

**SURVEY OF BUDGETARY PRACTICES IN PUBLIC
SECONDARY SCHOOLS IN KISUMU EAST DISTRICT**

BY

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DECLARATION

I, the undersigned, declare that this project is my original work and has not been presented for any award of degree or any other academic credit in any other university or college.

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DEDICATION

This project is dedicated to my wife Jacqueline and my daughter Silvia Anita and to my sons; Timothy Ochieng' and Kennedy Christiano for their family warmth, peace and happiness during the entire study period.

ABSTRACT

Budgeting is key to any organizational success as it is used as a tool for communicating top management's expectations to managers and employees. It helps in planning and coordinating organizational activities. This study surveyed budgetary practices in public secondary schools in Kisumu East District.

Public schools like any other organization need to prepare good and realistic budgets for proper acquisition and use of school funds and other resources. The management needs to involve if possible all the stakeholders in their budget preparation and implementation. There should also be strict budgetary controls to ensure efficient and proper management of these institutions.

A census survey methodology was employed in this study where the targeted population was 38 public secondary schools in the district. However, a questionnaire was developed and administered personally to bursars in these schools but only 36 were duly filled and returned for analysis giving a response rate of 95%. The primary data obtained was edited for accuracy and consistency and keyed in Excel and SPSS packages for analysis. The findings were presented in form of frequency tables, bar graphs, pie-charts and percentages.

The findings were that most schools preferred bottom-up budgetary approach and that majority of schools prepared only master budget. It also came out clearly in the study that most schools have asset value bellow 100million and a very high percentage suffer deficit every year as high as 97%. The study also revealed that most schools did not involve all the stakeholders in the budget preparation and implementation which results to a number of challenges in the budget preparation and implementation. Also majority of schools were found to take long to clear their debts and not maintaining contingency reserves.

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LIST OF ACRONYMS & ABBREVIATIONS

1. BOG - Board of Governors
2. CIMA - Chartered Institute of Management Accounting
3. EFA - Education for all
4. ICT - Information Communication Technology
5. KCSE - Kenya Certificate of Secondary Education
6. KEMI - Kenya Education Management Institute
7. MOEST - Ministry of Education Science and Technology
8. PTA - Parents Teachers Association
9. NGO's - Non Governmental Organizations
10. SMC - School Management Committee

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Budget is a standard against which the actual performance can be compared and measured. It stipulates which activities and programs should be actively pursued. Management whether in private or in public sector is required to specify expected revenue and expenditure. A budget is also a detailed plan outlining the acquisition and use of financial and other resources over some given period. Budget in an organization act as a mechanism for effective planning and controlling (Flamholz, 1983).The main purpose of a budget in any organization is for planning and controlling in order to achieve organizational goals and objectives. (Schick, 1999).

1.1.1. Budgetary Practices

Whereas budgeting is the act of preparing a budget, budgetary practices are approaches used in preparation of the budget. These approaches facilitate planning and control of resources, managing and controlling the activities for which they are responsible by comparing the actual results with the budgeted amounts for the different categories of the expenses. Such practices that facilitate budgeting include bottom-up budgeting approach which is participatory budgeting where all departmental heads and employees are involved, top-down approach where top managers have come up with the budgets and communicate it to its juniors, Agile approach which is responsible to changes such as costs and finally middle of the road budgeting approach where they incorporate the traditional and the budget approach.

Activity based budgeting (ABB) which uses cost drivers for every activity ,zero based budgeting (ZBB) where every cost begins at zero, and computerized budget

which uses what if analysis to examine how a result will change if the original predicted data are not achieved. By use of the above approaches, managers can ascertain which costs do not conform to the original plan and thus require their attention. This process enables management to operate a system of management by exception which means that a manager's attention and effort can be concentrated on significant deviations from the expected results. By investigating the reason for the deviation, managers may be able to identify inefficiencies and take the correct course of action to bring the organization back on track (Hongren, 2005).

1.1.2. Budgetary Planning

For any organization to successfully meet their objectives there must be a proper budget plan. Long term school plans should be converted into action by preparation of a detailed short term tactical plans (Budget planning) for the functions, activities and departments. Plans are developed using physical units e.g. number of units to be produced, number of hours worked etc. In a school setting these physical units may entail things like teaching materials, number of class rooms and class room supplies, quantities of food staff, number of teaching and non teaching staff etc. When monetary value is attached to the plans, they become a budget.

A study sponsored by the council of state government in United States, (1949) defined a school budget as "a financial plan which should be developed as to provide as adequately as possible for educational needs". Commonwealth Secretariat (1993) asserts that controlling a school budget requires that a school manager must understand the financial status of the school and its priorities for expenditure. Controlling the budget means controlling the votes i.e. ensuring votes are not overspent and that money received is put under the appropriate vote headings. Before you agree to any expenditure first check the vote to ensure there is enough money to

cater for the expenditure, if there is no money you should either abandon the expenditure or seek permission from the appropriate authorities to re-allocate funds on the votes.

Common wealth secretarial (1993) proposes that school budgets should be operated under specific votes and whatever expenditure made should be entered in a vote book under the appropriate headings. Secondly, in a day to day management of payables, it is necessary to take in account the date at which the payments are due to avoid penalties for late payments. (Cash management). This secretariat recommends that when a school receives delivery of goods or services ordered, the settlement of the account should be promptly. Thirdly is the management of arrears, which are caused by insufficient commitment control, or the perverse effects of a cash rationing systems that do not take into account commitments already made? Thus limiting arrears generation requires measures such as realistic, estimates of annual consumption and internal management measures.

1.1.3. Budgeting in Public Secondary Schools

The study will focus on budgetary practices in Public Secondary Schools in Kisumu East District. The Ministry Of Education in their handbook on secondary education strategy (2010), defines secondary education as that lies between basic education and higher education and forms a step for pupils between the age of 11 or 12 and 18 and lasts for four years even though the recent educational campaign is to make secondary education basic. According to this hand book , there were 151 secondary schools in 1963 with total enrolment of 30,120 today the number stands at over 1 million students .

The general vision for secondary education by MoEST is to have quality secondary education for student's empowerment and further education for the world of work and further education. "The above vision and mission for secondary education strategically fit to the national objectives and vision 2030 which states that under education and training, Kenya will provide a globally competitive quality education and training in research for development". Thus the goals and objectives of the ministry of education are to reduce illiteracy levels, promote and popularize Information Technology (I.C.T) as well as Science and Technology ensures quality management capabilities and to limit gender and regional disparities, Ministry of education Handbook (2010).

Management of secondary school require skilled managers who have to continuously plan, organize, direct, control and budget the resources in their environments. Conversely Muganda (1986) and Thomson (2008) observed that the effect of schools' financial mismanagement is disastrous strikes, poor academic performance, indiscipline and inadequate learning resources. The success of school is dependent on the inputs, guidance and financial support of BOGs, SMCs and parents .The BOG and SMC should therefore ensure that the head teachers make plausible instrument proposals and purchases that give result to their schools or the institution. For these reasons all B.O.Gs and S.M.Cs are duty bound to approve proposals aimed at giving maximum benefits to schools and their learners.

Kisumu East District has been selected as the focus point of this study mainly because most of the schools in the district are in desperate situation in terms of buildings, school furniture and equipment, textbooks, limited libraries and laboratory facilities, despite charging development levies and hiking school fees beyond recommended

ministerial guidelines. The academic performance of the district has remained below average for the last 5 years. Conversely public secondary form the majority of secondary education in the district.

1.2. Research Problem

Common Wealth Secretarial (1993) asserts that controlling a school budget requires that a school manager must understand the financial status of the school and its priorities for expenditure. Controlling the budget means controlling the votes i.e. ensuring votes are not overspent and that money received is put under the appropriate vote headings. Before you agree to any expenditure first check the vote to ensure there is enough money to cater for the expenditure, if there is no money you should either abandon the expenditure or seek permission from the appropriate authorities to re-allocate funds on the votes.

For efficient management of our education system, our education institution and especially secondary calls for school principals who are not only successful classrooms teachers but also well trained managers in all aspects of management. The BOGs, PTAs and other stakeholders groups may lend their support to the head of their institution in respect to the resource management. The MoST handbook of financial management instruction for secondary schools, college and polytechniques (2006). Obulemire (2006) surveyed on the levels of participation of all stakeholders in the budgeting process and motivational effect of the process and whether schools had strategic plans in Nairobi Province. He observed that schools do not involve all the stakeholders in the budgeting process and the budgeting process does not motivate employee and the schools lack strategic plans.

A study on budgeting process and financial management in schools in Thika District found out that principals exercised complete control over financial matters and minimally involved teachers, bursars and board of governors in the budgeting process (Kuria, 2007). Kamau (1990) examined financial management practices in Kenya Secondary Schools, problem and issues. In this study Kamau established that most schools lacked a standardalized and clearly defined system of determining the budget, the principals believe that heads of department made unreasonable request and input into the budget document was not necessary.

Finally the principal consulted their BOGs as a formality to have their estimates approved. Conversely, Nyam (1998) researched on effectiveness of accounting control systems in public schools a case of Homa –Bay and Rachuonyo District . In this study, Nyam found out that the principals were in control of cash, cheques and other documents necessary for financial management. In this respect he noted that the accounting control system used in educational institution were very weak and hence resulting to poor financial management.

