THE IMPACT OF CORPORATE GOVERNANCE ON FINANCIAL MANAGEMENT OF PUBLIC SECONDARY SCHOOLS IN KENYA: A CASE OF SIAYA COUNTY

BY

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UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

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MIDIALO THOMAS AJWANG

A Research Project Report Submitted to the Chandaria School of Business in Partial Fulfilment of the Requirement for the Degree of Masters in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

SUMMER 2017
STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution, or university other than the United States International University in Nairobi for academic credit.

Signed: ________________________ Date: ______________________

Midialo Thomas Ajwang (ID: 646075)

This project has been presented for examination with my approval as the appointed supervisor.

Signed: ________________________ Date: ______________________

Dr. George Achoki

Signed: ________________________ Date: ______________________

Dean, Chandaria School of Business
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ABSTRACT

This study sought to investigate the impact of corporate governance on financial management of public secondary schools in Kenya. The specific objectives of the study were to: To establish the impact of the board composition on financial management of secondary schools, to establish the composition of board skills on the financial management of public secondary schools, and to analyse how the application of corporate governance principles impacts the financial management of public secondary schools.

This study utilised descriptive which was considered valid in this study as it was concerned with finding out who, what, where, when or how much the variables of study were affected. The study was undertaken among the 41 secondary schools in Siaya County the target population comprised of 205 respondents who were either Chairman. Treasures, parent teacher association member, board of governor member or auditor in the respective institution. Using stratified sampling a sample size of 137 was arrived at although only 110 responded giving an 80% response rate which was considered sufficient. Questionnaires was used as a data collection tool and using SPSS version 20, the descriptive and inferential statistics was computed.

The analysis revealed that majority were aware of budgeting practices in schools and as board member, they oversee supply chain management, movable asset management and control. It was also noted that the members prioritise on use of scarce resources to ensure effective stewardship over public money and assets and most of the respondents were actively involved in planning and implementation of the financial plan, accounting and reporting on funds management. A positive correlation was established thus a positive change in board composition led to a positive change in financial management.

The findings also revealed that presence of accounting knowledge was vital in order to improve financial management in schools and the board had illustrated governance expertise in the last five year. It was also established tenure of board member affected financial management and all members had information on projects undertaken by the school. Positive correlation revealed that with every positive change in board skills there is a positive change in financial management
Lastly the findings revealed that management and board of director’s are efficient and have capacity to perform their duties properly and it was also established that there are set rules and policies that generate information on roles and responsibilities. The members were also found to be able to effectively manage issues of procurement, allocation and control of financial resources although there was no clear response on difficulties in managing large volumes of paper work. Positive correlation revealed that with every positive change in corporate governance there is a positive change in financial management.

The study concluded that secondary schools in Siaya have in place budgeting practices that board members are aware of. In addition as a form of transparency the board oversee supply chain management, and movable asset management and control. Members are actively involved in the various processes of financial management such as the planning, implementation, planning as well as accounting and reporting on funds management. It was also concluded that board members possess the vital accounting knowledge so as to be able to improve financial management in schools. At the same time it is advisable to have in place a stipulated period by which members can hold the position so as to not jeopardize financial management in the institutions. The study revealed that it is vital for the management and board of director’s to be given the support necessary for them to perform their functions efficiently, and to ensure this is achieved there is set rules and policies that generate information on roles and responsibilities.

The study recommended that Board members need to adopt use of technology in budgeting practices and overseeing supply chain management and asset management and control. Issues of integrity should be continuously addresses to guarantee smooth operation of the institutions. When assigning roles the member’s in charge of financial matters need to ensure that they have the required accounting knowledge to perform their finance roles effectively. Board of director’s need to be efficient and have the necessary capacity to perform their duties properly in addition, the rules and policies should be shared with all to minimize clash of roles.

There is a need to extend this study to other counties in Kenya. Similar studies also need to be done in private schools so as to be able to compare with the findings and come up with the necessary policies for effective fund management.
Acknowledgement

I would like to take this opportunity to thank my instructor Professor Newa for his continued support towards the completion of this project proposal, and also special appreciation to my final project supervisor Dr. Achoki. To all friends and family who have contributed towards this noble event, love you all.
DEDICATION

This research is a dedication to my close family, firstly my wife Brenda Okumu and my daughter Taraji Amani as well as my father Michael Ajwang and My Mother Pamela Akinyi for the continued support towards my MBA Degree.
TABLE OF CONTENT

STUDENT’S DECLARATION .............................................................................................. ii
COPYRIGHT ................................................................................................................... iii
ABSTRACT ..................................................................................................................... iv
ACKNOWLEDGEMENT ............................................................................................... vi
DEDICATION ................................................................................................................ vii
LIST OF TABLES ......................................................................................................... x
LIST OF FIGURES ....................................................................................................... xi
LIST OF ACRONYMS AND ABBREVIATIONS ............................................................ xii

CHAPTER ONE .............................................................................................................. 1
1.0 INTRODUCTION .................................................................................................... 1
1.1 Background of the Study ....................................................................................... 1
1.2 Statement of the Problem ..................................................................................... 3
1.3 The general objective ............................................................................................. 4
1.4 Specific Objective .................................................................................................. 4
1.5 Significance of the Study ...................................................................................... 5
1.6 Scope of the Study ................................................................................................ 5
1.7 Definition of Terms ............................................................................................... 5
1.8 Chapter Summary .................................................................................................. 6

CHAPTER TWO ............................................................................................................ 8
2.0 LITERATURE REVIEW ......................................................................................... 8
2.1 Introduction ............................................................................................................ 8
2.2 Impact of the Board Composition on Financial Management ......................... 8
2.3 Board Skills and Financial Management ............................................................ 12
2.4 Application of Corporate Governance Principles in Financial Management ..... 17
2.5 Chapter Summary ................................................................................................ 22

CHAPTER THREE ...................................................................................................... 23
3.0 RESEARCH METHODOLOGY ............................................................................ 23
3.1 Introduction .......................................................................................................... 23
3.2 Research Design .................................................................................................. 23

Error! Bookmark not defined.
3.3 Population and Sampling Design .............................................. Error! Bookmark not defined.
3.4 Sample Size ........................................................................ Error! Bookmark not defined.
3.5 Data Collection Methods ......................................................... Error! Bookmark not defined.
3.6 Research Procedures ........................................................................................ 23
3.7 Data Analysis Methods ............................................................................. 23
3.8 Chapter Summary ...................................................................................... 23

CHAPTER FOUR ...................................................................................... 25
4.0 DATA ANALYSIS AND RESULTS ...................................................... 25
4.1 Introduction ................................................................................................ 25
4.3 Impact of The Board Composition On Financial Management .................. 28
4.4 Impact Of Composition Of Board Skills On The Financial Management .... 31
4.5 Impact Of Corporate governance On The Financial Management ............. 34
4.6 Financial Management ................................................................................ 37
4.7 Chapter Summary ...................................................................................... 39

CHAPTER FIVE ...................................................................................... 41
5.0 DISCUSSION, CONCLUSION AND RECOMMENDATIONS .................. 41
5.1 Introduction ............................................................................................... 41
5.2 Summary of Findings .................................................................................. 41
5.3 Discussion .................................................................................................... 42
5.4 Conclusion ................................................................................................... 47
5.5 Recommendation .......................................................................................... 48

REFERENCES .............................................................................................. 50
APPENDIX I: QUESTIONNAIRE .................................................................... 61
LIST OF TABLES

Table 3.1: Sample Size ........................................................................................................25
Table 4.1: Response Rate...................................................................................................25
Table 4.2: Descriptive of Board Composition On Financial Management .........................29
Table 4.3: Reliability Statistics For Variable Of Board Composition ..................................29
Table 4.4: Correlation of Board Composition and Financial Management .........................30
Table 4.5: Regression between Board Composition and Financial Management ...............31
Table 4.6: Descriptive on variables Of Board Skills on the Financial Management ............32
Table 4.7: Reliability Statistics for Variable of Board Composition ....................................32
Table 4.8: Correlation of Board Composition and Financial Management .........................33
Table 4.9: Regression between Board Composition and Financial Management ...............34
Table 4.10: Descriptive Of Variables of Corporate Governance ..........................................35
Table 4.11: Reliability Statistics for Variable of Board Composition ..................................35
Table 4.12: Correlation of Corporate Governance and Financial Management ...................36
Table 4.13: Regression between Board Composition and Financial Management ...............37
Table 4.14: Descriptive on variables of Financial Management ...........................................38
Table 4.15: Regression of Board Composition, Board Skills, Corporate Governance, and Financial Management .................................................................................39
LIST OF FIGURES

Figure 4.1: Age .......................................................................................................................26
Figure 4.2: Gender .................................................................................................................26
Figure 4.3: Education ............................................................................................................27
Figure 4.4: Experience in Years ..........................................................................................27
# LIST OF ACRONYMS AND ABBREVIATIONS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Abbreviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOD</td>
<td>Board of Directors</td>
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<tr>
<td>BOG</td>
<td>Board of Governor</td>
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<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
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<td>CFM</td>
<td>Composition of Financial Management</td>
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<tr>
<td>IPO</td>
<td>Initial Placement Order</td>
</tr>
<tr>
<td>NEDs</td>
<td>Non Executive Directors</td>
</tr>
<tr>
<td>QASO's</td>
<td>Quality Assurance and Standards Officers</td>
</tr>
<tr>
<td>SIMBA</td>
<td>School Instruction Material Bank Account</td>
</tr>
<tr>
<td>SPSS</td>
<td>Social package for social sciences</td>
</tr>
</tbody>
</table>
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Governance has been described as proper functioning of institutions and their acceptance by the public (Harry, 2007). Governance has long been regarded as the bedrock of institutional management world over. Kenyan schools have especially experienced untold problem occasioned by ineffective governance in schools. Kaufmann and Mastruzzi (2007) define governance as the traditions and institutions by which authority in an institution is exercised for the common good, which usually include the process of selecting those in authority and the capacity of those selected in the institution to manage with utmost accountability. In education, ineffective governance derails educational standards leading to inefficiency in service delivery, poor student performance and the accompanying corruption (Leo, 2008).

