of government secondary schools was evaluated. In addition, the study established the combined effects of these factors on financial management in government secondary schools. The results were presented in the model summary table (Tables 4.15), ANOVA table (Table 4.16), and coefficients table (Table 4.17).

**Table 4.14 Model Summary**

				Model Summary					
Model	R	R Square	Adjusted R Square	Std. error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.728 <sup>a</sup>	.530	.501	3.42862	.530	18.336	4	65	.000

- a. Predictors: (Constant), School management committee, Internal control systems, Principals management skills, Budget participation

The model summary table shows the degree of relationship between the model and the dependent variables. R (the multiple correlation coefficients), is the linear correlation between the observed and model-predicted values of the dependent variable. Its large value indicates a strong relationship. Determination coefficient R-squared ( $R^2$ ) is a statistical measure that represents the proportion of variance explained by independent variables in a regression model for a dependent variable. A higher  $R^2$  value indicates that the regression equation has more explanatory capacity.

Results in Table 4.14 indicated that the factors under study which were principal’s management skills, budget participation, internal control system, and school management committee had a positive and strong relationship ( $R(\text{Beta})=0.728$ ) with financial management practices in government secondary schools in Yeka sub-city, Addis Ababa. Moreover, the resulting value  $R^2 = 0.530$  interpreted to the mean that the four factors which are independent variables that were studied explained 53% of financial management can be affected and influenced by the study indicted four factors in government secondary schools in Yeka sub-city, Addis Ababa. The remaining 47% of the financial management practices in government secondary schools in the Yeka sub-city; are influenced by other factors which are outside of

the model. As a result, further research is needed to look into the other factors (47%) that affect financial management in government secondary schools in the Yeka sub-city.

The findings underlined the importance of the principal’s management skills, budget participation, internal control system, and school management committee in managing finances in government secondary schools.

**Table 4.15: Significant Test Results**

**Significant Test Results**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	862.183	4	215.546	18.336	.000 <sup>b</sup>
	Residual	764.103	65	11.755		
	Total	1626.286	69			

a. Dependent Variable: Financial management

b. Predictors: (Constant), School management committee, Internal control systems, Principals management skills, Budget participation

**Source: Own survey data 2021 (SPSS output)**

The overall significance of the regression model was assessed using the Analysis of Variances (ANOVA). F-test is used for testing the overall significance of the model especially in a model where independent variable are more than one. The overall F-test determines whether this relationship is statistically significant.

The finding as presented in Table4.15 reveal that the model used to explain the effect of the four factors principal’s management skills, budget participation, internal control system, and School management committee on financial management practices on schools was statistically significant ( $F = 18.336; p < .05$ ). Therefore, the four factors investigated by the study were significantly important in enhancing financial management practices in government secondary schools in the Yeka sub-city, Addis Ababa. That means all the study four factors (principals management skills, budget participation, internal control system, and School management committee) jointly in the model significantly affect the dependent variable which is financial management practices at a 5% significance level.

**Table 4.16: Significant Test Results for Overall Model****Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	.336	3.058		.110	.913	-5.772	6.443		
	Principals' management skills	.273	.159	.227	1.716	.091	-.045	.590	.414	2.414
	stakeholders Budget participation	.499	.195	.398	2.552	.013	.108	.889	.298	3.358
	Internal control systems	.022	.158	.017	.142	.888	-.293	.338	.479	2.088
	School management committee	.234	.138	.185	1.702	.094	-.041	.509	.614	1.627

a. Dependent Variable: Financial Management Practices

**Source: Own survey data 2021 (SPSS output)**

The p-value represents the probability of the null hypothesis is right. The null hypothesis has a probability of  $P > 0.05$ . The probability that the alternative hypothesis is right is 1 minus the P-value. A statistically significant test result ( $P \leq 0.05$ ) indicates that the test hypothesis is false or should be rejected and accept the alternative hypothesis. If the P-value greater than 0.05, then the test hypothesis is true, it should not reject and no effect was observed.

The resulting coefficients Table 4.16, shows that the p-value of stakeholders' budget participation was 0.013, which was less than 0.05; hence the test hypothesis is false or the study rejected the null hypothesis  $H_{02}$  and therefore, the independent variable which is budget participation had a significant effect on financial management practices.