Mutua (2010) in his research on the challenges of budget preparation and implementation in public secondary schools in Kitui Central District found out that the major challenges of budget preparation are: changes in the general price levels, unclear ministerial guidelines and lack of adequate time to make projection while the major challenges of budget implementation in Kitui were: untimely release of the government funds, poverty levels of the region which yields to non payment of the school fees, re-allocating funds from one vote head to another and abrupt projects. Thus, the existing studies leave an academic gap in that they have not exhaustively addressed the budgetary practices in public secondary schools across the country.

This study therefore seek to fill this gap which is hypothesized as the central challenge to the financial management and the creation of value adding programs and project for the benefit of all the school stakeholders.

This study therefore seeks to answer the following research questions in Kisumu.

- i. Which budgetary practices do schools in Kisumu East district apply?
- ii. Which challenges do schools in Kisumu East district face during their budget preparation?
- iii. Which challenges do schools in Kisumu East district face during their budget implementation?

1.3. Objective of the Study.

To determine the budgetary practices in public secondary schools in Kisumu East District.

1.4. The Value of the Study.

This study will be of great importance to the various groups in the society as follows:
To the researchers the findings in this study will be of great use for further studies in various disciplines by other researchers. The findings of this study will be made available in the internet and libraries to be easily and readily be accessed by academicians to carry out their research.

The Kenya educational management institute (KEMI) is the institution charged with the responsibility of training and imparting managerial skills to those charged with the management of the public secondary schools. Thus from the identified budgetary practices, the researcher will make some recommendations that can enhance the training programs.

The school principals will find this study very useful as it will highlight the key areas which pose difficulties in the allocation of the scarce resources. The recommendation made after the analysis when implemented adequately will be a road map towards proper budget preparation and implementation.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

This chapter presents a review of literature. The chapter discusses the budget, budgetary control, advantages of budgetary control, theories of budgeting, budgetary planning, the budgetary preparation process, financial management practices in NGOs, types of school budget, the benefit of school budget, budget administration budget execution, challenges of budget preparation and implementation and empirical studies.

2.2. Budgeting

A budget is a detailed plan outlining the acquisition and use of financial and other resources over some given time period. Budget determines the direction of the organization and its future success. Budget requires management to specify expected revenues and expenditure and provides a mechanism for effective planning and control in organizations. Budgets are used to communicate top management's expectations to managers and employees. Amey, (1979) reveals that, budgets serve dual purpose of planning and controlling.

2.3. Budgetary Controls

Loise,(2006) defines a budget as a statement which indicates a coordinated plan of activities. The effects of all activities are expressed in monetary values as to facilitate the development of an integrated plan. Budgeting process is an integral part of both planning and control. It is concerned with making plans for the future, their implementation and monitoring the activities to see if they conform to the budgeted plan. Renting (2004), insist that the budget process and the budget goals of any

institution strongly determine its performance. The school budget is used as an instrument to allocate school funds and resources towards achieving better academic performance.

2.4. Advantages of Budgetary Control

Carter (1997) established a number of advantages to budgeting and budgetary control. Budgeting compels the management to think about the future, which is probably the most important feature of a budgetary planning and control system. It forces the management to look ahead; set out detailed plans for achieving the targets for its activities and thereby gives it a purpose and direction. Budgets promote coordination and communication. They define the areas of responsibility and therefore take into account the centre managers for the achievement of budget targets in areas under their jurisdictions.

2.5. Theories of Budgeting.

While budgeting depends to a certain extent on the particulars of an organization or project there are certain guidelines which apply across projects and organizations. These are the values that are fixed for all time. They offer some guidelines that can help deal with common budgeting process situations (Kadondi, 2002).

There are basically two theories of budgeting:- Traditional approach and modern approach.

2.5.1. Traditional Approach

This approach include among others incremental budgeting and line item budgeting. Incremental budgeting begins with a copy of the previous year's budget and only a few changes are made to the previous year's budget, (Karmarkarl, 1 989). Aline item budget gives considerable emphasis on the expenditure being incurred but little attention is given to the activity being undertaken (Drury, 1992).

2.5.1.1. Incremental Budgeting

The budget begins with a copy of the previous budget. Changes are made to the budgeted amounts based on the actual cost incurred to date. Each organizational department provides justification for increases from the prior year's budget or actual incurred cost (Karmarkar, 1989; Mac, Nally, 2002). Like balancing the house hold check book the budgeting method should be consistent and repeatable (Karmarkar, 1989, Mac Nally, 2002).

2.5.1.2. Line Item Budgeting

The traditional formula for budgets in non-profit organization is referred to as line item budgets. A line item is one in which expenditures are expressed in considerable details, but the activities being undertaken are given little attention. In other words line item budgeting shows the nature of the spending but not the purpose (Drury, 2000).

2.5.2. Modern Approach

Managers in many organization are revising budget to emphasize performance and results (Nolan,1995).This activity goes under many names: Outcome based budgeting, zero based budgeting ,activity based budgeting, computerized budgeting and planning programming budgeting system(PPBS).

2.5.2.1. Zero Based Budgeting (Z.B.B)

A decision unit could be a project or a cost center, though (Herliger, 1999) narrows this definition to an organizational entry that has an identifiable manager with the necessary authority to establish activities within a unit. An important philosophy of ZBB is that all possible alternative strategies are presented. According to one standard

definition. It require the review of all budget requests from point zero. Without assuming that any existing project should continue.

Due to the many challenges the original goals of (ZBB) have proved elusive in modified form, it has become widely used budgeting tool (Fanning 1998). In the organization where it continues to exist in some form it`s a challenge to separate it from widespread practice of expecting agencies to evaluate the impact of changes in funding operation, Cordon (1978). This assists the policy maker to break the tradition of the incrementalism. It makes it possible to avoid across the board cuts by emphasizing the effect of the different cuts on services. Cordon and Heivillin (1978) summarize this approach as an analytical or rational economic approach as opposed to a political process. It is a process that forces live management to consider their operational priorities and also allow for decentralized decision making.

2.5.2.2. The Activity Based Budgeting Approach

As its name implies, the ABB approach focuses on generating a budget from an activity based model of the organization as opposed to the traditional product – market responsibility center, or department focus. The ABB-groups fundamental thrust is to expand activity based and capacity management concept into budgeting. The ABB – group contends that budgeting serves primarily a planning role and that budget suffers because the financial – oriented, higher level budgeting process is not adequately connected to the underlying operational mode of the organization.

The ABB – group lists several potentials benefit of the approach (Torok and Hansen, 2000). First by balancing operational requirements, the ABB approach avoids unnecessary approach calculations of the financial effect on operationally infeasible plans. More importantly, the ABB approach focus on generating a budget explicitly, and other types of cost drivers not found in traditional budgeting systems.

2.5.2.3. Planning, Programming and Budgeting System (PPBS)

PPBS is programmed oriented management approach which examine needs over a medium to long – term period. Having been first recommended in the US by the Hoover commission in 1949, the approach envisaged there elements: programmed and activity classification by government department performance measuring and performance reporting. Nicholas (1969) view PPBS as following five processes; the overall objectives and goals of the organization and the various agencies and departments within the organization are formulated priorities are determined for the attainment of the goals and objectives possible alternative program that may be used to fulfill desired objectives are compared based on the effectiveness of each in achieving the organizational objectives.

The total cost of each program is related to the total benefits that would be derived from the program to determine the efficiency of the programme, Otley (2003). The most effective and efficient programmes are selected and integrated into a comprehensive programme and implemented, Nicholas (1969). The result of this programme once initiated are reviewed and judged based on the bases of performance. The purpose of this review is to control in the implementation for future decision and forecasts. Each programme cannot, of course be reviewed each year. But analytical steps of PPBS call for periodic review of the fundamental programme objectives, cost and accomplishments to date, Otley (2003).

2.6. Budgetary Planning

The school income mainly falls into two categories – the first one being tied grants – which mainly come from the government and they are clearly earmarked for a specific purpose e.g. Maintenance of buildings and construction hence they cannot be

allocated at all the school level for any other purposes Ministry of education handbook, (2010) . Secondly, united grants – these are grants for use on expenditure items determined as priorities in the school e.g. P.T.A contributions. On the other hand the school expenditures fall into two categories – Recurrent expenditure – this is the expenditure on consumables and constitutes the greatest percentage of the budget e.g. salaries, operating costs in travel and communication etc. Secondly, capital or development expenditure – these are expenditures on capital assets e.g. buildings, furniture equipment and vehicles. They are made at irregular intervals, but they cover the time span of several fiscal years.

2.7. The Budget Preparation Process

Budget preparation is a common activity in most business establishments whether for profit or for non-profit (Otley, 2003). This is an activity which calls for a trade off and prioritization of program to ensure that the budget fits to the organizational policies and priorities. The most effective variants should be selected. An outline information data base [http://www.adb.org/document manual/gov't expenditure chapter 4](http://www.adb.org/document_manual/gov't_expenditure_chapter_4) (May, 2010) identifies four major dimensions of budget formulation.