The finances for learning institutions are used for daily operations and activities of concerned institutions. In the case for secondary schools, school principals and administrators are charged with the responsibility of planning the school budget in order to achieve the objectives of the school and more so effective financial management (Sharma, 2011). Many countries have decentralized the management of financial resources to schools in a bid to enhance their management. This was eminent in a study carried out in France (Crouch and Winker, 2008). Despite the essence placed on financial resources in bringing about much needed change and delivery of services, it is noted sometimes the resource is mismanaged and misappropriated by those in charge (Rosen and Gayer, 2010).

Tight budgetary control affects managerial behaviour in municipalities and universities throughout. This result in managers being less committed to their organizations and institutions. According to Ogbonnaya (2000) the main purpose of financial management is to ensure that funds sourced are utilized in the most efficient and effective manner. The author argues that resources are scarce and therefore it is the duty of educational administrators to optimally and prudently use available resources for the attainment of institutional objectives. Sharma (2011) elaborates that poor management of available funds leads to embezzlement, diversion of funds from prioritized projects and misappropriations.
The Kenyan business environment is a buzz with the concept of corporate governance. Its adoption amongst commercial corporates is touted as an ultimate strategy for sustainable competitive advantage. While the public sector remains ambivalent on the application of corporate governance, it is the driving force to success for leading corporates globally. Through governance the interest of stakeholders is realized. Amongst the numerous stakeholders, investors and managers initiate the corporate governance plan. Investors inject funds in an organization, with an interest of realizing returns. The progression in the investments can take the form of growth in turnover, asset base, profitability and dividends. Managers on the other hand are entrusted with implementation and management of the funds from investor groups (Ndikwe and Owino, 2016).

Irshad, Jinnah, Hasmi, Kauser and Nazir (2015) posit that management enhances investor confidence, generates more capital and increase organizational performance by employing good corporate governance. While managers can use good corporate governance practices to maximize investments as fronted by Chetambe and Sakwa (2013), it has been argued that managers’ commitment toward maximizing investor returns can be questioned. Based on the agency theory, managers are salaried employees and who may be less worried about the outcome of a project or business so long as they are getting their salaries. This conflict of interest is well encapsulated in the agency theory. Based on the theory, the interests of managers and investors are postulated as divergent. To resolve the agency problem, Ogbulu and Emini (2012) proposed that an effective corporate governance approach should be adopted to decentralize powers and create room for checks and balances which ensures that managers invest work toward positive results in a transparent and fair way.

Investors in community projects and the public sector including; national government, the county governments and donor agencies seek to positively affect the lives of the target community. Over the last decade, the Kenyan government has made strides to provide funds for free primary and secondary education countrywide. Maronga, Weda and Kengere (2013), deduced that each year there is always an increase in the amount of funds being allocated to the education sector for free education. Official Ministry of Education Financial Records show that donor organizations and the government deposited US $ 28.3 million in the School Instruction Material Bank Account (SIMBA) and US $ 19.2 million in the School General Purpose Account between 2003 and 2008 for both secondary and primary schools’ educational programs. It details that in 2008, the
government paid US $ 10.2 per pupil in the public primary school under the Free Primary Funding Program (GOK, 2008).

Siaya Sub-County has forty one (41) secondary schools of which thirty eight (38) are public secondary schools. Out of these one (1) is at National, four (4) at county and thirty-three (33) at District level. The Government has made efforts to subsidize secondary education and has laid down mechanisms of monitoring enrolment, textbook to student ratio, participation in co-curricular activities, payment of workers, improvement of school environment with respect to repair, maintenance and improvement funds through Quality Assurance and Standards Officers (QASO’s) and Schools Auditors. School managers have been empowered through training and capacity building workshops. However, there is very limited literature on corporate governance issues in secondary schools in Siaya (Okiiya, Kisiangani and Oparanya, 2015).

1.2 Statement of the Problem

Like all other entities in business there is the divergent interest between the managers of the schools and policy makers in the form of Boards of Governors. The increase in fund allocation has not been accompanied by commensurate increase governance structures to safeguard the funds in the form of corporate governance principles. The agency problem is prevalent in public institutions in Kenya. Public schools are learning institutions where learning activities are supported by public funds. They are maintained at public expense for the education of the children of a community. The government meets costs associated with teacher remunerations, supervision, inspection and management in public schools (Onsomu et al., 2004). The corporate governance structures in the public schools specify the distribution of rights and responsibilities among different participants, such as the board, managers, and other stakeholders. It also spells out the rules and procedures for making decisions on the school’s affairs which may have been ignored or overlooked by the various stakeholders at one time or other. In Kenyan public institutions, corporate governance has gained importance over the last decades with very little empirical work being evidenced in educational institutions (PSCGT, 2000).

The inadequacy of physical and material resources in schools is a major factor responsible for learning outcome of students. Schools that do not have adequate facilities such as workshops, laboratories, classrooms, teaching learning materials are unlikely to post good results. Studies indicate that most institutions are faced with challenges such as
lack of adequate facilities like libraries and inadequate instructional materials and these factors tend to have a negative effect on the quality of graduates produced (Likoko, Mutsotso and Nasongo, 2013). In learning institutions, effective corporate governance supports educational standards resulting in effectiveness in service delivery, enhanced learning performance and improved infrastructure development. In addition, improved corporate governance has been known to reduce mismanagement, demonizing corruption and eventually influencing the general efficiency of educational service delivery. Competitively getting and retaining qualified school board remains a challenge in public secondary schools (Harry, 2007).

Although school boards and committees exist, public schools continue to experience governance issues like; fees determination problems, payment schedules not respected, student and staff unrest, staff welfare problems, legal action against governing boards, which could be attributed to corporate governance and institutional turbulence (Maronga et al., 2013). With continued unchecked corporate governance and institutional turbulence, the public schools’ financial performance has been crippled resulting to financial crisis in these institutions (Ndikwe and Owino, 2016). Despite the glaring evidence of poor application of corporate governance in public schools, most of the attention on the concept has been focused on business corporations. This study seeks to investigate the effectiveness of corporate governance on financial management of public secondary schools in Kenya.

1.3 The general objective

This study sought to investigate the effectiveness of corporate governance on financial management of public secondary schools in Kenya.

1.4 Specific Objective

1.4.1 To establish the impact of the board composition on financial management of secondary schools.

1.4.2 To establish the composition of board skills on the financial management of public secondary schools.

1.4.3 To analyse how the application of corporate governance principles impacts the financial management of public secondary schools.
1.5 Significance of the Study

1.5.1 Siaya County
To Siaya County this findings will help the institutions to better manage their finances and also be better placed in selecting the board members.

1.5.2 Policy Makers
Information from the findings of the study reveals the existing governance gaps in secondary schools that education policy-makers, managers and administrators would rely on when planning for strategies of quality education to realize good KCSE results.

1.5.3 Learning Institution
The findings of the study will give a clear picture on the extent to which governance practices for members of BOG, principals and teachers affects financial management.

1.5.4 Scholars
The data gathered from the study provides a useful reference point for further research to other scholars.

1.6 Scope of the Study
This study will be undertaken among the 41 secondary schools in Siaya county the target population will be the principles or senior teachers who are part of the board. Questionnaires will be used as a data collection tool. The main limitation anticipated will be the distance and accessibility of some this learning institutions and to curb this some of the questionnaires will be sent via mail.

1.7 Definition of Terms

1.7.1 Governance
Governance refers to the traditions and institutions by which authority in an institution is exercised for the common good, which usually include the process of selecting those in authority and the capacity of those selected in the institution to manage with utmost accountability (Harry, 2007).
1.7.2 Board composition

This entails the number or capacity of individuals making up the board, may include the Chairman, treasures, parent teacher association member, board of governor member and an auditor (Likoko, Mutsotso and Nasongo, 2013).

1.7.3 Board Skills

A skill is an individual’s ability to carry out a task with a pre-determined outcome often within a specified time (Maronga, Weda and Kengere, 2013). For this study board skills will refer to the skills of the board members.

1.7.4 Accountability

Accountability refers to a pro-active process by which public officials inform about and justify their plans of action, their behaviour and results, and are sanctioned accordingly (Ndikwe and Owino, 2016).

1.7.5 Compliance

Compliance refers to the adhering to the highest standards of ethical and honest behaviour, proper and efficient management of the organization’s resources, and maintaining accountability of leadership and workers (Maronga, Weda, and Kengere, 2013).

1.7.6 Financial Management

Financial management practices are defined and demarcated as the practices performed by the accounting officer, the chief financial officer and other managers in the areas of budgeting, supply chain management, movable asset management and control (Correia, Flynn, Uliana and Wormald, 2003).

1.8 Chapter Summary

Chapter one focuses on the background of the study which has statement of the problem, purpose of the study, research objectives, and significance of the study, scope of the study and definition of significant terms. Chapter two will focus on literature review under which each objective will be discussed. Chapter three explores the research methodology
to be applied. Chapter four will present data analysis while chapter five will present the summary, conclusions and recommendations of the study.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter is set on analyzing the literature on the effectiveness of corporate governance on financial management of public secondary schools in Kenya. The specific objectives of the study are to: To establish the impact of the board composition on financial management of secondary schools, to establish the composition of board skills on the financial management of public secondary schools, and to analyse how the application of corporate governance principles impacts the financial management of public secondary schools.