From Table 4.16; the p-value of principal management skills, internal control systems and SMC practices were had  $P= 0.091$ ,  $P= 0.888$  and  $P= 0.094$  respectively. Hence, the three variables had p-values greater than 0.05 which meant that they were non-significant and no effect was observed. The study, therefore, failed to reject the null hypotheses  $H_{01}$ ,  $H_{03}$ , and  $H_{04}$  at 5% level and incidental that the three factors had a non-significant effect on the financial management practices of schools at 5% level. The findings of this study was supported by the empirical study those of NYAGA (2016), who found that the three factors had non-significant effect on the financial management practices of schools. Therefore, there was a statistically significant strong positive relation between these factors (principal management skills, internal control systems, and SMC practices) and financial management practices with regression coefficient 0.273, .022,.234 respectively.

The findings indicated in Table 4.17 are interpreted as follows

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon_i$$

Where;

Y = Financial Management practices

$\beta_0$  = Constant term

$X_1$  = Principal's Management Skills

$X_2$  = Budget Participation

$X_3$  = Internal Control Systems  
Practices

$X_4$  = School Management committee

$\beta_1, \beta_2, \beta_3,$  and  $\beta_4,$  are beta coefficients of  $X_1, X_2, X_3,$  and  $X_4$  respectively

$\epsilon_i$  = Error Term associated with the regression model

The coefficients of the factors in the table show the way to the derivation of the fitted model above.  $Y = 0.336 + 0.499X_2$ . The fitted model revealed that the regression equation's constant was 0.336, meaning that in the absence of four variables; school financial management activities would be weak. The equation  $Y = 0.336 + 0.499X_2$  shows that a unit change in stakeholders budget participation would result in 49.9% of the change in resulting financial management practices of schools in the same direction or a change by 1 unit in financial management was as a result of changes by 0.499 units in budget participation.

The finding in coefficients Table 4.16 also shows that stakeholders budget participation ( $t = 2.552; p < 0.05$ ) had a positive, and significantly affect financial management in government secondary schools. The three variables of the principal's management skills, internal control, and school management committee were found to be non-significant in the report, but a correlation analysis showed that they had a significant effect on financial management practices.

## CHAPTER FIVE

### SUMMARY, CONCLUSION, AND RECOMMENDATION

#### Introduction

This chapter presents a discussion on the research findings resulting from the data analysis process and summarizes the key findings. This study aimed to investigate factors affecting the financial management practices in government secondary schools in the Yeka sub-city. The analysis was motivated by four goals, which were as follows: To determine the influences of principals' management skills on financial management practices, to establish the effect of stakeholders' budget participation on financial management practices, to assess the effect of internal control systems on financial management practices and to determine the effect of the school management committee practices on financial management practices of government schools in Yeka sub-city and the discussion centre on their level of the achievement.

#### 5.1 Summary of Major Findings

This study aimed to investigate the factors affecting financial management practices in government secondary schools in the Yeka sub-city. This section summarizes the major findings of the study, including realistic recognition of the school's financial resource use, budget adherence, financial report accuracy, and project completion on time. The study looked into four factors that influence the financial management practices of all government secondary schools in the Yeka sub-city of Addis Ababa: principals' management skills, stakeholders' budget involvement, internal control systems, and the school management committees.

##### 5.1.1. Finding on the influence of Principals' management skills on financial management practices

The first goal of the study was to determine the influence of principals' management skills on financial management practices in secondary schools in the Yeka sub-city.

According to the study, government secondary schools with headteachers who are skilled in financial management focused more on the items being studied, such as tuition fees charged is approved by the sub-city finance office, the school principal is competent enough in

budgeting and accounting processes, competent finance officer is hired by the school, cash from other sources are accurately and correctly recorded in the book of account, auditing skills will enable principals detect fraud and school principals acquire the skills of reporting accurately affect financial management practices. The above-mentioned characteristics were aspects assessed in terms of school principals' management skills and financial management.