First, setting up the fiscal targets and the level of expenditures compatible with these targets. Secondly, formulation expenditure policies. Thirdly, allocating resources in conformity with both policies and fiscal targets and finally addressing operational efficiency and performance issues. To achieve these objectives of public expenditure management there must be a clear link between policy and budgeting for a period beyond the immediate future.

A budgeting system that creates value to an organization should be driven by the vision of the organization and the strategic plan. Those organizations that stay focused

on their strategy and plan knows exactly where they want to spend their resources and have a plan to help keep them from spending in areas that do not line-up with the vision. Budgeting is most useful when done as an integral part of an organizations strategic analysis. This analysis incorporates both long-term and short-term budgets (Horngren, 1993). This therefore indicates that budgets be examined or developed in the context of the entire business strategy and the processes that underly each area of the business activities.

Budgeting should be dynamic process within strategic planning. The more your budgets can react to changes the closer budgeting will be to a value added activity. Thus budgets may be revised as latest best estimates or budget update with latest forecasts of business. This requires an efficient system to cost and recast the budget estimates, and updates quickly without taking much of managers time. Okumbe, (1998).

2.8. Financial Management Practices in NGOs

Public secondary schools are considered as non-profit institutions. Unlike for-profit organizations, on-profit organizations are incorporated as non-stock entities where ownership rests with the members or supporters of the organization, Bray,(2008). The lack of stock ownership and the absence of a profit motive are in stark contrast to for-profit organizations and to the factors that drive many of the unique financial management issues prevalent in non-profit organizations. Like for-profit entities, a non-profit organization prepares and adopts documents such as articles of incorporations and bylaws, Antoney, (2004). The rules and regulations enacted by an association or corporations to provide a frame work for its operation and management.

The maintenance of complex accounts like ledgers requires good financial expertise, which is neither readily available nor affordable by most Non-Governmental Organizations, Bray, (2008). A good budget helps in carrying out the organization audit which assures recipients of financial reports of the reliability and integrity of those reports. Not many NGO's are able to carry out independent audits, among other reasons there is poor book keeping and little or no budgeting and planning of activities, Bray, (2008). This quality of reports issued affects public perception on how the funds are put into use and ultimately local resource mobilization.

Cash is the lifeblood of an NGO and is fundamental to its existence .Cash determines whether or not an organization can pay its bills and meet its obligations. Cash does not come in steady streams. Cash flow and the analysis of it represents a dynamic quality a motion picture rather than a snapshot of what is going on in the organization from a cash standpoint ,most importantly, of what is going to happen downstream, in the future, so that you can plan and prepare for that situation (Bray,2008).Cash flow forecasting involves the preparation of detailed formatting of revenues and expenditure receipt of revenue or the payment of an expense in the actual time period in which it is expected to occur (Antony,2004).This helps carry out an analysis to determine if the cash requirements for each period of time is consistent with the availability of cash in that period.

2.9. Types of School Budgets

The commonwealth secretariat (1993) identifies the following as the most commonly used school budgets.

2.9.1. School Master Budgets

The chartered institute of management accounting (C.M.A), defines a master budget as the summary budget incorporating its component functional budget and which is finally approved, adopted and employed. This type of a budget outlines the total operating expenses and income for the organization typically for the period of a fiscal year. Some of the sub-types of the budgets included here include:- Sales, revenue budgets which provides the various sources of revenue and how they would be achieved, cost of sales/direct cost budget which provided the associated cost directly linked to the various revenue lines; operation expenses budget which provides the details of the indirect operating costs e.g. printing and stationary telephone expenses staff salary etc. These expenses tend to be fixed they do not vary with sales/revenue etc. Horngren, (1993).

2.9.2. School Capital (Development) Budgets

This is an important budget providing for acquisition of assets necessitated by the factors such as need for replacement; purchase of additional asset to meet increased production or installation of improved type of machinery to reduce costs. It interprets school plans for major expenditure on capital assets such as buildings, school bus, school generator etc. It may be three – year financial plan or five – year financial plan.

2.9.3. School Department Budgets.

These are segments of the school master budget relating to different school departments. They are the responsibility of particular sub-heads e.g. head of departments. They are usually prepared termly. It should be noted that budget can be created for any specific purpose within an organization so the possible types of budgets are limitless.

2.10. The Benefits of School Budgets.

The benefits of budgeting do not automatically arise from the budgeting process, but they have to be worked for Lucey, (2003). A good budget system however constitutes many benefits to the organization management system. These include coordination of activities, department and function in the organization so that each aspect of the operation contributes to the overall plan. This enhances harmony of the various parts of an organization. Secondly, budgeting assists in controlling the activities of an organization. Control sets limits for employees, permitting top management to identify deviation from the plan and individual commitments. Thus the control function of a budget sets out a discipline which helps to accomplish the plans within agreed expenditure limit. Okumbe, (1998).

Thirdly, budgeting enhance communication. Budgetary process involves a liaison and discussion between all levels of management. The vertical and lateral communication among the level of management creates a consensus of objectives and formalizes programs for their achievement. Coombs, (2003). Fourthly, budgeting process has a motivational effect. A good budget system allows individual employee to participate in performance target setting and to have the benefits of the immediate feedback on their performance through budget reports. By using a bottom – up approach to the budgeting, the managers at each level in the organization shares in the responsibility for its adoption. Coombs, (2003). Fifthly, budgeting assist in clarification of authority and responsibility. To this end the subordinates within the responsibility centers are given clearly define roles with the requisite authority and resources to carry out that part of the overall plan assigned to them. Okumbe, (1998).

Sixthly, budgeting enhances performance evaluation. The budget establishes a base for predicting performance over a specified period of time. Having developed this base, one can then compare actual performance to this pre-establishment yardstick. Lastly, Coombs, (2003) adds another benefit of budgeting and that is improved decision making. In this regard some budgeting techniques are designed exclusively for decision making because they present financial to decision makers in a consistent, detailed format that simplifies decisions. This information also allows financial manager to examine the company`s present situation and make judgments.

2.11. Budget Administration

Mort (1946) and Stumpf, (1944) both emphasized the “appropriational” type of budget that authorizes specific appropriations based on the services and objectives designed can be secured without additional action on the part of the appropriating body. Drury, (2004) suggests that budget administration should consist of the budgeting committee, budget officer, budget manual as well as the incorporation of the budget center. Church (1943) suggested reasons for variations in financial forecasting as the key component in budget administration. To this end Church noted that the fiscal officer has control over these variations e.g. negligence “padding lack of effort to collect taxes, activities not anticipated clerical errors and appropriation of same amounts year after year. Conversely, Asfahl, (1994). Proposes a use of simple visual device for controlling budget appropriations.

2.12. Budget Execution

After the budget approval by the appropriate authorities, the next phase is budget execution which simply implies assuming compliance with the initial budget projections. It is possible to execute body a well formed budget impossible to execute well a badly formulated budget. Budget execution should adapt to intervening

changes and prompt operational efficiency of the organization e.g. achievement of the mission and the objectives of the school. An online database asserts that budget execution should involve the following features.

2.12.1. Expenditure Control

The financial resources are scarce and thus scarcity can be made worse by the appropriate distribution or misuse of such resource. To achieve an effective expenditure management of an organization should incorporate a proper budgeting accounting system. This entails tracking transactions at each stage of the expenditure cycle (commitments, verification and payment). Common wealth secretarial (1993) proposes that school budgets should be operated under specific votes and whatever expenditure made should be entered in a vote book under the appropriate headings. Secondly, in a day to day management of payables, it is necessary to take in account the date at which the payments are due to avoid penalties for late payments. (cash management).

This secretariat recommends that when a school receives delivery of goods or services ordered, the settlement of the account should be promptly. Thirdly is the management of arrears, which are caused by insufficient commitment control, or the perverse effects of a cash rationing systems that do not take into account commitments already made? Thus limiting arrears generation requires measures such as realistic, estimates of annual consumption and internal management measures.

2.12.2. Enforcing Priorities Stated in the Budget

This is achieved through periodic budget reviews. Cost increase due to inflation, unexpected difficulties, insufficient initial study of projects and budget execution should cover financial, physical and other performance indicators thus a

comprehensive midterm review of the implementation of the budget is needed while the financial implementation of the budget should be reviewed monthly.

Secondly, since it is very difficult to make accurate forecast for the implementation of certain programs in bear budget revisions should be made rules for transfer of funds from one vote to another (virement) must be flexible and contingency reserves must be included in the budget (approximately 1 – 3% of the total budget). It should therefore be noted that supplementary estimates must be strictly regulated and their number limited (preferably only one in a year budget revision) also virements between programs should not alter priorities stated in the budget.

2.12.3. Procurement

Procurement procedures should provide fair opportunities to all bidders and be designed to get the best value for money and to minimize risks of corruption and patronage <http://www.adb.org/document/manuals/gvt-expenditure>. The procurement cycle include the following stages;-identification of user needs and project preparation, determination of the procurement procedures and tendering process, which must be open and transparent, competitors names, their bid prices and the name of the successful bidder must be disclosed. In case of the government procurement administration, line ministries are fully responsible for their purchases and a central public procurement office supervises and assists in the procurement activities of agencies.