2.2 Impact of the Board Composition on Financial Management

Board composition refers to the size of the board, the mix between executive and non-executive (independent) directors, and other desirable attributes, including gender diversity. Economic value of appropriate board composition has been a subject of scholarly research for more than five decades (Kesner et al., 1986). It has been argued that firms with large proportions of outside directors in the board normally have less agency problems, and therefore, exhibit a better alignment between the interests of shareholders and those of management (Fernandes, 2005). Consequently, this may positively influence share price (Rosenstein and Wyatt, 1990). Yermack (1996) argues that smaller boards are more resourceful than larger ones in terms of obtaining a higher market valuation, improved return on assets and return on sales. It should be noted that larger boards invariably take longer in their deliberations, and often suffer the demerits associated with procrastination. However, too small a board will also deny the organization the requisite diversity and attendant synergy.

Past studies have placed board size as one of the characteristics that influences the governance of an organisation. Board of directors is a component of governance structure and plays a pivotal role in advising managers on an organisation's business strategy and ensures alignment with its vision and mission. This section is therefore set to analyse how board size, board composition affect financial management.
2.2.1 Financial Management in Organizations

Financial management practices are defined and demarcated as the practices performed by the accounting officer, the chief financial officer and other managers in the areas of budgeting, supply chain management, movable asset management and control. The selection of budgeting, supply chain management, movable asset management and control as the four areas of financial management practices is in agreement with the view that sound financial management, be it in the public or private sector, is vested in the timely, efficient, effective and economical attainment of objectives by managers. These objectives (as derived from strategic and tactical planning) cannot be achieved without budget planning, implementation, monitoring and adjustment as a cycle whereby resources are assigned to objectives.

In the public sector, financial management focuses on the prioritisation and use of scarce resources, on ensuring effective stewardship over public money and assets, and on achieving value for money in meeting the objectives of Government (Burger, 2008). Financial management forms part of the total operation of an organisation. As such, it relates to the other functional disciplines in the organisation, as well as across various managerial levels (Correia, Flynn, Uliana and Wormald, 2003).

School financial management comprises the planning and implementation of a financial plan, accounting, reporting and the protection of assets from loss, damage and fraud. Schools can adjust their financial control with inner regulations. If the school does not have the inner policies, there is a danger that inner controls aren't set. The school chief is accountable for setting the inner controls and inner auditing. The main products of economic control are the financial plan and the annual document. The reporting procedure is carefully related to the making plans procedure, the definition of objectives and measuring.

2.2.2 Board Composition and Size

The board is recognized as a principal internal governance mechanism (Brennan, 2006), as it keeps tab and oversees management, providing them with strategic plans, guidance and support on an on-going basis. The board also reviews and ratifies, if necessary, any proposals submitted by management (Jonsson, 2005). Furthermore, with the presence of
the board, a firm’s performance is inevitably enhanced with the enactment of legally
binding accountabilities and fiduciary obligations (Zahra and Pearce II, 1989). Problems
and troubles that a firm may be exposed to could be detected with the assistance of the
Board’s expertise (Salmon, 1993).

Denis and Sarin (1999) found that the distinctions in ownership and board structures are
interrelated. Distinctions in ownership and board structures are intensely linked to top
executive turnover, preceding share price performance and corporate control coercions.
Dehaene et al. (2001) found a positive association between the number of external
directors and return on equity, which concurs to the idea that outside directors offer
greater assistances to the firm as a consequence of their individuality from firm
management. This is supported by Dahya and McConnell (2003), who indicate that
investors perceive external CEOs as good news. Additionally, Lee et al. (1999) establish
that the employment of an external director to the board of a state-owned corporation is
linked to positive abnormal returns amongst the moderate sized companies. These
companies possibly have inadequate contact to financial markets and less financial know-
how, thus have considerable advantage from these engagements.

Chen and Jaggi (2000) discovered a significant positive association between the
proportion of independent non-executive directors and financial disclosures. This
suggests that the inclusion of such directors on boards increases the firm’s amenability
with disclosure, thus improving the completeness. In short, independent non-executive
directors are pivotal for checking board actions and enlightening the transparency of
corporate boards. In contrary, Agrawal and Knoeber (1996) find a significant negative
relationship between external board members and firm performance. This is reinforced by
the findings of Bhagat and Black (1999), who argues that firms with a majority of
external directors are worse off than other firms. These studies indicate that independent
non-executive directors do not automatically possess positive influence on firm
performance, suggesting that these independent non-executive directors may not be
executing their roles effectively.

Furthermore, a high percentage of non-executive directors (NEDs) can be damaging to
companies as they may suppress strategic activities (Goodstein et al., 1994), generate
circumstances of extreme monitoring (Baysinger and Butler, 1985), prove to be
unproductive due to the absence the business familiarity (Patton and Baker, 1987), and
may be of lack real independence (Demb and Neubauer, 1992). Dahya et al. (1996), Stewart (1991) and Rechner and Dalton (1991) recommend that by emphasizing accountability and power to executive manager’s effective performance may be attained.

However, studies by Davidson and Rowe (2004); Fernandes (2005); and Cho and Kim (2007) were unable to determine any association between board composition and company performance. Baysinger and Butler (1985) contends that these dissimilarities in discoveries is due to numerous influences such as corporate law, managerial aptitude, capital markets and the internal capital structure of the companies. Additionally, Zahra and Pearce II (1989) noted several explanations for such contradictions, as stated by Finkelstein and Hambrick (1996). They cited numerous anecdotal elements; life cycle, corporate strategy and effective collaboration among board members in decision making. Finkelstein and Hambrick (1996) also argue that despite such discrepancies, a board may indirectly impact the firm’s performance by superiority of observing.

In the private sector, the link between board size and performance has been investigated by several researchers (Van den Berghe and Levrau, 2004; Dalton and Dalton, 2005). The reasoning behind the relationship is that a larger board can bring more experience and knowledge from which the CEO may draw high-quality advice. It has also been suggested that having a larger board can help to provide wider and important linkages for the company (Mangena et al., 2012). Those who take the contrarian view, however, argue that larger boards are less effective in monitoring managers, since they are difficult to coordinate and it becomes very difficult to process problems due to the large number of people involved (Kyereboah-Coleman and Biekpe, 2007; Kajola, 2008). Also the costs of a larger board may outweigh the benefits, particularly in SMEs, where agency problems are minimal and there is no need for the extensive monitoring achieved by a larger board. Given that the relationship between board size and performance can be either positive or negative, this research will aim to establish its effect on management of schools.

2.2.3 Board Composition and Financial Management

Empirically, evidence of inside directors on CFM is sharply divided among the agency and stewardship theories, with others disagreeing with both debates. Stewardship-anchored researches which favor inside directors have established that when boards are made up of majority inside directors they are more likely to resist hostile take-over (shark
repellents) which protects the company from corporate raiders (Frankforter et al., 2002). Carter et al., (2003) found that boards with greater proportions of inside directors were associated with higher CFM especially when the board chair was also the CEO (CEO duality).

Similarly, Arthurs et al., (2008) revealed that inside directors had positive influence on the pricing of Initial Placement Order (IPO). The whole stewardship evidence suggests that whenever inside directors in the delivery of their work are unimpeded by outside directors they would be inspired to do more than expected to achieve higher CFM (Davis et al., 1997). Surprisingly, many of the studies connecting inside directors to CFM sought to suggest an environment characterized by the presence of high shareholder concentration (Schipani and Liu 2001; Tam 2002; Tan and Wang 2004; Feinerman, 2007; Wang 2007). Evidence relating outside directors to CFM are equally varied and inconclusive.

Firstly, Haniffa et al (2006); Hooghiemstra and Van Manen (2004); Bhagat and Black (2000) all revealed negative relationship between outside directors and accounting performance indicators whilst (Zubaidah, 2009) found positive effect between majority outside director and CFM. In the case of the negative effect, Hooghiemstra and Van Manen, (2004) noted that stakeholders are generally not satisfied with the supervisory role of outside directors.

Correspondingly, Haniffa et al. (2006) concluded that high proportions of outside directors result in excessive monitoring which stifle innovation and creativity on the part of inside directors, and lack of business knowledge which make decision making and discussions at board level more cumbersome (Goodstein, Gautum and Boeker, 1994). Based on the theoretical and empirical review, this study looks at how board composition comprising inside and outside directors, together with other corporate governance structures influence CFM.

2.3 Board Skills and Financial Management

2.3.1 Management Expertise

To monitor the financial reporting process, the directors must have accounting knowledge, in order to control manipulation and to make information more transparent.
Empirical studies show that financial expertise is an important determinant of quality financial statement. The findings of Agrawal and Chadha (2005) on the US firms highlighted the importance of accounting knowledge among the outside directors in reducing the probability of financial restatements only if they had financial expertise. Very few studies have explored a financial expertise on the board, as they focused mainly on the financial expertise of the audit committee. Overall, the empirical evidence showed that directors must have financial expertise, otherwise it may impair the directors’ ability to monitor the management, thus, makes it unable to detect irregularities in the financial reports. It is expected that a higher proportion of financial expertise on the board is associated with more conservatism, because the financially literate directors understand and appreciate the merit of conservatism in reducing agency conflict.