The study concludes that, based on the finding frequency outcome of Principals' financial management abilities, on the approval of school fees charged, the majority 59 (84.3%) of the respondents agreed that their school's tuition fees charged were approved by the sub-city finance, indicated that the sub-city finance officer's approval of school expenditures was a major concern for school financial management in ensuring the safe and successful use of school funds. According to the competence of school principals, over three-quarters of respondents (80%) believe their school's principals are knowledgeable in budgeting and accounting processes, indicating that the majority of government school principals in Addis Ababa's Yaka sub-city are experienced and capable of budget preparation. However, 20% of the respondents strongly disagreed or unsure that their school principals had sufficient financial management skills in preparing the budget. On the subject of competent finance officers, the majority of respondents 41 (58.6%) agreed or strongly agreed with the statement that competent finance officers are hired by the school, indicating that most schools have a sufficient number of financial professional staff who perform effective and productive financial management, while certain schools lack a sufficient number of professional staff capable of providing efficient and effective FM. When it came to obtaining cash from other sources, more than three fourth of the respondents (77.1%) agreed or strongly agreed with the argument that cash from other sources is accurately and correctly recorded in the book. This meant that recording cash from other sources in the books of accounts was important because such information could positively affect the school's financial management. When it came to auditing skills, the majority of respondents 67(97.7%) agreed or strongly agreed that auditing abilities will help principals detect fraud. According to the majority of respondents, auditing skills are critical in financial management. When it came to reporting skills, more than half of the respondents 52 (74.3%) the respondents agreed that financial reports are prepared accurately while 10 (14.2%) of them disagreed, with 8(11.4%) not sure. From this observation, some number of school principals have no skills in preparing an accurate financial report, so that receipts and expenditures are not summarized to show the purpose for which money was spent.

The findings indicated that principal's financial management skills have a direct effect on the management of finances in government secondary schools. Therefore, it was concluded that the schools who have principals with financial management skills focus more on how the above-mentioned areas affect financial management practices of government secondary schools in Yeka sub-city, Addis Ababa.

The correlation finding revealed that principals' management skills and financial management practices had a positive, strong and statistically significant relationship ( $r = 0.632$ ;  $p < 0.01$ ). This implied that Principals' management skills positively and largely enhanced financial management in the surveyed schools. This means an increase in principals' management skills result in an improvement in FMP and vice-versa. As a result, with regression coefficients of 0.273, there was a statistically significant strong positive relationship between principal's management skills and financial management practices.

These findings agree with literature observations that recorded cashes receive from other sources were accurately and correctly recorded in the book of accounts is one of the school principal's management skills that affect financial management practices of government secondary schools. According to (Mputhia, 2014) school principals have the first responsibilities for managing and directing the school fiancé and every resource in the school. The effective financial management of the school is the responsibility and accountability of the school principals.

### **5.1.2. Findings on effect of stakeholders' budget participation on financial management practices**

The second objective of the study aimed was to evaluate how to stakeholders' budget participation in Yeka's secondary schools affects financial management practices.

Focused area of budget participation was had to do more with stakeholders' budget practice procedures are in line with the (MOF) recommendations, all concerned bodies involve in preparing the budget, employees have a sense of belonging or ownership of their branch & process' budget, budget is implemented according to its plan and capital expenditures are budgeted for after wider consultations with the parents and other stakeholders.

According to the findings, government secondary schools that hold stakeholders' budget involvement concentrate more on the previously listed things that influence financial management practices. In terms of budget practices procedure, the majority of respondents 63

(90.1%) agreed or strongly agreed that their schools' budget practices procedure is in line with the (MOF) guidelines, indicating that secondary government schools were supported with guidance to obey the rules laid out by the Ministry of Finance (MOF) recommendations on budgetary practice procedures, which had a positive impact on the financial performance of the school. Concerning the role of concerned bodies, 55(78.57%) of the respondents agreed that concerned bodies are involved in budget preparation and decision-making, while 8(11.43%) of the respondents were neutral, and 7(10%) of the respondents disagreed, suggesting that certain schools are not involved in budget preparation and decision-making. When it came to a sense of belonging or ownership, 45 respondents (64.28%) agreed that their schools' employees had a sense of belonging or ownership of their branch & process' budget, while 13(18.57%) were unsure and 12 (17.15%) disagreed or strongly disagreed. On the implementation of funds according to the school plan, 54 (77.13%) respondents approved or strongly agreed. Even though the majority of respondents agreed with the statement, the responses of a small number of respondents revealed that some schools were implemented the budget for unplanned activities. When it came to capital expenditures being budgeted for after wider consultation with the parents and other stakeholders, 41(58.57%) of respondents agreed, while 13(18.57%) of the respondents were non-give response. Just 16 (22.8%) of the respondents disagreed, implying that certain school administrations did not consult with school stakeholders until approving capital expenditure budgets.