2.13. Challenges of the Budget Preparation and Implementation

Since budgeting lies at the least of business organization, it paramount for those involved in budgeting process to be well acquainted with the challenges thereof. O'Dea, (1985) notes that budgetary planning and control is the most visible use of

accounting information in the management control process. By setting standards of performance and providing feedback by means of variance reporting the accountant supplies much of fundamental information required for overall planning and control. Several researchers have sought to identify the various challenges impending a proper budget preparation and implementation in different organizations.

Kigochi (2008) in a survey of operational budgeting challenges in the insurance industry in Kenya observes that cost estimation is what helps an organization determine realistically what it will cost to implement its operational plan, thus an organization in carrying out its plans it will probably need to make use of a wide range of input e.g. people, information equipment, skills etc careful cost estimation helps in developing an accuracy budget and also helps monitor and control the actual cost of carrying out activities. These costs include; operational costs, organizational costs, starting cost and capital costs Shmidgall (1995). Secondly a proper budgeting guideline helps to deal with common budgeting problem.

To this end Kigochi (2008) found out that management of acquisition and maintenance costs, time constraint, desire for comfort budgets, lack of continuity in the budget committees, competence levels of budgeting teams, non adherence to the laid down budget by departments, lack of adequate authority to spend despite allocation, non achievement of the main top line including learners cost fluctuation (inflation). Poor participation, proper coordination of the exercise cost estimation, prepares from the bosses and inflexibility to challenges were major challenges facing the insurance industry in Kenya.

Marrathe (2008) noted that the challenges for improving the design and implementation of cash budget reforms include having a more holistic view of the entire cash budget system are needed including identification of weakest links rather than seeking cutting edge reforms in one narrower aspects of the cash budget system.. According to Marrathe (2008) cash budget implementation challenge at Kenya Commercial Bank includes changing from ad hoc activities by new institutions and establishing a controlled process managed in a consistent was to balance the divided power and varying spending priorities, establish realistic expectations and conduct National actions and cash flow management.

Wangari (2008) in her study of budgeting practices in manufacturing firms in Kenya noted the major problems of budgeting as time consuming, providing poor value to users, budget focus on internally negotiated targets which tend to be incremental from previous period outcome, too rigid budget that present fast response, budget that protect cost rather than reduce them i.e. use it or loose it, budgets stifle products and strategy innovation i.e. never take risks, it is just not worth it, budget focus on sales targets rather than customer satisfaction, budget being divorced from strategy; budget that reinforce a dependency culture i.e. do what you are told, meet the budget but never beat it and budget that lead to Unethical behavior i.e. cooking the books.

2.14. Empirical Studies

Hulpke, (1976) carried out a research to look at budgeted and actual income and expenditure figures for a number of school districts in San Francisco. A sample of 24 Suburban schools districts was chosen. The figures for ten separate years, 1964 – 1965 through 1973 – 74 were used for each school. The hypotheses to be tested were:

School districts tend to underestimate their revenues i.e. school districts actually received more income than they project in their budgets. School districts tend to overestimate their expenditures i.e. school district actually spends less than they project their budgets.

The findings were that at a 1% level of significance or 99% level of confidence school districts does in fact under estimate their revenue. Secondly, at 2½ level of significance or 97.5% confidence level the selected school districts do overestimate their expenditures. It was further noted that school districts under estimate and over estimate their operating expenses with equal frequency. The capital expenditures were also found to be under-estimated.

Berke, (1971) in his research on the current crisis in school finance inadequacy and inequity in united states, noted that even if enlightened citizens groups voters and politicians succeed in raising more money for the schools a crisis still exist in his words he says “we are faced with far more than a failure to provide sufficient funds to support our schools in the style to which they have become accustomed.”

Berke (1971) observes that United States is faced by a double-edge dilemma first, a failure to raise adequate revenue through equitable means and second, an inability to allocate revenues in an effective and equitable manner. From his research public education is supported by three levels of government. Local education emergencies making the largest contribution providing more than half the nations public elementary and secondary school revenue): states providing 41% of the total and national government providing 7%. This has however changed over the decades.

Kamau (1990) examined financial management practices in Kenya secondary schools, problems and issues. In this study Kamau established that most schools lacked a standardized and clearly defined system of determining the budget, the principals believes that heads of department made unreasonable requests and input into the budget document was not necessary. Finally, the principals consulted their BOGs as a formality to have their estimates approved. Conversely Nyam, (1998) researched on effectiveness of accounting control systems in public schools a case of Homa-Bay and Rachuonyo districts in this study Nyam found out that the principals were in control of cash, cheques and other documents necessary for financial management. In this respect he noted that the accounting control systems used in educational institution were very weak and hence resulting to poor financial management.

Muganda (1986) Researched on repercussion of financial management in secondary schools a case from Vihiga division. In this study he established that principals were fully in-charge of budgeting even though they lacked basic training in accounting. Mukindi (1986) in a chi-square test on the influence of head teachers administrative behavior on primary pupils performance in Kiambu division found out that head teachers did not give the priority to buying teaching and learning resources when allocating funds. Secondly there was a close relationship between student's academic performance and the financial management in schools.

2.15. Summary of literature Review

From the reviewed literature, budgeting is cited as one of the most hindrance to good financial management. The head of the institution are charged with the responsibility of allocating the scarce resource to school activities that add value and / or improve the student achieving which is their core mandate. As school leaders it is important to

understand that school finance is at the heart of schooling because it requires much money to pay for either the successes or failures of education. Most of the studies done in this area of budgeting try to escape the level of participation and involvement of all the stakeholders in the budgeting process Kuria, (2007): Obulemire (2006): Muganda (1986). Still there's a need for a further study to address more budgetary practices in public secondary schools which is a major focus in this study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter discusses the research design, target population, data collection methods, validity, reliability and data analysis.

3.1. Research Design

A census survey research design was employed in this study with an aim of assessing the various budgetary practices in public secondary schools in Kisumu. Muganda (1999) defines a survey as an attempt to collect data from members of population in order to determine the status of that population with respect to one or more variables. The basic idea behind survey methodology is to measure variables by asking people questions and then to examine relationships among the variables i.e. it captures attitude or patterns of past behavior.

This research design was chosen because it attempts to answer the research question of surveying the budgetary practices in public secondary schools in Kisumu East District. Secondly the accessibility population was quite small.

3.2. Target Population

The population of this study was all the public secondary schools in Kisumu County. However the accessibility population for this study comprised of all the 38 public schools in Kisumu East District (see appendix A). Thus one respondent was chosen from each school to participate in this study, and more specifically the school bursar. These respondents were targeted because they are the ones charged with the responsibility of the budget preparation and implementation. Kisumu East District

was also chosen because of the continuous below average academic performance, adverse poverty in the area and its pathetic situation in terms of school infrastructure.

3.3. Data Collection Methods

The main data collection instrument used in this study was questionnaires which were personally administered to the respondents. One questionnaire was prepared and administered to one respondent from each school. This instrument was chosen because it is cost effective to the researcher. The questionnaire comprised of both open and close-ended questions and consists of two sections. The first section sought to find out the general information about the school while the other one addresses the budgetary practices, challenges of budget preparation and implementation.

3.4. Validity and Reliability

Muganda (2008) defines reliability as a measure of the degree to which research instruments would yield the same results or data after repeated trials.

To take care of the random errors, the questionnaire was made up of a reasonable number of items. Kasomo D (2006) proposes that eight (8) items are too few and unreliable while hundred (100) items are too many and lead to boredom. Conversely, to ensure validity in this research the questionnaire was first tested for accuracy by seeking assistance and guidance from my lecturers and my supervisor and secondly administering a pilot study from a sample of the target population. To this end a sample of 5 public secondary schools were selected to participate in the pilot study. The items which were not clear to the respondents were amended or discarded. Secondly the questionnaire was administered to only those individuals who are charged with the responsibility of budget preparation and implementation.

3.5. Data Analysis

The information obtained by the use of the questionnaires was edited for consistency and completeness. In order to draw a meaningful conclusion the various variables were coded and keyed into SPSS programs for analysis. To this end descriptive statistical tools such as measures of central tendency (means, mode and median) and distributions (percentages, frequencies) were used. The results were analyzed and presented in form of frequency tables, pie- charts, percentages and bar graphs.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION OF FINDINGS

4.1. Introduction

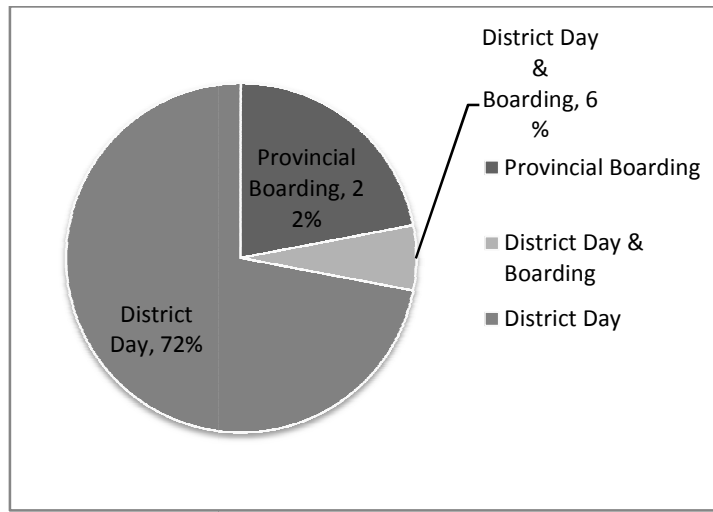
This chapter presents the analysis, the findings and the discussions with research to the budgetary practices in public secondary schools in Kisumu East District. A census survey methodology was employed and the primary data obtained from the respondent was edited for consistency and completeness and then keyed in excel and SPSS package for analysis. The results were presented in form of frequency tables, pie charts, bar graphs and use of frequency percentages. The responses were analyzed using descriptive statistics.