The board also needs governance expertise, this refers to the experience obtained from the directors’ participation on the board of other firms, which deepens their knowledge in solving various problems. Fama and Jensen (1983) suggested that outside directors developed reputational effects which reflected on them as an expert in decision control. The value of the outside directors primarily depended on their performance as internal managers in other companies, to signal their expertise to the market. Fich and Shivdasani (2006) used panel data, and reported that firms where the directors had three or more directorships experienced lower market to book ratios as compared with firms whose directors had fewer directorships. Their analysis further heightens the belief that multiple directorships is associated with weak governance, because these “busy” directors are less likely to remove the CEO of poor performing firms. Multiple directorships is also argued to improve information that has been shared on legal actions against other firms, thus avoids the associated pitfalls and litigation.

Saleh, Iskandar, and Rahmat (2005) showed that multiple directorships was effective in reducing earnings management only in firms with negatively unmanaged earnings. As directors in loss-making firms are more likely to be replaced than those of the profit-making firms, the result could have been driven by the motivation to secure their employment instead of reflecting their competency. Other empirical studies did not support multiple directorships which was evidenced by low market performance (Haniffa and Hudaib, 2006), low accounting conservatism (Ahmed and Duellman, 2007), and high earnings management (Sarkar, Sarkar, and Sen, 2008). The evidence suggests that
multiple directorships is an attribute of weak governance that is associated with less conservatism.

Expertise can be firm-specific expertise where the cumulative knowledge about the firm through directors’ longer service on the firm’s board. Peasnell, Pope, and Young (2005) who examined UK firms reported that outside directors with longer tenure reduced earnings management, which implied that directors were more competent to curb earnings manipulation. A management-friendly hypothesis suggests that a longer tenure for independent directors in the Malaysian business environment is more likely to be considered. In Asian countries, the entire board of directors is appointed by controlling shareholders (Allen, 2000). Independent directors who served for a longer time could be bonded to the insiders, thus made them more sympathetic and had interests that were closely aligned with the insiders. Although, longer tenure enhanced their knowledge about the firm, they might not be in a position to apply it towards stronger governance. This study perceives that longer tenure in Malaysia is an attribute of weak governance, as their independence may be impaired by a long relationship with the insiders. Thus, their interest would be in line with those of the insiders to adopt less conservatism, and hence less control on their expropriation activities.

2.3.2 Conservatism
Conservatism is traditionally reflected as “anticipates no profit but anticipates all losses” (Bliss, 1924). It involved an accounting estimation that required a higher verification to recognize good news as gains than to recognize bad news as losses (Basu, 1997). Much evidence supported conservatism’s advantages to firms particularly as an agency tool. Kwon (2005) showed that conservative accounting was useful in controlling the suboptimal managerial decisions which were relative to earnings that were reported neutrally or liberally, and conservatism lowered asymmetric information and enhanced value relevance of earnings. Lin (2006) showed that conservatism was effective in revealing managers’ private information on projects which were undertaken by the firm. The study indicated that for a good project, managers were willing to employ conservatism, since they could enjoy compensation during the period when the project produced cash flow.

However, managers who undertake bad projects decline to employ conservatism, because they will lose compensation in any of such period. LaFond and Watts (2008) asserted that
accounting conservatism reduced asymmetric information as it provided hard information on verifiable gains and disclosed possible losses which managers might decline to reveal. With lower asymmetric information, managers are constrained from hiding unfavorable information. Hui, Matsunaga, and Morse (2009) investigated the effect of conservatism on forecasts of management earnings and showed that an increase in conservatism reduced the frequency and timeliness of the earnings forecasts. This result was consistent with the role of conservatism in reducing information asymmetry and future uncertainty. More conservatism disciplines and encourages managers to maximize the shareholders’ wealth, as evidence from the findings of Francis and Martin (2010) indicated that financial reports of firms with more profitable investments which were measured by bidder’s announcement returns and by changes in post-acquisition operating performance, were more conservative.

As a governance tool, conservatism was important in debt contracts and execution of compensation contracts (Watts, 2003). Creditors favored conservatism, because they were concerned with the lower bound measure of a firm’s net assets before granting loans (Beneish and Press, 1993). Ahmed, Billings, Morton, and Stanford-Harris (2002) demonstrated the significant role of conservatism in debt contracts as the firms with conservative financial reports were ranked higher in debt rating and had a lower cost of debt. Further, Zhang (2008) showed that conservatism benefited the lender in terms of an early signal of possible debt violation, and that this advantage was shared with the borrower in terms of lower interest costs. Therefore, conservatism protected the shareholders and debt holders whose wealth may be jeopardized by the management.

Existing evidence on the association between board skill and conservatism is scarce. However, the influence can be seen from their impact on other attributes of financial reporting and their role in corporate governance. A number of empirical studies have shown that governance mechanisms with strong attributes are associated with quality financial reports and lower agency conflict. Since conservatism is an important governance tool that can limit agency conflict and improve the value relevance of the reported earnings, it is likely that board members with appropriate skills would demand more conservatism, in order to strengthen the firms’ corporate governance (Ahmed, et al, 2002).
2.3.3 Accounting skills and Financial Management

One of the primary functions of accounting is to measure and communicate the financial results and position of a business (Haiden, 2006). Apart from keeping a record of daily accounting activities, owners and managers of businesses may need accounting information to decide whether to: Develop new products or services; Borrow money to help finance the business; and, change the operating capacity of the business. (Atrill and McLaney, 2006).

Most small business owners hesitate to recruit professional staff for assisting in managing financial, managerial, information technology, and business development aspects of their businesses (Gooderham et al., 2004). Some broad causes of this hesitation include: fear of losing control over business affairs, lack of resources to meet recurring expenses of these professionals, risk of losing business success factors and secrets, and fear of switching loyalties of employees to competitors (Dyer and Ross, 2008). On the other hand, owners usually lack expertise to handling financial management of their business (Mitchell and Reid, 2000). Their inexperience, opportunistic behaviour, and lack of expertise in understanding financial management, affect their firms’ business performance (Perren and Grant, 2000).

These obstacles lead them to engage external accountants for resolving operational, managerial, financial, and compliance related business issues (Dyer and Ross, 2008; Parry, 2010). Prudent small business owners often engage accountants to assist them in preparing their financial and management accounting reports to improve their business operations, gain competitive advantage, and properly deal with potential business and management problems (Dyer and Ross, 2007).

Small business owners generally consider accounting firms a last resort where they can obtain advisory services for resolving their wide range of managerial, financial, legal and administrative problems (Greenwood et al., 2002). Gooderham et al. (2004), in their study on small Norwegian firms, recognized the dominant role of accounting firms in providing a variety of advisory services to small business owners. Similarly, Xiao and Fu (2009), in their study on Chinese small firms, found that many small business owners acquire external advisory services to meet their financial, managerial and marketing deficiencies. Bennett and Robson (1999) explained that the first contact between owners
and accountants is usually established when accountants are engaged for compliance related matters. This relationship continues to develop with the passage of time. The pre-existing relationship helps accountants to secure more business from the small business owners by providing them noncompliance related financial and managerial advisory services (Greenwood et al., 2002).

However, an expectation gap between owners and their accountants emerges when accountants fail to deliver services as their small business clients expect (Kirby and King, 1997). In studies by Nandan (2010) and Marriot and Marriot (2000) owners were found to have concerns about their accountants who were not able to understand their management accounting needs, and business environment. Sound performance measurement systems assist owners to monitor, plan and control business processes with limited financial and human resources (Jennings and Beaver, 1997). However, this is only possible when owners understand the value of their financial targets, and adopt adequate measures for recording accounting information that assists them in evaluating and assessing business performance (Perera and Baker, 2007). Generally, small business owners perceive that the failure or collapse of their business is strictly their personal problem, and that they are not accountable to any stakeholder such as creditors, customers, banks, and government departments (Raffo et al., 2000).

These misperceptions give them a psychological edge and overconfidence of not feeling the need to measure their business performance. Pointing to these misunderstandings, Richard and Auken (2006) found that most small businesses collapse and are declared bankrupt because owners misunderstand the consequences of not measuring their business performance. This phenomenon indicates that the performance of business and its measurement is directly linked to the positive attitude of small business owners (Deakin et al., 2002). While this has been the case in small businesses, this study will set to investigate whether the same affects secondary school board.

2.4 Application of Corporate Governance Principles in Financial Management
2.4.1 Corporate Governance Principle
Corporate governance principles are considered as one of most important pillars that lead to companies' prosperity since it represents the main principles for achieving company goals and visions in both local and international levels. Many committees have started for developing framework and rules to enhance and improve countries and companies
economics, like Cadbury and Vino committee, and Organization of Economic and Cooperative Development (OECD). OECD has put six main rules for corporate governance and explain it as follows; ensuring existence of effective framework for corporate governance and protecting shareholders equity and equal treatment between shareholders and stakeholders role in corporate governance and disclosure, transparency and board of directors responsibility.

2.4.2 Financial Analysis

Financial performance and financial analysis become one of most important areas in cognitive science, its need started after the huge collapses and repression of many companies that took place in late twenties and early thirties, which imposed the need to study companies financial reports content effectively to enable the related and concerned of financial statement know their real performance, and predicting company future (Khanfar and Mattarneh, 2011).

The financial analysis is one of the most important topics in the operations of the investment, in particular, because of its ability senior assistant in the analysis and interpretation of the results of the financial statements in the financial statements, and its ability to predict the conduct of business operations, and demonstrate the company's ability to perform its functions and determine the extent of continuity, knowing the points the strengths and weaknesses of the companies.

Where financial analysis convert vast amount of historical figures to organized relationship, provide information that are more benefits to decision-makers, to be used for evaluate companies financial and credit positions (Al-Nu'aimi and Al-Tamimi, 2008), therefore financial analysis is considered as main pillar in provide financial statements that most useful in decision-making process rationalization, and it works on using financial statement and information to find ration and mathematical models that seeking to get information that use in performance evaluation process and good decision-making. (Al-Sheikh, 2008). Financial statements analysis consider as a tool to explain this statement, and identify its content relationship, figures significance that listed in, and provide information that helps on estimate institution value (Al-Khalayla 2012). Financial analysis show management and board of director's efficiency and capacity to
perform duties and work properly, also show company and its department's efficiency extant performance in doing its function and activities.