It is also evident from the findings that aspects of budget involvement were found to influence the financial management practices in government secondary schools in Yeka sub-city, Addis Ababa to a great extent. These findings indicate that best practices in budgeting were observed in the schools, consistent with the findings by Craig and Porter (2003) that best budgeting practices such as efficiency, participation, review and value for money need to be observed.

The correlation finding revealed that stakeholders budget participation and financial management practices had a positive, strong and statistically significant relationship ( $r = 0.694$ ;  $p < 0.01$ ). This implied that stakeholders' budget participation positively and largely enhanced financial management practices in the surveyed schools. As stakeholders' budget participation put in place were improved the greater the likelihood that financial management practices could be enhanced and the reverse was also true.

According to the results in the table of coefficients, the regression coefficient for budget participation was 0.499. As a result, with a regression correlation coefficient of 0.499, there was a statistically significant positive correlation between budget participation and FMP.

The study findings agree with various observations in the literature review. The results showed that budget participation is very important in improving the performance of an organization, increasing employee motivation, and increasing a sense of owner responsibility which shows that the level of participation in the preparation of the budget will increase. According to Otley & Pollanen (2000), agree that participatory budget preparation is expected to improve the performance evaluation, and effective management practices in the none-profit organizations and develop a sense of ownership and responsibility in stakeholders.

### **5.1.3 Findings on effect of internal control system on financial management practices**

The third objective of the study was to assess the effect of internal control systems on financial management practices in secondary schools in the Yeka sub-city. The participants were also asked how much they agreed or disagreed with different aspects of the internal control structure, such as the existence of specific banks in which school accounts should be maintained, utilization of financial management policies and procedures for dealing with frauds and theft, all statutory accounting books are maintained by the Bursar/accounts clerk, the auditors operate under the guidance of the Ministry of Finance, the school established SMART (specific, measurable, achievable, realistic and time-bound objectives), and all purchases are done by the procurement unit and documented and followed the right procurement procedure to find out to what extent they influence the financial management practices in government secondary schools in Yeka sub-city.

In terms of the presence of specific banks, 61(87.14%) of respondents agreed that their schools have specific banks where school accounts should be established. Respondents who disagreed and did not respond to the question indicate that some schools in the Yeka sub-city do not have specific bank accounts hence it's difficult to audit such accounts. This is serious wrongdoing as it may show the way to fraud, and the principals maintaining school funds in their personal bank account. On the use of financial management policies and procedures, it was found that 58(82.85%) of the respondents accepted that their schools use financial management policies and procedures to deal with fraud and theft, indicating that the

existences of such clear procedures are on fraud, and theft management would result in the good financial management of schools. In terms of purchases, 62 (88.6%) of the total respondents agreed or strongly agreed that all purchases are done by the procurement unit and documented and followed the right procurement procedure. However, (2.9 percent) strongly disagreed, and when the total amount of annual purchases is considered, a considerable amount of money may be misappropriated, putting school funds at risk. In terms of how auditors work in their schools, more than three-quarters of respondents (77.1%) strongly agreed or agreed that auditors work under MOF's direction. The MOF's recommendation to follow rules and regulations is widely seen as crucial in financial management, according to respondents. This implies that there is a relationship between the auditors working under MOF's direction and financial management procedures.

According to the findings, on different aspects of the internal control systems, which was discovered to have a significant impact on the FMP in government secondary schools in the Yeka sub-city of Addis Ababa. The study found that there existed a positive, moderately strong and statistically significant relationship between internal control systems and financial management practices ( $r = 0.530$ ;  $p < 0.01$ ). As Internal control systems became more effective, financial management practices in government secondary schools was enhanced. As a result, with regression coefficients of 0.022, there was a statistically significant positive association was discovered between internal control systems and financial management practices.

The study findings agree with various observations in the literature review. The findings revealed that good financial management activities are supported by effective internal control systems. Effective internal controls in any organization encourage efficiency, compliance with laws, regulations, and organizations policies, and seek to eliminate dishonesty and abuse (Nyaga, 2016).