The information from the D.E.O's office indicated a total population of 38 public secondary schools. Out of the 38 questionnaires which had been administered to the interviewees, 36 of them were returned for data analysis. This translates to 95% return rate of the respondent. Overall, the return rate was considered to have been very high.

4.2. School Categories

The Public Secondary Schools in Kisumu East District were grouped into three categories i.e. Provincial Boarding, District Day and Boarding and District day. Out of the respondents it was found out that 72% of public schools in Kisumu East were District day, 22% were provincial boarding and 6% were district day and boarding. Therefore District Day Schools are the majority followed by Provincial Boarding and the least was District Day and Boarding. Figure 4.1 shows the summary of the response rate obtained for each category of schools.

Figure 4.1 the categories of schools.

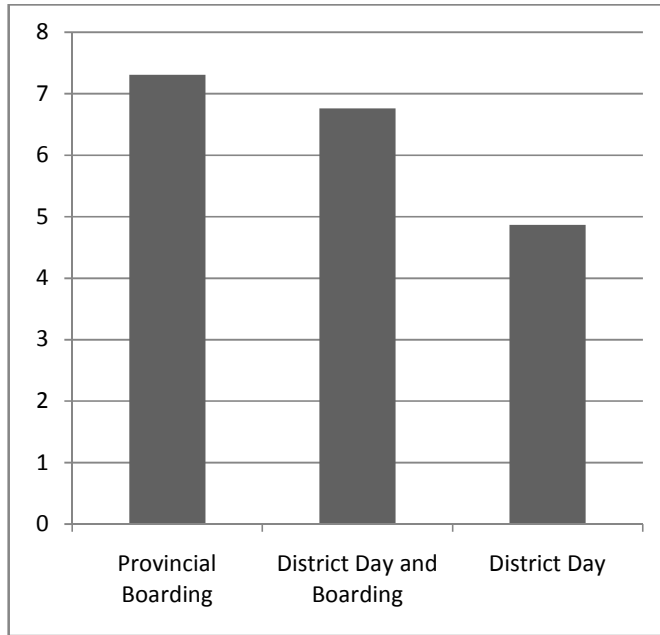


Source: the researcher (2012)

4.3. School mean score (2009 – 2011)

Figure 4.2 gives an analysis of the performance index of the various school categories for the three consecutive years. The analysis clearly shows that the mean performance of provincial boarding public schools was 7.31 while those of district day & boarding and district day were 6.76 and 4.87 respectively. Therefore it comes out clearly that provincial boarding public schools in Kisumu district perform much better than that of district day / boarding and district day.

Figure 4.2: Schools mean score (2009 – 2011)



Source: Researcher (2012)

4.4. Adequacy of the School Infrastructure

In this study the researcher wanted to establish the adequacy of the school infrastructure. The school resources were analyzed in table 4.1. The findings indicated clearly that the school infrastructure was inadequate with the following percentages, furniture and equipment (83.3%); Buildings (88.9%); Lab and lab equipment (89.9%); Library 88.9% and text books 72.2%. The analysis clearly shows all the schools in the district have high rate of inadequacy in all the resources.

Table 4.1: The adequacy of the school infrastructure

School infrastructure	Adequacy	Percentage	Inadequate	Percentage
Furniture and equipment	6	16.7	30	83.3
Buildings	4	11.1	32	88.9
Laboratory and lab equipment	4	11.1	32	88.9
Library	4	11.1	32	88.9
Textbooks	10	27.8	26	72.2

Source: Researcher (2012)

4.5. School Bursars Experience (in years)

Table 4.2 shows that 28% of bursars have experience of between (0 – 5) years; 33% (6 – 10) years; 22% (11- 15) years; 11% (16 – 20) years and those having experienced over 20 years are only 6%. This analysis shows clearly that majority of school bursars have experienced of between 6 – 10 years.

Table 4.2: School Bursars Experience

Experience (years)	Frequency	Percentage
0 – 5	10	28
6 – 10	12	33
11 – 15	8	22
16 – 20	4	11
Over 20	2	6
Total	36	100

Source: Researcher (2012)

4.6. Types of The Budget Prepared By The School

Table 4.3 shows the types of budgets prepared by the schools. The findings indicates that majority of schools prepare master budget (29%) while departmental budget and cash budget are least prepared at (24%) and (22%) respectively.

Table 4.3: Types of The budget Prepared By the School

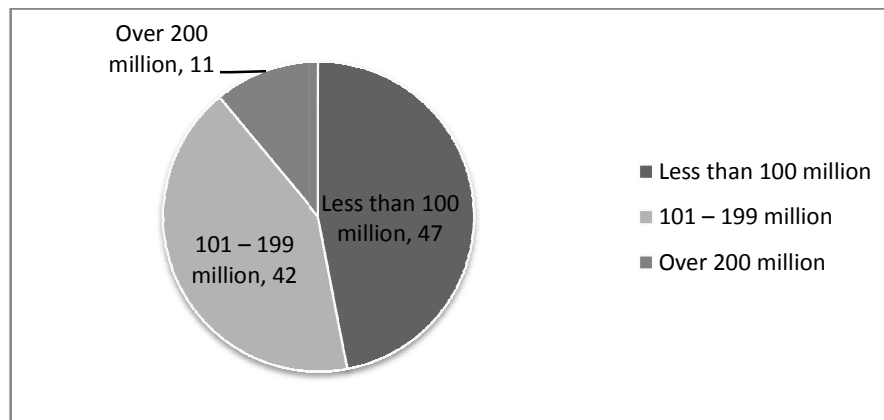
Types of budget	Frequency	Percentage
Cash	25	22
Master	32	29
Departmental	27	24
Development	28	25
Total	112	100

Source researcher (2012)

4.7. Total Assets Value of School

Figure 4.3 shows that 47% of the public schools in the district have an asset value less than 100 million, 42% have assets value between 101 – 199 million and only 11% of schools have assets value over 200 million. This is a clear indication that majority of the schools in the district are still struggling with providing the necessary infrastructures and improving their asset base.

Figure 4.3: Total Asset Value of School



Source researcher (2012)

4.8. The Budget Deficit/Surplus (by year)

Table 4.4 gives a summary of the budget position of the public secondary school in the district for the last three consecutive years. The findings indicated that in the year 2011, 97.2% of schools suffered a deficit while in 2010 and 2009, 86.1% and 80.6% schools suffered a budget deficit respectively. This is a clear indication that deficit rate is very high and hence there could be a number of challenges in the budgetary process leading to this condition.

Table 4.4: Budget Deficit/ Surplus (by year)

Year	Deficit	Percentage	Surplus	Percentage	Total
2011	35	97.2	1	2.8%	36
2010	31	86.1	5	13.9%	36
2009	29	80.6	7	19.4%	36
Total	95		13		108

Source researcher (2012)

4.9. Factors Contributing to Budget Deficit

Table 4.5 assesses the various factors that contribute to the huge percentage of budget deficit in public secondary schools in the district. The findings indicates that increase in the general prices, high expenditure on co-curriculum and non payment of school fee factors strongly contribute to the budget deficit with a mean of 4.72, 4.00 and 3.64 respectively. Fees not being equated to cost of education and high cost of teaching and learning resources as factors that moderately contributed to the budget deficit with a mean of 3.39 and 3.50 respectively. Thus the mean environment has a direct impact on the management of the school resources.

Table 4.5 Factors Contributing to the Budget Deficit

Causes	Don't contribute	Little contribution	Neutral	Moderately contribute	Strongly contribute	ΣX	Total Σfx	Mean
Increase in genera prices	1	1	1	1	32	36	170	4.72
High expenditure on co-curriculum	0	1	4	25	6	36	144	4.0
Non payment of school fees	1	4	10	13	8	36	131	3.64
Fee not being equated to cost of education	3	2	11	18	2	36	122	3.39
High cost of teaching and learning resources	0	8	9	12	7	36	126	3.50

Source: Researcher (2012)

4.10. Mitigation Against Budget Surplus

Table 4.6 shows the analysis of how schools spend their surplus incase it occurs. The findings indicated that 61% of schools use their surplus to buy school teaching and learning materials followed by 33% of schools which transfer surplus to the next financial year while only 6% of the schools use it to maintain the existing physical infrastructure. From the analysis it can be clearly seen that no school at all use their surplus to motivate teachers, students and employees.

Table 4.6: Mitigation against Budget Surplus

	Mitigation measure	Frequency	Percentage
a)	Transfer the amount to next financial year	12	33%
b)	Use it to motivate teachers, students and employees	0	0%
c)	Use it to buy school teaching and learning materials	22	61%
d)	Maintenance of existing physical infrastructure	2	6%
	Total	36	100%

Source: Researcher (2012)

4.11. Options available for mobilizing school financial resources

Table 4.6 assesses the various financial sources that are available to the public secondary schools in the district. From the findings it is clearly shown that government grant (100%), school fees (100%) and CDF assistance 100% as the major financial source while fundraising 30% contribution from private companies 2.8% and borrowing from financial institution 8.3% are least options used by schools to raise funds.