Her Lee, Ku Chen and Jing-Fong (2012) study aimed to investigate corporate governance factors effects and profit management behavior, subject study consist of 268 companies from companies owned by public Taiwan sector. The study used adjustment model of Jones to test free cash money, and estimated dues item and some corporate governance factors, analysis show that correlation positive on estimated dues with free cash flow, result indicate that company audited by major auditing companies (Big-four CPA).estimate dues elements are less, and debt ratio to assets have a negative relationship with estimate dues, results show that corporate governance implementation indicate turnover average of internal auditors, and there is no rephrase or review financial report and profit expectation for large number of items that related to estimate dues, analysis also shows different behaviors of profit management between high and traditional technology industry.

Jorge Pelayo and Gregorio Calderon, and Hector Mauricio (2012), study entitled study entitled: corporate governance structured its impact in human resources management and financial performance. This study seeking to discuss corporate governance structure in human resources management, and financial performance in Colombian business environment context to achieve this goal, this study carried out analysis for corporate governance concept, and displayed current thoughts for each of corporate governance and managers behaviors, agency theory, supervision theory, and to develop mythology that aims to test four models by using regression analysis Ergin, (2012) study entitled: corporate governance evaluation and financial performance depend on market evidence from turkey.

2.4.3 Corporate Governance Principles and Financial Management Principles

According to Lisa (2008) corporate governance refers to the set of systems principles and processes by which a company or a corporation is governed. They provide the guidelines as to how the company can be directed or controlled such that it can fulfill its goals and objectives in a manner that adds to the value of the company and is also beneficial for all stakeholders in the long-term stakeholders in this case would include everyone ranging from the board of directors, management, shareholders to customers, employee to society.
To cope with the challenges from rapidly changing environment in 1990s and 21st century numerous educational reforms and schools restructuring movements have been implemented to pursue educational effectiveness and school development Cheng and Townsend (2000), not only in developed countries but globally.

The search for effective schools, the spirit to school based management the emphasis on development planning in school, the assurance of school education quality, the implementation of new curriculum and application of information technology are typical examples of efforts towards educational reforms. Amwolansky and Isaac (2003) project done by International Finance Corporation in Ghana to promote access by building school’s capacity for proper corporate governance in financial management brought out that the schools that were in this project were able to provide both affordable educational and better services in their facilities. The study explains about the threats of education quality that cannot be explained by lack of resources. It reviews service failure in education cases where programs and policies increases inputs to education but do not produce effective services where it counts that is in the classroom. It documents what we know about the extent and costs of such failures. It argues that a root cause of low quality and inequitable public service is the weak accountability of providers to both their supervisors and clients. Improving accountability requires; information for accountability, school based management and teacher incentive corporate governance aims to change the relationships of accountability among various actors in the preschool to change behavior and thus improve outcomes.

Corporate governance involves making guidelines, rules and policies that generate information on roles and responsibilities, in the case of preschool inputs, outputs or outcomes and disseminate that information to local level stakeholders (Magdi, 2000). Financial management means the efficient and effective management of money (funds) in such a manner as to accomplish the objectives of the organization. It includes how to rise to capital how to allocate it i.e. capital budgeting. Not only about long term budgeting but also how to allocate the short term resources like current assets. It also deals with the dividend policies of the shareholders. Generally financial management is concerned with procurement, allocation and control of financial resources of a concern.
2.4.4 Governance Challenges in Schools

Basic among the school governance challenges, is the capacity to govern. While the provincial departments of education, through functional units at head offices and at district levels, have engaged in the training of school governing bodies (SGBs), the actual enactment of these roles is often less than ideal (Lemmer, 2008). The very essence and effectiveness of the training that school governors receive are often questionable. Among other training constraints, Mabasa and Themane (2002) report that SGBs are not trained before they start their work and this manifests in problems such as unfamiliarity with meeting procedures, problems with the specialist language used in meetings, difficulties in managing large volumes of paper, not knowing how to make a contribution, not knowing appropriate legislation, feeling intimidated by the presence of other members who seem knowledgeable and perceiving their roles as simply endorsing what others have already decided upon. This can be attributed to irrelevant and inadequate training of SGB members, which does not really address the core functions of school governance.

Mestry (2004) highlights an important challenge in SGBs, namely, lack of the necessary knowledge and skills for financial management and, consequently, the inability to work out practical solutions to practical problems. Mestry (2006) also points out lack of collaboration between the principal and other SGB members with principals being unwilling to share responsibility for school governance for fear of losing power. Another challenge, articulated by Van Wyk (2004) relates to educators in SGBs feeling that other SGB members (an obvious reference to parent-governors) lack confidence and are not sure of their duties. In this regard, Maile (2002) contends that illiteracy among SGB members, especially parent-governors, may contribute to 22 their own inefficiency and argues that this is possible because illiteracy precludes parents from accessing relevant information. To this end and in relation to the problem of illiteracy, Van Wyk (2004) points out that many SGBs, particularly in less advantaged areas, do not have the required skills and experience to exercise their powers. Another governance challenge is that of allegiance to constituencies.

In one study, Xaba (2004) found that educator-members of SGBs see themselves as "watchdogs" whose role is that of "fighting" for educators' issues. In that sense, Xaba argues that SGB members' roles are made difficult by how they gain membership to the SGB, that is, through a constituency support base, which seems to suggest that they serve
the interests of their constituencies, which makes it difficult to promote the best interests of the school. Nonetheless, schools have to be, and continue to be governed. Indeed, many attempts at building the capacity of school governors continue to be made. For instance, at provincial departmental level, special units have been established to deal with school governance and at district and local levels, there are officials tasked with school development and support, which include school governance support.

Regardless of the level of effectiveness of such capacity-building initiatives, SGBs continue to experience governance challenges. Numerous research studies identify factors located in the functional ability of SGB members as responsible for the failure of SGBs to govern schools effectively and execute their roles and responsibilities as prescribed by the Schools Act (Chaka, 2005).

2.5 Chapter Summary

This chapter analyses the literature from past studies on corporate governance and financial performance. This are reviewed in line with the specific objectives of the study. The next chapter covers the methodology to be applied and the data collection tools deemed appropriate for this study.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

3.6 Research Procedures
A pilot study comprising 5 individuals was used to establish the reliability of the questionnaire. This was done in order to further improve the quality of data collected. Feedback received from the pretest was used to further improve the quality of the questionnaire before issuing the final copy. Ample time was given to respondents to fill in the questions and the information received was considered confidential and for academic purpose only.

3.7 Data Analysis Methods
According to Mugenda and Mugenda (2003), data analysis is the method of analyzing, cleaning, transforming and modeling data collected in a research. Data analysis methods to be used in the study included both qualitative and quantitative techniques. Correlation analysis was used to determine the relationship between board composition, board skills, application of corporate governance principles and financial management. Analysis of Linear Regression, variance, frequency distribution and cross tabulations was also used.

According to Kioko (2014), the main aim of undertaking a content analysis was to utilize existing info in order to determine the elements that explain a specific scenario. The findings will be presented using tables and charts and graphs. Quantitative and qualitative data collected was analyzed use of descriptive and inferential statistics in Statistical Package for Social Sciences (SPSS). The analysis outlined measures of central tendency together with the mean, median, mode, deviance from the mean, variation, percentage, and correlation between variables and this was presented by use of frequency tables, tabulations and cross tabulations to investigate the patterns and relationships between the variables.

3.8 Chapter Summary
This chapter covered the research methodology used in the study. The research design was also discussed. The population of the study included board members in secondary
school from Siaya County, and the sampling design used was also highlighted. The chapter also described the data collection methods, research procedures, and the data analysis methods to be used in this study. Chapter four present data analysis procedures used and chapter five presented that discussion, conclusion and recommendation from the study.
CHAPTER FOUR

4.0 DATA ANALYSIS AND RESULTS

4.1 Introduction
This chapter discusses the findings arrived at from the study. The chapter also notes that the results on respondent’s demography; age, gender, education level and experience as a board. The chapter also outlines the impact of corporate governance on financial management.

4.1.1 Response Rate
The researcher distributed 137 questionnaires and only 110 were filled and returned. This represents a response rate of 80 % as shown in table 4.1

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Questionnaires</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Filled and collected</td>
<td>110</td>
<td>80</td>
</tr>
<tr>
<td>Non-Responded</td>
<td>27</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>137</td>
<td>100</td>
</tr>
</tbody>
</table>

4.2 Demographic Information
This section presents results on demographic factors of the respondents who took part in this research.

4.2.1 Age
To investigate the age of the respondents the variable age group above 40 had the majority accounting for 65% of the population, age group 30-39 accounted for 21% of the population, 25-30 represented 15%, as shown in figure 4.1. This means that the institution has mature board members with diverse ages and therefore the group had a diversity experience.
From the study, majority of the respondents were male accounting for 64% of the population while the female accounted for 36% as shown in Figure 4.2. This implies that in the board membership sector male dominated one and more females members should be encouraged to join.

To investigate level of education, Bachelor’s degree was the highest with 87% of the total population, Diploma represented 6%, while certificate holders represented 7% of the total population. Findings revealed that the boards lack Masters and PhD holders as shown in
figure 4.3. This shows that the organizations have well educated members capable of performing their functions as required

Figure 4.3: Education

4.2.4 Years of Experience

To investigate years of experience as board members, those who had worked for 2-4 years had highest response rate at 43% of the total population, those above 5 years followed at 36%, those below a year had the least was at 21% as shown in figure 4.4. This shows that the board members have the necessary experience in board management.