#### **5.1.4 Findings on effect of SMCs practices on school's financial management**

The fourth objective of the study was to determine the effect of the school management committees on the financial management activities of government schools in the Yeka sub-city. The most important finding on SMC policies and financial management practices focuses on committee members are appointed as per laid MOE procedures, SMC approves all revenues and expenditures, SMC has a specific meeting pattern, SMC raises questions on

expenditures that do not appear to conform to budgets, and SMC actively participates in school activities.

As evidenced by the 66(94.27%) response, the majority of government secondary schools have SMC and PTA representatives who were appointed according to the MOE's procedures, and as a result, they are capable of managing the financial management of schools. More than half of the respondents 56(80%) agreed that their SMC approves all revenues and expenditures indicated that the schools have a strong process for approving revenues and expenses. However, the 8.6 percent who disagree could indicate that a large amount of money is being issued for misuse. At least (71.42 percent) of school respondents accepted that their schools had SMCs that met on a regular schedule to discuss financial matters. The result shows that the existence of regular meetings expected that SMC made efforts to inform about what is going on their committee and in the school, as a whole to solve financial problems in schools. Over half of the respondents, 51(72.9%) agreed that the SMC actively participates raises a question on expenditures that do not appear to conform with the budgets and approves estimates, which helps to promote good governance, accountability, and transparency.

According to the findings, aspects of SMC activities in government secondary schools in Yeka sub city have an effect on the FMP. Management committee practices influences financial management capability to a greater extent. The correlation finding indicated that there existed a positive, moderately strong and statistically significant relationship between SMC and FMP ( $r = 0.551$ ;  $p < 0.01$ ). This implied that SMC positively and largely enhanced FMP in the surveyed schools. As SMC in place were improved the greater the likelihood that FMP could be enhanced and the reverse was also true. The findings of this study supported those of Abebe (2012), who found that before adopting annual budgets, higher decision-makers should review and approve them for implementation. The finding indicated in the regression analyses also showed that the regression coefficient of SMC practices was 0.234. Therefore, there was a statistically significant strong positive relation between SMC practices and financial management practices with the regression coefficient of 0.234.

These study findings agree with literature review observations that approval of all revenues and expenditure is one of SMC practices affecting financial management practices. Before implementing annual budgets, the higher decision-making or SMCs should have known the budget allocation and check and agree for implementation (Abebe, 2012).

## **5.2 Summary of open-ended questions**

The data collected through open-ended questions revealed that concerning future steps that could be taken to strengthen its overall financial management: -

- School administrations were not qualified in financial administration. Since the majority of school principals were graduated in the teaching profession, they can acquire additional training in budgeting, procurement, and financial reporting procedures.
- Since certain schools lack a sufficient number of professional staff capable of providing effective and efficient financial management and use, responsible bodies must hire school finance experts.
- The school budget wasn't released at the beginning of the year. Since these schools undergo unplanned expenses to purchase instructional materials, the city of Addis Ababa administration should release funds allocated to schools on a timely basis.
- Motivating the school principals and SMC with their financial experts when they are effective in improving school financial management practices.
- Schools had no enough financial materials for school finance operations; as a result, the city of Addis Ababa administration would provide sufficient funds to cover all of the schools' activities, as planned by the schools.

## **5.3 Conclusion from the study**

From the findings, the study concludes that aspects of the principal's financial management skills such as tuition fees charged are approved by the sub-city finance office, the school principal being knowledgeable enough in budgeting and accounting processes, competent finance officers are hired by the schools, cash from other sources being properly and correctly recorded in the book of account, auditing skills will help principals identify fraud and school principal acquire the skills of reporting accurately were found to influence the financial management practices in government secondary schools in Yeka sub-city, Addis Ababa to a great extent.

It is also evident from the findings that aspects of budget involvement such as budget practices procedure are in line with (MOF) guidelines, concerned bodies are involved in budget preparation, employees have a sense of belonging or ownership of their branch & process' budget, the budget is implemented according to its plan and capital expenditures are budgeted for after wider consultations with the parents and other stakeholders were found to

influence the financial management practices in government secondary schools in Yeka sub-city, Addis Ababa to a great extent.