Table 4.7: Options for Mobilize School Financial Resources.

	Option	Frequency	Percentage
a)	Fundraising function	11	30%
b)	Contributions from private companies	1	2.8%
c)	Government grand	36	100%
d)	School fee	36	100%
e)	Borrowing from financial institutions	3	8.3%
f)	CDF assistance	36	100%

Source: Researcher (2012)

4.12. Whether schools have a vision and a mission statement

Table 4.7 indicates that all the schools (100%) in the district have a vision and a mission statement. This is because it is a requirement by the ministry of education that all schools must have a vision and mission statements to generally steer head the development and the general performance of schools.

Table 4.8: Vision / mission statement

Response	Frequency	Percentage
YES	36	100
NO	0	0
Total	36	100

Source: the researcher 2012

4.13. Whether Schools have a long term (strategic) plan

Table 4.8 indicated that all the schools in the district do have a long term strategic plan (100%).

Table 4.9. Whether Schools have a long term (strategic) plan

Response	Frequency	Percentage
YES	36	100
NO	0	0
Total	36	100

Source: the researcher (2012)

4.14. Rate of Involvement of Stakeholders in Budget Preparation

Process

Table 4.9 asses the degree of involvement of all the school stakeholders in the budgeting process. The findings indicated that the heads of departments were strongly involved at a mean of 4.89 followed by teachers with a mean of 3.69 while students,

local business and local leaders are little involved with a mean of 1.31, 1.11 and 1.11 respectively.

Table 4.10: Level of Involvement of Stakeholders in Budget Preparation Process

Involvement	Not involved	Little involved	Neutral	Moderately involved	Strongly involved	Σf	Σxf	Mean
Heads of department	0	1	0	1	34	36	176	4.89
Teachers	2	1	7	22	4	36	133	3.69
Students	32	0	2	1	1	36	47	1.31
Local businessmen	33	2	1	0	0	36	40	1.11
Local leaders	34	1	0	1	0	36	40	1.11

Source the researcher (2012)

4.15. Annual Budget Forecast Link to the Long term Plans and Vision Statement of the School

Table 4.10 shows that the annual budget forecast linkage to the long term plans and vision statement of the school is very good with a mean rating of 3.72.

Table 4.11: Annual Budget Forecast Link to the Long term Plans and Vision Statement of the School.

Rating	Frequency	Mean rating
1	0	
2	1	
3	9	
4	25	
5	1	
Total	36	3.72

Source the researcher (2012)

4.16. Benefits of Budgeting

Table 4.11 assesses the benefits school realize from budgeting. The findings were that the strong benefits of school budgeting were for planning purposes decision making, controlling school activities and for delegating authority at a mean ratings of 4.92, 4.89, 4.75 and 4.56 respectively. The other benefits are co-ordination of activities (4.50), enhances communication (4.22) while the least benefits were to motivate school stakeholders (3.97) and to fulfill MoEST requirement (2.72) respectively.

Table 4.12: Benefits of Budgeting to schools

Benefits	Strongly disagree	Moderately disagree	Neutral	Moderately agree	Strongly agree	Σf	Σxf	Mean
Planning process	0	0	0	3	33	36	177	4.92
Decision making	0	0	0	4	32	36	176	4.89
Controlling school activities	0	1	0	6	29	36	171	4.75
Delegating authority	0	1	1	11	23	36	164	4.56
Coordinating of activity	0	1	1	13	21	36	162	4.50
Enhances communication	0	2	0	22	12	36	152	4.22
Motivates school stakeholders	0	3	6	16	11	36	143	3.97
Fulfill MoEST requirements	19	0	0	6	11	36	98	2.72

Source: Researcher (2012)

4.17. Criteria for Making Revenue and Expenditure Projection

Table 4.12 shows the analysis of the criteria for revenue expenditure projection. The findings indicated that all the schools in the district use trends of past years and extrapolate them into the future.

Table 4.13: Criteria for Revenue / Expenditure Projection

Criteria	Frequency	Percentage
Informed judgment	0	0
Mathematical formula	0	0
Use trend of past years	36	100
Econometric model	0	0
Total	36	100

Source: Researcher (2012)

4.18. Budgetary approaches

Table 4.13 shows the analysis of approaches used in schools. The findings were that bottom-up approach was the one highly adopted by schools with a mean rating of 4.69 followed by top-down approach with a mean rating 4.36. The researcher also found out that both approaches were also used by the schools in the district at a mean rating of 4.17.

Table 4.14: Budgeting Approaches

Approaches	Strongly disagree	Moderately disagree	Neutral	Moderately agree	Strongly agree	$\sum f$	$\sum xf$	mean
Bottom-up	2	0	0	3	31	36	169	4.69
Top-down	3	2	0	5	26	36	157	4.36
Combination	1	1	1	21	12	36	150	4.17

Source: Researcher (2012)

4.19. Extent to which schools use zero based budgeting

Table 4.14 shows the extent to which zero based budgeting is applied in schools. The findings indicated that 69% schools apply it in very low extent and at mildly low extent no school apply it. At moderate only 17% of schools apply and mildly high only 3% and finally at very high extent 11% of schools apply the zero based budgeting.

Table 4.15: Extent to which zero Based Budgeting is Applied in Schools.

Extent	Frequency	Percentage
Very low	25	69
Mildly low	0	0
Moderate	6	17
Mildly high	1	03
Very high	4	11
Total	36	100

Source: the researcher (2012)

4.20. Challenges of Budget Preparation

Table 4.15 is an assessment of the budget preparation challenges in the public secondary schools in the district. The findings indicated that the escalation of cost beyond anticipation (mean of 4.33) is cited as the factor which strongly affects the budget preparation process. Unclear ministerial guidelines on the budget preparation process (mean of 4.3). Ad-hoc methods (mean 4.19) while changes in the government policies (mean of 3.83); unrealistic projections by head of department (mean of 3.8) are cited as factors that are moderately interfere with budget preparation process. Lack of role model (mean of 2.58); inadequate time (2.50) and finally inadequate training (mean of 2.50) are cited as factors which little interfere with the budgeting preparation.

Table 4.16: Challenges of budget preparation process

Challenges	No effect	Little interfere	Neutral	Moderately interfere	Strongly interfere	Σf	Σxf	Mean
Escalation of cost	0	1	6	9	20	36	156	4.33
Unclear guidelines	1	1	2	14	18	36	155	4.31
Ad-hoc methods	2	1	2	14	17	36	151	4.19
Challenges in government policies	1	3	7	15	10	36	138	3.83
Unrealistic projections	0	5	5	18	8	36	137	3.81
Lack of role model	17	3	1	8	7	36	93	2.58
Inadequate time	17	1	6	7	5	36	90	2.50
Inadequate training	16	3	4	9	4	36	90	2.50

Source: the researcher (2012)

4.21. Challenges of budget implementation

Table 4.16 assesses the challenges involved in the budget implementation. The findings show that abrupt projects (mean of 4.53); lack of budget reviews (4.08) and untimely release of government grants are the factors that strongly interfere with the budget implementation. Difficulties in re-allocation of funds (mean of 3.83); lack of internal controls (mean of 3.64) and high poverty levels (3.61) are cited as factors that moderately interfere with the budgeting implementation in schools in the district while non payment of fees (mean of 3.58) and political interference (mean of 2.53) are cited as factors that little interfere with budget implementation.

Table 4.17: Challenges of Budget Implementation

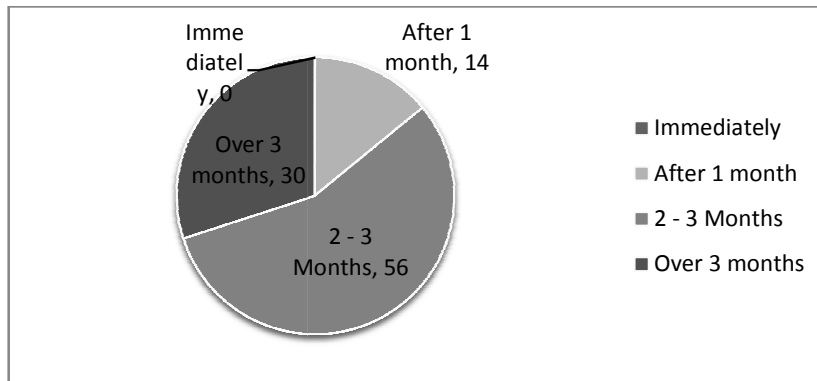
Challenges	No effect	Little effect	Neutral	Moderately effect	Most effect	Σf	Σxf	Mean
Abrupt projects	1	0	2	9	24	36	163	4.53
Lack of budget review	0	1	14	12	9	36	147	4.08
Untimely release of grand	1	0	11	8	16	36	146	4.06
Difficult in fund re-allocation	1	2	7	18	8	36	138	3.83
Lack of internal control	2	3	10	12	9	36	131	3.64
Poverty levels	3	3	8	13	9	36	130	3.61
Non payment of fees	1	2	18	5	10	36	129	3.58
Political interference	15	6	3	5	7	36	91	2.53

Source: The researcher (2012)

4.22. Period Taken to Settle School Debts

Figure 4.4 shows the time period in which the school debts are settled. The findings indicated that 56% of the schools pay their debts between 2 – 3 months, 31% settle their debts over 3 months and 14% settle their debts after 1 month. While no school was cited to pay their debts immediately. Thus this trend implies that most of the creditors are kept on the waiting list for some times.