Figure 4.4: Experience in Years
4.3 Impact of The Board Composition On Financial Management

The first objective sought to establish the impact of board composition on financial management. Respondents were given a set of statement which they were to rate on a 1 to 5 scale by either 1= Strongly Agree, 2= Agree, 3= Neutral, 4 =Disagree, or 5= Strongly Disagree.

4.3.1 Descriptive of Impact of the Board Composition On Financial Management

The findings revealed that majority were aware of budgeting practices in this school, 64% strongly agreed and 14% agreed. (M=1.71). Also 43% agreed that as a board member, they oversee supply chain management, movable asset management and control, 36% strongly agreed (M=2.06). The study also noted that 57% strongly agreed that they prioritise on use of scarce resources to ensure effective stewardship over public money and assets, 21% agreed and 15% were neutral (M=1.79).

On the other hand, 51% strongly agreed that they were actively involved in planning and implementation of the financial plan, accounting and reporting on funds management while 28% agreed (M=1.99). It was also noted that 36% strongly agreed that as a board we review and ratify proposals submitted by management without being influenced, 36% agreed (M=1.98). Also 50% agreed that they have managed to detect problems and troubles before the school is exposed, 28% strongly agreed (M=2.08). The board composition was also found to an influence on the performance of the school and while 29% strongly agreed and 36% agreed (M=2.13) as shown in Table 4.2
Table 4.2: Descriptive of Board Composition On Financial Management

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am aware of budgeting practices in this school,</td>
<td>64</td>
<td>14</td>
<td>6</td>
<td>14</td>
<td>0</td>
<td>1.71</td>
<td>1.103</td>
</tr>
<tr>
<td>As a board member, I oversee supply chain management, movable asset management and control</td>
<td>36</td>
<td>43</td>
<td>6</td>
<td>7</td>
<td>7</td>
<td>2.06</td>
<td>1.175</td>
</tr>
<tr>
<td>We prioritise on use of scarce resources to ensure effective stewardship over public money and assets</td>
<td>57</td>
<td>21</td>
<td>15</td>
<td>0</td>
<td>7</td>
<td>1.79</td>
<td>1.158</td>
</tr>
<tr>
<td>I am actively involved in planning and implementation of the financial plan, accounting and reporting on funds management</td>
<td>51</td>
<td>28</td>
<td>7</td>
<td>0</td>
<td>14</td>
<td>1.99</td>
<td>1.378</td>
</tr>
<tr>
<td>As a board we review and ratify proposals submitted by management without being influenced</td>
<td>36</td>
<td>36</td>
<td>21</td>
<td>7</td>
<td>0</td>
<td>1.98</td>
<td>.928</td>
</tr>
<tr>
<td>We have managed to detect problems and troubles before the school is exposed</td>
<td>28</td>
<td>50</td>
<td>14</td>
<td>0</td>
<td>7</td>
<td>2.08</td>
<td>1.042</td>
</tr>
<tr>
<td>The board composition has an influence on the performance of the school</td>
<td>29</td>
<td>36</td>
<td>27</td>
<td>0</td>
<td>7</td>
<td>2.13</td>
<td>.920</td>
</tr>
</tbody>
</table>

4.3.2 Reliability of variable of Board Composition

A reliability test was done by use of cronbach alpha, and according to Sekaran (2008) a value of 0.7 and above is deemed appropriate. The findings revealed that the variable had a Cronbalch alpha value of 0.838 and therefore deemed reliable as indicated below.

Table 4.3: Reliability Statistics For Variable Of Board Composition

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach's Alpha</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Composition</td>
<td>.838</td>
<td>7</td>
</tr>
</tbody>
</table>

4.3.3 Correlation of Board Composition On Financial Management

To analyse and establish the relationship between the dependent and independent variable a pearson correlation was done between the combined variable of financial management
(dependent variable) and combined variable of Board Composition as shown in table 4.4. The findings show that there was a strong positive correlation board composition=109, (β=0.7, p<0.01). This implies that with every positive change in board composition there is a positive change in financial management.

Table 4.4: Correlation of Board Composition and Financial Management

<table>
<thead>
<tr>
<th>Variable</th>
<th>Financial Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Management</td>
<td>1</td>
</tr>
<tr>
<td>Board Composition</td>
<td>110</td>
</tr>
<tr>
<td></td>
<td>.700**</td>
</tr>
<tr>
<td></td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>110</td>
</tr>
</tbody>
</table>

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

4.3.4 Regression between Board Composition and Financial Management

A regression analysis done between board composition and Financial Management and the R square value was 0.489 implying that 48.9% of the variation in financial management was caused by the variations in board composition as shown in table 4.5

An analysis of the ANOVA show that the F value was 103.487 (p<0.01), and therefore significant. This implies that there is a linear relationship between board composition and financial management. An analysis of the coefficients revealed that on regression financial management was positive although not significant (p=0.831).

The linear equation Y=B_0+B_1X_1 is established where Y= financial management; X_1= Board composition; B_0, B_1 Constants.

Y=0.042+0.942 X_1
Table 4.5: Regression between Board Composition and Financial Management

<table>
<thead>
<tr>
<th>Model</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>R Square Change</td>
</tr>
<tr>
<td>1</td>
<td>.700a</td>
<td>.489</td>
<td>.485</td>
<td>.76476</td>
</tr>
</tbody>
</table>

ANOVAa

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>60.526</td>
<td>1</td>
<td>60.526</td>
<td>103.487</td>
<td>.000a</td>
</tr>
<tr>
<td>1 Residual</td>
<td>63.165</td>
<td>108</td>
<td>.585</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>123.691</td>
<td>109</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant) board composition</td>
<td>.042</td>
<td>.196</td>
<td>.214</td>
<td>.831</td>
</tr>
<tr>
<td>1</td>
<td>.942</td>
<td>.093</td>
<td>.700</td>
<td>10.173</td>
</tr>
</tbody>
</table>

4.4 Impact Of Composition Of Board Skills On The Financial Management

The second objective sought to establish the impact of board skills on financial management. Respondents were given a set of statement which they were to rate on a 1 to 5 scale by either 1= Strongly Agree, 2- Agree, 3= Neutral, 4 =Disagree, or 5= Strongly Disagree.

4.4.1 Descriptive on variables Of Board Skills on the Financial Management

The findings revealed that 71% strongly agreed that presence of accounting knowledge is vital in order to improve financial management in schools, 22% agreed (M=1.43). It was also noted that 54% agreed that the board has illustrated governance expertise in the last five year 26% strongly agreed (M=2.02). It was also established that 42% agreed that tenure of board member affected financial management in schools, 15% strongly agreed (M=2.73). It was also revealed that 65% strongly agreed that they have all information on projects undertaken by the school (M=1.50).

A majority accounting for 29% agreed that they have experiences cases of projects not being successful while 28% were either neutral or strongly disagreed (M=3.42). It was also noted that 285 agreed that the board has professional who assist in managing
financial, 29% disagreed while 22% strongly agreed (M=2.70). To analyse whether firms outsource accountants to resolve operational financial, and compliance related business issues however 28% were neutral, 22% either disagreed or strongly disagreed (M=3.30).

Table 4.6: Descriptive on variables Of Board Skills on the Financial Management

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presence of accounting knowledge is vital in order to improve financial management in schools</td>
<td>71</td>
<td>22</td>
<td>0</td>
<td>7</td>
<td>0</td>
<td>1.43</td>
<td>.829</td>
</tr>
<tr>
<td>The board has illustrated governance expertise in the last five year tenure of board member affects financial management in schools</td>
<td>26</td>
<td>54</td>
<td>13</td>
<td>7</td>
<td>0</td>
<td>2.02</td>
<td>.828</td>
</tr>
<tr>
<td>We have all information on projects undertaken by the school</td>
<td>15</td>
<td>42</td>
<td>15</td>
<td>16</td>
<td>12</td>
<td>2.73</td>
<td>1.292</td>
</tr>
<tr>
<td>We have experiences cases of projects not being successful</td>
<td>65</td>
<td>28</td>
<td>0</td>
<td>7</td>
<td>0</td>
<td>1.50</td>
<td>.832</td>
</tr>
<tr>
<td>The board has professional who assist in managing financial</td>
<td>0</td>
<td>29</td>
<td>28</td>
<td>15</td>
<td>28</td>
<td>3.42</td>
<td>1.184</td>
</tr>
<tr>
<td>We outsource accountants to resolve operational financial, and compliance related business issues</td>
<td>22</td>
<td>28</td>
<td>15</td>
<td>29</td>
<td>6</td>
<td>2.70</td>
<td>1.275</td>
</tr>
</tbody>
</table>

4.4.2 Reliability of variable of Board Skills

A reliability test was done by use of chronbalch alpha, and according to Sekaran (2008) a value of 0.7 and above is deemed appropriate. The findings revealed that the variable had a Chronbalch alpha value of 0.739 and therefore deemed reliable as indicated below.

Table 4.7: Reliability Statistics for Variable of Board Composition

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach's Alpha</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Skills</td>
<td>.739</td>
<td>5</td>
</tr>
</tbody>
</table>

4.4.3 Correlation of Board Skills and Financial Management

To analyse and establish the relationship between the dependent and independent variable a pearson correlation was done between the combined variable of financial management (dependent variable) and combined variable of Board skills as shown in table 4.7. The findings show that there was a strong positive correlation board composition=109,
\(\beta=0.808, \ p<0.01\). This implies that with every positive change in board skills there is a positive change in financial management.