The respondents were also questioned on their level of agreement and disagreement on various aspects of the internal control system, including the nature of separate banks in which school accounts should be held, the use of financial management policies and procedures for dealing with frauds and theft, all statutory accounting books are maintained by the Bursar/accounts clerk, the auditors operate under the guidance of the Ministry of Finance, the schools set SMART (specific, measurable, achievable, realistic and time-bound objectives), and all purchases are done through the right procurement procedure was found to influence the financial management practices in government secondary schools in Yeka sub-city to a great extent.

According to the results, aspects of SMC practices such as committee members are appointed according to MOE procedures, SMC approves all revenues and expenditures, SMC has a particular pattern of meeting, SMC raises questions on expenditures that do not appear to conform to the budgets, and SMC actively participate in the school activities were found to influence the financial management practices in government secondary schools in Yeka sub-city.

According to the findings, on different aspects of the four independent variables, which were discovered to have a significant impact on the FMP in government secondary schools in the Yeka sub-city of Addis Ababa to a great extent. The correlation findings indicated that all independent variables had significant positive correlation with FMP at a 0.05 level in a two tailed. This means an increase in independent variables will result in an improvement in FMP and vice-versa.

Finally, the study found that the variables under investigation, such as the principal's management skills, budget participation, internal control system, and school management committee, had a positive and strong relationship with financial management activities in government secondary schools in the Yeka sub-city of Addis Ababa, as determined by the multiple correlations coefficient  $R = 0.728$ . According to the regression results, all of the independent variables are making 53% contributions for financial management practices in government secondary schools of Yeka sub-city. The remaining 47% of the FMP in government secondary schools in the Yeka sub-city; we're influenced by other factors which are outside of the model.

The finding as presented in Analysis of Variances reveal that the model used to explain the effect of the four factors on FMP on schools was statistically significant ( $F = 18.336$ ;  $p < .05$ ). These four factors were found to be important in enhancing a school's financial management practices, with the four factors combined in the model having a 5% significant effect on financial management practices.

## **5.4 Recommendations**

The researcher wishes to make the following recommendations for effective financial management activities in government secondary schools based on the results of this study and for improvement.

- According to the study, female participation in financial management activities in government secondary schools is extremely low. As a result, the Addis Ababa Education Bureau, in partnership with Cub City Education Office, must encourage females to participate in school leadership and work in secondary schools in the study area.
- The study also recommends that school principals with school management committees should be constantly trained on budgeting, procurement, and financial recording practices so, they can be effective in their financial management. This can be done by holding regular capacity building and seminars which will keep them updated on any emerging issues.
- The study also recommends that school administrators should give incentives to members of the school management committee to encourage and motivate them to attend regular meetings and actively participate in discussions on school finances.
- Addis Ababa Administration city should ensure timely release of funds allocated to schools to avoid delay in disbursement of funds to the schools' departments. This would provide school administrators more time to properly budget their schools on time, reducing the number of issues that may occur as a result of a budget deficiency.
- The study recommends that newly appointed school principals and school management committee members should be given an orientation on budgeting, procurement procedure, and financial recording, and reporting so that they can efficiently carry out their duties.
- According to the study, some of the schools examined lacked sufficient numbers of trained staff to execute efficient and effective financial management, which is one of the

most critical financial management problems in schools. As a result, the school and the sub-city public service office will work together to hire school finance experts.

- According to the study, some school principals are the only ones who make financial decisions, and financial utilization is not transparent. As a result, maintaining a close relationship between the principal and the SMC is critical to ensuring good financial management at the school.
- According to the findings, school internal auditors follow MOF rules and regulations, as well as financial management practices. However, Mobegi et al. (2012) pointed out that internal auditing isn't enough to prevent school workers from committing fraud. As a result, regular external audits, either by the school authority or by a private firm, should be done on a regular basis.
- Finally, the study recommends that future studies should cover the majority of secondary schools in Addis Ababa. This will help to generalize the findings to cover all schools in Addis Ababa. Due to the small sample size, it is difficult to generalize the findings to cover all schools in Addis Ababa.