Figure 4.4: Period Taken to Settle School Debts

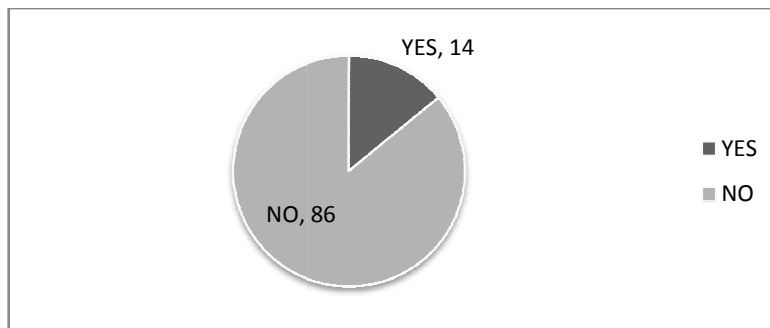


Source: The researcher (2012)

4.23. Maintenance of Contingency Reserves

Figure 4.5 is an assessment of whether the public secondary schools maintain a contingency reserve and the findings indicated that 86% of the schools don't maintain contingency reserve while only 14% of the schools maintain the contingencies reserve. This implies that 86% of the schools which do not maintain the contingency reserve may be at risk should any calamity strike abruptly since they are not prepared for any emergency.

Figure 4.5. Maintenance of Contingency Reserves



Source: The researcher (2012)

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATION

5.1. Introduction

This chapter presents a summary of the key findings presented in the previous chapter, conclusions based on the findings and recommendations there-to. The chapter is structured into summary of findings, conclusions, recommendation and areas for further studies.

5.2. Summary of findings

The main objective of the study was to survey the budgetary practices in public secondary schools in Kisumu East District. To achieve this objective a census survey research methodology was employed and out of the targeted population of 38 public secondary schools, 36 respondents who were bursars of these schools filled and returned the questionnaires. This represented a response rate of 95%.

The study clearly illustrated that district schools formed the majority of schools in the district at 72% followed by provincial boarding at 22% and lastly district day and boarding at only 6%. Also the study found out that the Provincial boarding schools perform better with a mean of 7.31 while those of district day and boarding, district day were at a mean of 6.76 and 4.87 respectively. The study further analyzed the adequacy of school's infrastructure and found out that furniture and equipment were inadequate in schools at 83.3%, buildings at 88.9%, lab and lab equipment 89.9%, library at 86.9% and text book was inadequate at 72.2%.

The study also found out that majority of bursars in the schools had experience as follows: between (0- 5) years were 28%, between (11 -15) years were 22%, (16 – 20) years were 11% while those who had served for over 20 years were only 6%.

On the type of budget prepared by schools it was found out that 29% of schools prepared a master budget, 25% prepare development budget, 24% prepare departmental budget while only 22% prepare cash budget.

The study also attempted to establish the total asset value of the schools and found out that 47% of the schools had an asset value less than 100 million, 42% had asset value between 101 – 199 million while only 11% of the schools had asset value of 200 million.

In assessing budget deficit / surplus between 2009 – 2011, it was found out that deficit rate was very high in these schools for the consecutive three years as follows; in 2011 97.2% of schools suffered a deficit, in 2010 ,86.1% while in 2009 80.6% of the schools suffered a deficit.

The study further established the factors contributing to budget deficit and it was found out that increase in general prices, high expenditure on co-curriculum and non-payment of school fee are the factors that strongly contribute to the budget deficit with a mean of 4.72, 4.00 and 3.64 respectively. Fees not being equated to the cost of education and high cost of teaching and learning resources as factors that moderately contribute to the budget deficit with a mean of 3.39 and 3.50 respectively.

The study also attempted to analyze how schools spend their surplus incase it occurs. It was found that 61% of schools use their surplus to buy teaching and learning materials followed by 33% of schools which transfer their surplus to the next financial

year while only 6% of the schools use it to maintain the existing physical infrastructure and no school at all 0% use their surplus to motivate teachers, students and employees.

The study further assessed the options available for schools to mobilize financial resources. It was found that government grant 100%, school fees 100% and CDF assistance at also 100% were the major financial sources for the schools while fundraising at 30%, contribution from private companies 2.8% and borrowing from financial institutions at 8.3% are the least option used by schools to raise funds.

The study also assessed whether schools have a vision and a mission statement and it was confirmed that all schools 100% in the district do have a vision and a mission statement. It was also found out that all schools have a strategic plan.

In assessment of the degree of stakeholders in the budgeting process the findings were that the heads of departments were strongly involved at a mean of 4.8 followed by teachers with a mean of 3.6 while students, local business and local leaders were little involved with a mean of 1.31, 1.11 and 1.11 respectively.

The study further attempted to assess the annual budget forecast link to the long term plans and vision statement of the school. The finds were that there was forecast linkage to the long term plans and vision statement of the schools at a mean rating of 3.72 which was considered very good.

To the benefits of budgeting to schools, the findings were that strong benefits to school budgeting were for planning purposes at a mean rating of 4.2, for decision making at 4.8, for controlling school activities at 4.75 and for delegating authority at a mean rating of 4.56. The other benefits were for co-ordination of activities at a mean

rating of 4.50, for enhancing communication at 4.22 while the least benefits were to motivate school stakeholders at 3.7 and to fulfill MoEST requirement at 2.72 respectively.

Other findings of the study were that all schools in the district used trend of past years as a criteria for revenue / expenditure projection. Analysis of budgetary approaches used by schools revealed that bottom-up approach was the one highly adopted by schools with a mean rating of 4.6 followed by top-down approach with a mean rating of 4.36 while combined approaches are also used by the schools at a mean rating of 4.17.

The study also attempted to assess the extent to which zero based budgeting is applied in schools. The findings were that 69% of schools apply it in very low extent, 17% of schools apply it at moderate extent, 11% of schools apply it at very high extent while 3% mildly high and no school at all apply it at mildly low extent.

Again in assessing the challenges during budget preparation, the findings were that the factors that strongly affect the budget preparation process were escalation of cost beyond anticipation at a mean of 4.33 followed by unclear ministerial guidelines on the budget preparation process at 4.3 and Ad-hoc methods at 4.19. The following factors were cited as factors which moderately interfere with the budget preparation process: changes in government policies at 3.83 and unrealistic projection by head of departments at 3.8. Lacks of role model, inadequate time and inadequate training were cited as factors which little interfere with the budgeting preparation at a mean of 2.58, 2.50 and 2.50 respectively.

The study also assessed the challenges involved in the budget implementation. The findings were that factors that strongly interfere with the budget implementation were

abrupt projects with a mean of 4.53, lack of budget reviews at 4.08 and untimely release of government grants at a mean of 4.06. Difficulties in re-allocation of funds, lack of internal controls and poverty levels were found to be factors that moderately interfere with the budgeting implementation with mean rating of 3.83, 3.64 and 3.61 respectively while non payment of fees and political interference were cited as factors that little interfere with budget implementation with budget implementation with a mean of 3.58 and 2.53 respectively.

In assessing the period taken by schools to settle their debts, it was found out that 56% of schools pay their debts between 2 – 3 months and 14% of schools settle debts after only one month while no school was found to settle their debts immediately 0%. In the same respect it was found that 86% of schools do not maintain contingency reserves.

5.3. Conclusion

The study sought to survey the budgetary practices in public secondary schools in Kisumu East District. The study depicted that schools had bursars with majority having experience of below 10 years at 61% while the rest 39% have above ten years working experience. The school facilities in terms of furniture, building, laboratory and lab equipment, library and text books are inadequate at high rates in all schools at an average of 88.9%. It was also realized that only few schools prepare all the types of the budget i.e. cash, master departmental and development budgets. Majority of schools preferred only master budget. It came clearly that very few schools in the district have an asset value of over 200 million as only 11% satisfied this. Majority of the schools were also found to be suffering deficit every year at very high rate as far as 97.2%. The deficit was found to be strongly contributed by increase in general prices high expenditure on co-curriculum and non payment of school fee. The few schools which realized budget surplus were found to use it mostly to buy school

teaching and learning materials at 61%, 33% of schools transfer it to the next financial year and 6% use it to maintain the existing physical infrastructure.

The study also found out that government grants, school fees and CDF assistance are the major sources of school financing. All schools in the district were found to have a long term strategic plan and also had a vision and a mission statement.

It was found in the study that heads of departments were strongly involved in the budget preparation while students, local business and local leaders were little involved in school budget preparation process. Also it came out clearly that there was a positive annual budget forecast linkage to the long term plans and vision statement of the schools in the district.