**Table 4.8: Correlation of Board Composition and Financial Management**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Financial Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Management</td>
<td>1</td>
</tr>
<tr>
<td>Board Composition</td>
<td>110</td>
</tr>
<tr>
<td></td>
<td>.808**</td>
</tr>
<tr>
<td></td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>110</td>
</tr>
</tbody>
</table>

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

**4.4.4 Regression between Board Skills and Financial Management**

A regression analysis done between board skills and Financial Management and the R square value was 0.653 implying that 65.3% of the variation in financial management was caused by the variations in board skills as shown in table 4.9

An analysis of the ANOVA show that the F value was 202.967 \((p<0.01)\), and therefore significant. This implies that there is a linear relationship between board skills and financial management. An analysis of the coefficients revealed that on regression financial management was negative although significant \((p=0.000)\).

The linear equation \(Y=B_0+B_1X_1\) is established where \(Y= \) financial management; \(X_1=\) Board skills; \(B_0, B_1\) Constants.

\[Y=-2.154+1.657 \ X_1\]
<table>
<thead>
<tr>
<th>Model</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>R Square Change</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>F Change</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>df1, df2, Sig. F</td>
</tr>
<tr>
<td>1</td>
<td>.808a</td>
<td>.653</td>
<td>.649</td>
<td>.63068</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>202.967</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.000</td>
</tr>
</tbody>
</table>

**ANOVAa**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>80.733</td>
<td>1</td>
<td>80.733</td>
<td>202.967</td>
<td>.000</td>
</tr>
<tr>
<td>1</td>
<td>Residual</td>
<td>108</td>
<td>.398</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>123.691</td>
<td>109</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>-2.154</td>
<td>.290</td>
<td>-7.423</td>
</tr>
<tr>
<td></td>
<td>board Skills</td>
<td>1.657</td>
<td>.116</td>
<td>.808</td>
</tr>
</tbody>
</table>

### 4.5 Impact Of Corporate governance On The Financial Management

The last objective sought to establish the impact of corporate governance on financial management. Respondents were given a set of statement which they were to rate on a 1 to 5 scale by either 1= Strongly Agree, 2- Agree, 3= Neutral, 4 =Disagree, or 5= Strongly Disagree.

#### 4.5.1 Descriptive Of Variables of Corporate Governance

The findings revealed that 44% strongly agreed that management and board of director’s are efficient and have capacity to perform their duties properly, 21% agreed and were neutral about the matter (M=2.14). It was also established that 50% agreed that they have set rules and policies that generate information on roles and responsibilities, 29% strongly agreed (M=2.06). It was also established that 44% strongly agree that they are able to effectively manage issues of procurement, allocation and control of financial resources. It was also established that 29% disagreed that they have difficulties in managing large volumes of paper work, 22% strongly disagreed (M=3.31).

Also 51% strongly disagreed that new members feel intimidated by the presence of other members who seem knowledgeable (M=4.24). In addition, 50% disagreed that they have
faced a lack of the necessary knowledge and skills for financial management (M= 3.95).
It was also established that many disagreed (29%) that the lack of collaboration between the principal and other members has been a challenge however 13% agreed (M=4.04).

Table 4.10: Descriptive Of Variables of Corporate Governance

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management and board of director’s are efficient and have capacity to perform their duties properly</td>
<td>44</td>
<td>21</td>
<td>21</td>
<td>7</td>
<td>7</td>
<td>2.14</td>
<td>1.260</td>
</tr>
<tr>
<td>We have set rules and policies that generate information on roles and responsibilities</td>
<td>29</td>
<td>50</td>
<td>14</td>
<td>0</td>
<td>7</td>
<td>2.06</td>
<td>1.043</td>
</tr>
<tr>
<td>We are able to effectively manage issues of procurement, allocation and control of financial resources.</td>
<td>44</td>
<td>42</td>
<td>7</td>
<td>7</td>
<td>0</td>
<td>1.78</td>
<td>0.871</td>
</tr>
<tr>
<td>We have difficulties in managing large volumes of paper work</td>
<td>14</td>
<td>15</td>
<td>14</td>
<td>29</td>
<td>22</td>
<td>3.31</td>
<td>1.387</td>
</tr>
<tr>
<td>New members feel intimidated by the presence of other members who seem knowledgeable</td>
<td>0</td>
<td>14</td>
<td>0</td>
<td>36</td>
<td>51</td>
<td>4.24</td>
<td>1.004</td>
</tr>
<tr>
<td>We have faced a lack of the necessary knowledge and skills for financial management</td>
<td>0</td>
<td>14</td>
<td>7</td>
<td>50</td>
<td>29</td>
<td>3.95</td>
<td>.956</td>
</tr>
<tr>
<td>lack of collaboration between the principal and other members has been a challenge</td>
<td>0</td>
<td>13</td>
<td>14</td>
<td>29</td>
<td>13</td>
<td>4.04</td>
<td>1.049</td>
</tr>
</tbody>
</table>

4.5.2 Reliability of variable of Corporate Governance

A reliability test was done by use of chronbalch alpha, and according to Sekaran (2008) a value of 0.7 and above is deemed appropriate. The findings revealed that the variable had a Chronbalch alpha value of 0.712 and therefore deemed reliable as indicated below.

Table 4.11: Reliability Statistics for Variable of Board Composition

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach's Alpha</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Governance</td>
<td>.712</td>
<td>6</td>
</tr>
</tbody>
</table>
4.5.3 Correlation of Corporate Governance and Financial Management

To analyse and establish the relationship between the dependent and independent variable a pearson correlation was done between the combined variable of financial management (dependent variable) and combined variable of corporate governance as shown in table 4.12. The findings show that there was a strong positive correlation \( \text{board composition} = 109, (\beta=0.382, \ p<0.01) \). This implies that with every positive change in corporate governance there is a positive change in financial management.

Table 4.12: Correlation of Corporate Governance and Financial Management

<table>
<thead>
<tr>
<th>Variable</th>
<th>Financial Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Management</td>
<td>1</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>110</td>
</tr>
<tr>
<td></td>
<td>.382**</td>
</tr>
<tr>
<td></td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>110</td>
</tr>
</tbody>
</table>

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

4.5.4 Regression between Corporate Governance and Financial Management

A regression analysis done between Corporate Governance and Financial Management and the R square value was 0.146 implying that 14.6\% of the variation in financial management was caused by the variations in corporate governance as shown in table 4.13

An analysis of the ANOVA show that the F value was 18.449 (p<0.01), and therefore significant. This implies that there is a linear relationship between corporate governance and financial management. An analysis of the coefficients revealed that on regression financial management was negative and non-significant (p=0.000).

The linear equation \( Y=B_0+B_1X_1 \) is established where \( Y= \) financial management; \( X_1= \) corporate governance; \( B_0, B_1 \) Constants.

\( Y=-0.639+0.825 \times X_1 \)
### Table 4.13: Regression between Board Composition and Financial Management

<table>
<thead>
<tr>
<th>Model</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>R Square Change</td>
</tr>
<tr>
<td>1</td>
<td>.382a</td>
<td>.146</td>
<td>.138</td>
<td>.98903</td>
</tr>
</tbody>
</table>

**ANOVAa**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>18.046</td>
<td>1</td>
<td>18.046</td>
<td>18.449</td>
<td>.000a</td>
</tr>
<tr>
<td>Residual</td>
<td>105.644</td>
<td>108</td>
<td>.978</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>123.691</td>
<td>109</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>-.639</td>
<td>.596</td>
<td>-1.071</td>
<td>.286</td>
</tr>
<tr>
<td>1 Corporate governance</td>
<td>.825</td>
<td>.192</td>
<td>.382</td>
<td>4.295</td>
</tr>
</tbody>
</table>

#### 4.6 Financial Management

To analyse the dependent variable (Financial management) respondents were given a set of statement which they were to rate on a 1 to 5 scale by either 1= Strongly Agree, 2=Agree, 3= Neutral, 4 =Disagree, or 5= Strongly Disagree.

#### 4.6.1 Descriptive on variables of Financial Management

The findings revealed that 57% strongly agreed that all invoices stamped were recorded into the system correctly, and clearly marked for account code assignment, 36% agreed (M=1.65), in addition 51% strongly agreed that the accounting policy and procedure manual is updated regularly, 21% agreed and 14% disagreed (M=2.05). It was also noted that 37% strongly agreed that procedures exist to ensure that only authorized persons can alter or establish a new accounting policy or procedure to be used by the entity, 305 agreed while 14% neither agreed or disagreed (M=2.13). It was also noted that 44% strongly agreed that there are written policies and procedures covering all routine financial management and related administrative activities, 49% agreed (M=1.78)
Table 4.14: Descriptive on variables of Financial Management

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are all invoices stamped are recorded into the system correctly, and clearly marked for account code assignment</td>
<td>57</td>
<td>36</td>
<td>0</td>
<td>0</td>
<td>7</td>
<td>1.65</td>
<td>1.054</td>
</tr>
<tr>
<td>The accounting policy and procedure manual is updated regularly</td>
<td>51</td>
<td>21</td>
<td>7</td>
<td>14</td>
<td>7</td>
<td>2.05</td>
<td>1.340</td>
</tr>
<tr>
<td>Procedures exist to ensure that only authorized persons can alter or establish a new accounting policy or procedure to be used by the entity</td>
<td>37</td>
<td>30</td>
<td>14</td>
<td>7</td>
<td>7</td>
<td>2.13</td>
<td>1.233</td>
</tr>
<tr>
<td>There are written policies and procedures covering all routine financial management and related administrative activities</td>
<td>44</td>
<td>49</td>
<td>0</td>
<td>0</td>
<td>7</td>
<td>1.78</td>
<td>1.026</td>
</tr>
</tbody>
</table>

4.6.2 Regression of Board Composition, Board Skills, Corporate Governance, And Financial Management

To analyse and establish the relationship between the dependent variable (financial management) and independent variables (board composition, board skills, and corporate governance), a regression analysis was done between the combined variable of the factors as shown in table 4.15.