## **5.5 Suggestions for further research**

Based on the findings of this study, the researcher suggested that further research should be done in the following areas:

- The study was limited to the government secondary schools in the Yeka sub-city, Addis Ababa could not be a true representative of all government secondary schools in Ethiopia. Each school's financial management activities are influenced by the social, geographical, and natural elements of its surroundings. Therefore, the researcher recommends that further studies should be carried out on factors affecting financial management practices in other rural and urban areas in different parts of Ethiopia, in order to shed light on Ethiopian government secondary school financial management practices.
- Most of the secondary private schools were opened in Addis Ababa city and these private schools implement different forms of funding and expending which could serve as an interesting area of research. Therefore, the study suggests that research could be done on the same topics at Addis Ababa in all sub-cities so as to shed light on the financial management practices of private secondary schools in Addis Ababa.
- Most of the government secondary schools are faced with a number of problems due to budget allocation does not coincide with the need of the schools, and so to ease such

problems, the school principals and SMC come up with projects that generate funds to enhance the implementation of school activities. Therefore, there should be research to find out if schools are involving themselves, such projects which may help them in the financial management.

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## **Appendix I**

**Addis Ababa University**

**Faculty of Business and Economics**

**MBA Program**

**Dear respondents;**

My name is Girmaw Dagnaw, a student at Addis Ababa University, following a master's degree in /Finance/ MBA Program.

I would like to extend my deep gratitude in advance for volunteering to devote your valuable time to fill this questionnaire. The study is being conducted by a postgraduate student at Addis Ababa University, College of Business and Economics, Department of Management, /Finance/ MBA Program. The main objective of the study is to determine the factors affecting financial management practices in Addis Ababa, Yeka sub city government secondary schools, for the partial fulfilment of Masters of Business Administration (MBA) /Finance/.

The study is mainly for academic purposes. The researcher assures all respondents that the answers provided would be treated as confidential and will seriously be used for the purpose of this study.

**Contact Address:** - Girmaw Dagnaw e-mail: -dagangirmaw@gmail.com Tele. 0917806037

### **General Instruction**

Writing your name is not necessary

Put “√” for your choice in the box provided

Kindly, therefore, return the questionnaire upon completing each item appropriately.

Thank You in advance

**DIRECTIONS: Please indicate your response to each question by selecting the most appropriate answer for each question.**

**Section A: General Information of the respondents**

**1. Name of school** .....

**2. What is the current school enrolment (number of students of all grades in this school)?**

- a) Less than 500  b) 501-1000  c) 1001-1500  d) above 1500

**3. What is your gender?**

- a) Male  b) Female

**4. Your job position**

- a) School Principal   
b) Vice Principal   
c) Team leader of school finance Officers   
d) Team leader of school human resource management   
e) Chairperson of teacher association   
f) Chairperson of PTA members.

**5. How long have you served in the current position?**

- a) 1 -2years  b) 3-5years  c) 5-10years   
d) Above 10 years

**6. What is your highest qualification?**

- a) Certificate  b) Diploma  c) First Degree  d) Masters   
e) Others, (Specify).....

**7. Financial training enhances one's financial management skills?**

- a) Strongly Agree  b) Disagree

**8. If you strongly agree, what type of training has you ever undertaken?**

- a) Work shop  b) Seminar  c) on the job training   
e) Others (specify).....

**Section B: Influence of Principals Management Skills on Financial Management Practices**

For the elements listed in the tables below, indicate how critical each factor is in relation to Financial Management practices in your school, please tick or circle the number that best indicates your opinion on the question using the following scales: Scale **Strongly Disagree (SD) = 1, Disagree (A) = 2, Not Sure (NS)= 3, Agree(A) = 4, strongly agree (SA) = 5**

Q. NO	STATEMENT	Likert- Scale of measurement					Sources
		(SD)	(D)	(NS)	(A)	(SA)	
9	Tuition fees charged is approved by the sub city finance office.	1	2	3	4	5	(NYAG A, 2016)
10	The school principal is competent enough in budgeting and accounting processes	1	2	3	4	5	(Munge et al., 2016)
11	Competent finance officers are hired by the schools	1	2	3	4	5	(NYAG A, 2016)
12	Cash from other sources are accurately and correctly recorded in the book of accounts	1	2	3	4	5	
13	Auditing skills will enable principals detect fraud.	1	2	3	4	5	(ALEMAYE HU ADERA DURET, 2018)
14	School principal acquire the skills of finance reporting accurately	1	2	3	4	5	(NYAG A, 2016)

15. Please highlight any challenges that you experience when handling school finances

.....