The following were found to be the strong benefits of budgeting to schools; planning process, decision making, controlling school activities and for delegating authority at a mean rating of 4.92, 4.89, 4.75 and 4.56 respectively. The study also depicted that all schools in the district use trend of past years as a criteria for revenue / expenditure projection. Bottom-up approach was found to be most preferred by schools at a mean rating of 4.69 followed by top-down approach with a mean rating of 4.36 and a combination of both had a mean of 4.17. Zero based budgetary is applied at very low extent at 69%.

The study also depicted the following as factors which strongly affect budget preparation process. Escalation of cost beyond anticipation means 4.23, unclear ministerial guideline 4.3. Ad- hoc methods 4.19 and changes in government policies at a mean of 3.83.

On challenges of budget implementation the study depicted the following as factors that strongly interfere with the budget implementations; abrupt projects at a mean of 4.53 lacks of budget reviews 4.08 and untimely release of government grand at 4.06.

Majority of schools were also found to take too long to clear the debts as 56% was found to settle their debts within 2 – 3 months, 35% over 3 months and no schools settled their debts immediately. Also many schools to the tune of 86% were found not maintaining contingencies reserves.

5.4. Recommendation

From the findings, the study recommends the following: more Provincial boarding schools should be established and supported to allow all students who qualify to get chance for better academic performance. The government and the school management should channel more resources towards the school infrastructure as it was found to be highly inadequate. The school management should recruit bursars with many years of experience to enhance efficiency in budget preparation and limit the challenges in the budget implementation. Again the research recommends that all schools should prepare all the types of the budgets to enhance proper control of the school resources. School management should tighten their budgetary control to limit budget deficit. If possible the school management should involve all the stakeholders in budget preparation to avoid unnecessary conflicts on the use and acquisition of school finances.

The study also recommends that bottom-up approach in budgeting should be highly adopted by schools as it will lead to a realistic and practical budget for the schools as it will be owned by all the stakeholders. Schools should use Zero based budgeting wisely to avoid unnecessary shortages and to take care of inflation.

Lastly the study recommends that schools should not keep creditors waiting for too long and therefore should settle their debts as soon as possible and that schools should be encouraged to maintain contingency reserves to cater for any emergencies.

5.5. Limitations of the study

The study used information from the school bursars who were ever busy and could fill the questionnaires at their own discretion and with some biasness. Secondly this was survey of only public secondary schools while private secondary schools also have their budgetary practices which could be looked into.

Some questionnaires were not responded to, and not all the information sought was obtained, that is the respondents owing to keep certain types of information from the public.

The study was conducted within the constrain of time and limited resources. Despite all these limitations, the main objective of the study was achieved.

5.6. Suggestions for further research

The research dealt with a survey of budgetary practices in public secondary schools. The research recommends that a similar study be carried out in private secondary schools. This would assist in comparing budgetary practices in public secondary schools and those of private secondary schools.

In addition, a research should be carried out to establish the relationship between investment in school infrastructure and the school performance in public secondary schools.

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APPENDIX A

PUBLIC SECONDARY SCHOOLS IN KISUMU EAST DISTRICT

<u>NAME OF SCHOOL</u>	<u>ENROLMENT</u>
1. OBWOLO MIXED SEC-----	380
2. ST . IGNATIUS OF LOYOLA M IXED -----	433
3. KIBOS PRISON SCHOOL MIXED -----	79
4. KASAGAM MIXED SECONDARY -----	58
5. BISHOP ABIERO MIXED SEC -----	303
6. ST. PETERS KINDU MIXED SEC -----	194
7. G. OWILI CHIGA MIXED SEC -----	112
8. DR. ALOO GUMBI MIXED SEC -----	413
9. ST. PETERS NANGA MIXED SEC -----	177
10. JOYLAND SPECIAL SCHOOL -----	195
11. ST. ALBERT ANGIRA MIXED SEC -----	196
12. MIWANI BOYS SEC-----	367
13. OKOK MIXED SEC -----	170
14. NYALUNYA MIXED SEC SCH -----	358
15. XAVERIAN SEC SCHOOL-----	369
16. ST.TERESAS GIRLS-----	581
17. GOT NYABONDO MIXED SEC-----	32
18. ST. ALOYCE MAYENYA MIXED SEC -----	212
19. LIONS MIXED SEC SCH -----	836
20. ORONGO MIXED SEC SCHOOL-----	148
21. NYAMASARIA MIXED SEC -----	223
22. JOEL OMINO MIXED SEC-----	370
23. KISUMU GIRLS SEC -----	1047
24. KISUMU BOYS SEC-----	1065
25. KISUMU DAY SEC -----	1024
26. ONGECHE MIXED SEC -----	180
27. ALENDU MIXED SEC -----	365
28. WITHUR BOYS SEC -----	316
29. MIGINGO GIRLS SEC-----	441
30. NYAKAKANA MIXED SEC -----	67
31. MASOGO MIXED SEC -----	200
32. LELA MIXED SEC -----	615
33. OTIENO OYOO BOYS SEC -----	917
34. KOBURA GIRLS SEC -----	98
35. NDURU MIXED SEC -----	268
36. ODIENYA MIXED SEC -----	54
37. AROMBO MIXED SEC-----	145
38. KANYAGWAL MIXED SEC-----	200

SOURCE D.E.Os OFFICE KISUMU

QUESTIONNAIRE

Kindly answer the following questions by putting a tick (√) to your appropriate choice or filling in the space provided

PART A: General information

1. Under what category does your school belong?

- a. Provincial boarding school []
- b. District day school []
- c. District day & boarding school []

2. What was your school mean score for the last three years?

Years	School mean score
2011	
2010	
2009	

3. Please assess the adequacy of each of the following facilities in your school.

School facility	Adequate	Not adequate
School furniture and equipment		
School buildings e.g. classes, dormitories e.t.c		
Laboratories & laboratory equipments		
Library		
Textbooks		
Others.....		

4. How many years have you served as a bursar? _____

5. What type(s) of budget does your school prepare?

Cash budget Master budget

Departmental budget Development budget

6. Approximate the total asset value of your school?

Less than 100 million

101-199 million

Over 200 million

In case of a budget surplus, indicate how it is treated at the end of the financial year?

- a. Transfer the amount to the next financial year []
- b. Use to motivate teacher, students, employees etc []
- c. Use to buy school teaching & learning materials []
- d. Maintenance of the existing physical infrastructure []
- e. Others specify..... []

9. Indicate the options which are available to you in mobilizing school financial resources (tick as many options as possible)

- a. Fundraising functions []
- b. Contributions from private companies []
- c. Government grant []
- d. School fees []
- e. Borrowing from financial institutions []
- f. CDF assistance []
- g. Others

specify.....

10. Does your school have a vision and a mission statement?

Yes [] No []

11. Does your school have a long-term (strategic) plan?

Yes [] No []

16. When setting budgets we use various methods to come up with the budgets. They can use bottom –up approach , the top –town approach, a combination of bottom – up and top down (Hybrid approach), and other methods they deem appropriate. The bottom- up approach is where individuals from lower levels are involved in the budgeting process. Top –down approach is where the budgeting process begins at the top and budget is given implementation to the lower divisions. As regards the budgeting process in your organization, to what extent does your organization use the two budgeting approaches.

1. Means strongly disagree
2. Means moderately disagree.
3. Means neither agree nor disagree
4. Means moderately agree
5. Means strongly agree

Budgeting approaches	1	2	3	4	5
Bottom-up approach					
Top-down approach					
Combination					
Other(Specify)					

17. Zero – based budgeting is a method of budgeting in which all expenses must be justified for each new period. Zero-based budgeting starts from a “Zero base” and every function within an organization use zero- based budgeting?.To what extent does your school apply this?

- Very low extent ()
- Mildly low extent ()
- Moderate extent ()
- Mildly High extent ()
- Very high extent ()

18. Indicate whether the following challenges least or most interfere with your budgeting process?

Where 1=No interference

4=moderately interfere

2=little interfere

5=strongly interfere

3=may or may not interfere

Challenges of budget preparation	1	2	3	4	5
Unclear ministerial guidelines on budget preparation					
Escalation of costs beyond anticipation					
Changes in the government policies					
Lack of adequate time in the budget preparation					
Departmental heads making unrealistic projections					
Lack of adequate training to deal with the budgeting issue					
Lack of a role model school in terms of budget preparation					
Ad-hoc methods of making revenue/expenditure projections					
Any other specify.....					

PART C: Challenges of budget implementation

19. Budget implementation or execution is made difficult by occurrences of certain events. In a scale of five indicate how each of the following events least or most affect your budget implementation process?

Where 1=No effect 4=moderate effect
 2=little effect 5=most effect
 3=may or may not effect

Challenges in the budget implementation	1	2	3	4	5
Occurrences of abrupt projects					
Difficulties in the re-allocation of funds from one vote head to another					
Untimely (unreliable) release of government grants					
Lack of budget reviews					
Poverty levels					
Lack of internal controls					
Political interference in the tendering process					
Non-payment of school fee					
Any other specify.....					

20. How long does it take to settle school debts?

- Immediately []
- After 1 month []
- 2-3 months []
- Over 3 months []

21. Does your budget provide contingency reserves (money set aside to cater for emergencies)?

Yes [] No []

Thank you for your cooperation