**Section C: Influence of budget participation on financial management practices in Public Secondary School**

Q. NO.	STATEMENT	Likert- Scale of measurement					Sources
		SD	D	NS	A	SA	
16	Budget practice procedure is in line with the Ministry of Finance (MOF) recommendations	1	2	3	4	5	(NYAGA, 2016)
17	All concerned bodies involve in preparing budget	1	2	3	4	5	(NYAGA, 2016)
18	Employees have a sense of belonging or ownership of their branch & process' budget	1	2	3	4	5	(ALEMAYEH U ADERA DURET, 2018)
19	The budget is implemented according to its plan	1	2	3	4	5	(ALEMAYEH U ADERA DURET, 2018)
20	Capital expenditures are budgeted for after wider consultations with the parents and other stakeholders	1	2	3	4	5	(NYAGA, 2016)

21. In your own opinion, does your school follow the budgetary allocation? Yes ( ) No ( ).

And if not give a Reason for that .....

**Section D: Effect of Internal Control System on Financial Management practices in Public Secondary Schools**

Q. N O	STATEMENT	Likert- Scale of measurement					Sources
		SD	D	NS	A	SA	
22	There are specific banks in which school accounts should be maintained	1	2	3	4	5	(NYAGA, 2016)
23	There are clear procedures for dealing with frauds and theft	1	2	3	4	5	(NYAGA, 2016)
24	All statutory accounting books are maintained by the Bursar/accounts clerk	1	2	3	4	5	(NYAGA, 2016)
25	The auditors operate under the guidance of the Ministry of Finance	1	2	3	4	5	(NYAGA, 2016)
26	The schools set SMART (specific, measurable, achievable, realistic and time-bound objectives)	1	2	3	4	5	(ALEMAYEHU ADERA DURET, 2018)
27	All purchases are done by the procurement unit and documented followed the right procurement procedure	1	2	3	4	5	(NYAGA, 2016)

28. Are there any other controls that you suggest should be put in place to enhance financial internal controls in yours?

**Section E: Effect of school Management committee on Financial Management Practices**

Q. NO	STATEMENT	Likert- Scale of measurement					Sources
		SD	D	NS	A	SA	
29	SMC and PTA members are appointed as per the laid down procedures of the MOE	1	2	3	4	5	(NYAGA, 2016)
30	SMC know the financial allocation and approves all revenues and expenditures	1	2	3	4	5	(NYAGA, 2016)
31	SMC has a specific pattern of meeting to deliberate financial issues of the school	1	2	3	4	5	(NYAGA, 2016)
32	SMC raises question on expenditures that do not appear to conform with the budgets and approves estimates	1	2	3	4	5	(NYAGA, 2016)
33	The SMC actively participate in budgeting for school funds and monitors its utilization	1	2	3	4	5	(Munge et al., 2016)

**Section F: Financial management practices**

Q. NO.	STATEMENT	Likert- Scale of measurement					Sources
		SD	D	NS	A	SA	
34	The school sticks to the budgetary allocation	1	2	3	4	5	(NYAGA, 2016)
35	The school does not experience deficits in cash flow	1	2	3	4	5	(NYAGA, 2016)
36	The school used is fund only for planned activities	1	2	3	4	5	(Munge et al., 2016)
37	All school projects are completed timely	1	2	3	4	5	(NYAGA, 2016)
38	Government secondary schools are able to finance all its activities	1	2	3	4	5	(Munge et al., 2016)
39	The school submit financial utilization report to woreda and sub city education office report regularly	1	2	3	4	5	(ALEMAYEH U ADERA DURET, 2018)

40. In your own opinion in what way can your organization improve its overall Financial Management? .....

## Appendix ii

Government Secondary schools in Yeka sub city, Addis Ababa

1. Tesfa Birhan Secondary School
2. Birhanguzo Secondary school
3. Wonderad Secondary School
4. Kokabsibha Secondary School
5. Kafetanya 12 Secondary school
6. Karalo Secondary School
7. Milliniyam Secondary school
8. Abado secondary School
9. Idgat Coora Secondary School

## APPENDIX iii: Normality Test

Financial Management Practices Stem-and-Leaf Plot

Frequency Stem & Leaf

1.00 0. 6

4.00 1. 0134

17.00 1. 55667777788889999

25.00 2. 0011122222222222334444444

23.00 2. 555556666666666778888999

Stem width: 10.00

Each leaf: 1 case(s)