The R square value was 0.777 implying that 77.7% of the variation in financial management was caused by the variations in board composition, board skills, and corporate governance.

An analysis of the ANOVA show that the F value was 122.995 (p<0.01), and therefore significant. This implies that there is a linear relationship between financial management and independent variables (board composition, board skills, and corporate governance).

An analysis of the coefficients revealed that on regression all the variables were significant (p<0.05).

The linear equation \( Y = B_0 + B_1 X_1 + B_2 X_2 + B_3 X_3 + \epsilon \) was established

Where: \( Y = \) financial management; \( X_1 = \) board composition; \( X_2 = \) board skills, and \( X_3 = \) corporate governance; \( B_0, B_1, B_1 \) Constants. \( \epsilon \) = Error Term

Substituting the factors result into the equation.

\[ Y = -2.716 + 0.568 X_1 + 1.107 X_2 + 0.257 X_3 + 0.510 \]
This implies that holding all factors constant there is a decline of financial management in public secondary schools in Siaya County, however with every unit increase in board composition, board skills, and corporate governance, financial management increases.

**Table 4.15: Regression of Board Composition, Board Skills, Corporate Governance, and Financial Management**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of Estimate</th>
<th>Change Statistics R Square Change</th>
<th>F Change</th>
<th>df1</th>
<th>df2</th>
<th>Sig. F Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.881&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.777</td>
<td>.771</td>
<td>.51030</td>
<td>.777</td>
<td>122.995</td>
<td>3</td>
<td>106</td>
<td>.000</td>
</tr>
</tbody>
</table>

**ANOVA<sup>a</sup>**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig. F Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>96.087</td>
<td>3</td>
<td>32.029</td>
<td>122.995</td>
<td>.000&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
<tr>
<td>Residual</td>
<td>27.603</td>
<td>106</td>
<td>.260</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>123.691</td>
<td>109</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>-2.716</td>
<td>.331</td>
<td>-8.215</td>
<td>.000</td>
</tr>
<tr>
<td>board composition</td>
<td>.568</td>
<td>.074</td>
<td>.422</td>
<td>7.673</td>
</tr>
<tr>
<td>board skills</td>
<td>1.107</td>
<td>.127</td>
<td>.540</td>
<td>8.733</td>
</tr>
<tr>
<td>corporate governance</td>
<td>.257</td>
<td>.115</td>
<td>.119</td>
<td>2.227</td>
</tr>
</tbody>
</table>

<sup>a</sup> Dependent Variable: financial management

4.7 Chapter Summary

This chapter presents that results and findings from the data analysis done, the of the study was to establish the impact of the board composition, board skills and how corporate governance principles impacts the financial management of public secondary schools in Siaya county. To achieve this study utilised descriptive statistics such as mean, percentages and standard deviation to show the distribution of the variables. In addition to analyse the relationship between the dependent variable (financial management) and independent variables (board composition, board skills, and corporate governance), a
correlation and regression analysis was done between the combined variable of the factors.

The next chapter will bring forth the discussion and recommendation in line with the findings achieved from this chapter.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the discussion, conclusion and recommendation to be addressed with regard to the objectives of the study which is to establish the impact of the board composition, board skills and how corporate governance principles impacts the financial management of public secondary schools in Siaya county. This section compares the findings to previous scholarly works cited in the literature review. This section also draw recommendation for this study and for further studies related to the topic.

5.2 Summary of Findings

This study sought to investigate the impact of corporate governance on financial management of public secondary schools in Kenya. The specific objectives of the study were to: To establish the impact of the board composition on financial management of secondary schools, to establish the composition of board skills on the financial management of public secondary schools, and to analyse how the application of corporate governance principles impacts the financial management of public secondary schools.

This study was undertaken among the 41 secondary schools in Siaya County the target population comprised of 205 respondents who were either Chairman, Treasures, parent teacher association member, board of governor member or auditor in the respective institution. Using stratified sampling a sample size of 137 was arrived at although only 110 responded giving an 80% response rate which was considered sufficient. Questionnaires was used as a data collection tool and using SPSS version 20, the descriptive and inferential statistics was computed.

The analysis revealed that majority were aware of budgeting practices in schools and as board member, they oversee supply chain management, movable asset management and control. It was also noted that the members prioritise on use of scarce resources to ensure effective stewardship over public money and assets and most of the respondents were actively involved in planning and implementation of the financial plan, accounting and reporting on funds management. Many also agreed that as a board they review and ratify
proposals submitted by management without being influenced, and they have managed to detect problems and troubles before the school is exposed. Members also agreed that the composition of the board influenced the performance of the school. A positive correlation was established thus a positive change in board composition led to a positive change in financial management.

The findings also revealed that presence of accounting knowledge was vital in order to improve financial management in schools and the board had illustrated governance expertise in the last five year. It was also established tenure of board member affected financial management and all members had information on projects undertaken by the school. There was uncertainty of schools experiencing cases of projects not being successful while many agreed that the board has professional who assist in managing financial, and uncertainty loomed on whether schools outsource accountants to resolve operational financial, and compliance related business issues. Positive correlation revealed that with every positive change in board skills there is a positive change in financial management

Lastly the findings revealed that management and board of director’s are efficient and have capacity to perform their duties properly and it was also established that there are set rules and policies that generate information on roles and responsibilities. The members were also found to be able to effectively manage issues of procurement, allocation and control of financial resources although there was no clear response on difficulties in managing large volumes of paper work. Many disagreed that the lack of collaboration between the principal and other members has been a challenge. Positive correlation revealed that with every positive change in corporate governance there is a positive change in financial management.

5.3 Discussion
5.3.1 Impact of Board Composition on Financial Management
The analysis revealed that majority were aware of budgeting practices in schools and the board member oversee supply chain management, movable asset management and control. Similar findings were put forth by Burger (2008) who noted that financial management practices involved issues such as budgeting, supply chain management, movable asset management and control as the four areas of financial management
practices that needs to be analysed in order to have sound financial management, be it in the public or private sector.

It was also noted that the members prioritise on use of scarce resources to ensure effective stewardship over public money and assets. Burger (2008) established that in the public sector, financial management concentrates on the prioritizing and use of scarce resources, on ensuring the institutions achieve their objectives. Correia, Flynn, Uliana and Wormald, (2003) also established that financial management forms the core operations of any organisation. Most of the respondents were actively involved in planning and implementation of the financial plan, accounting and reporting on funds management. According to Pere and Buseni (2013) school financial management as a function entails issues such as planning and implementation of a financial plan, accounting, reporting and the protection of assets from loss, damage and fraud. Pere and Buseni (2013) add that schools can always adjust their financial control with inner regulations. The school directors are always accountable for the establishment of interior controls and auditing. The main products of economic control are the financial plan and the annual document.

Many also agreed that as a board they review and ratify proposals submitted by management without being influenced. Other studies have stated that the board is recognized as a principal internal governance mechanism (Brennan, 2006), as it keeps tab and oversees management, providing them with strategic plans, guidance and support on an on-going basis. The board also reviews and ratifies, if necessary, any proposals submitted by management (Jonsson, 2005). The study established that board members have managed to detect problems and troubles before the school is exposed. Zahra and Pearce (1989) established that with the presence of the board, a firm’s performance is inevitably enhanced with the enactment of legally binding accountabilities and fiduciary obligations. Problems and troubles that a firm may be exposed to could be detected with the assistance of the Board’s expertise (Salmon, 1993).

Members also agreed that the composition of the board influenced the performance of the school. Denis and Sarin (1999) in their study found out that the distinctions in ownership and board structures are interrelated. Distinctions in ownership and board structures are intensely linked to top executive turnover, preceding share price performance and corporate control coercions. Dehaene et al. (2001) found a positive association between the number of external directors and return on equity, which concurs to the idea that
outside directors offer greater assistances to the firm as a consequence of their individuality from firm management. This is supported by Dahya and McConnell (2003), who indicate that investors perceive external CEOs as good news. Additionally, Lee et al. (1999) establish that the employment of an external director to the board of a state-owned corporation is linked to positive abnormal returns amongst the moderate sized companies. These companies possibly have inadequate contact to financial markets and less financial know-how, thus have considerable advantage from these engagements.

The positive correlation was established thus a positive change in board composition led to a positive change in financial management. Chen and Jaggi (2000) discovered a significant positive association between the proportion of independent non-executive directors and financial disclosures. This suggests that the inclusion of such directors on boards increases the firm’s amenability with disclosure, thus improving the completeness. In short, independent non-executive directors are pivotal for checking board actions and enlightening the transparency of corporate boards. In contrary, Agrawal and Knoeber (1996) find a significant negative relationship between external board members and firm performance. This is reinforced by the findings of Bhagat and Black (1999), who argues that firms with a majority of external directors are worse off than other firms. These studies indicate that independent non-executive directors do not automatically possess positive influence on firm performance, suggesting that these independent non-executive directors may not be executing their roles effectively.

5.3.2 Effect Composition of Board Skills on the Financial Management

The findings also revealed that presence of accounting knowledge was vital in order to improve financial management in schools. To monitor the financial reporting process, the directors must have accounting knowledge, in order to control manipulation and to make information more transparent. Empirical studies also show that financial expertise is an important determinant of quality financial statement. The findings of Agrawal and Chadha (2005) on the US firms highlighted the importance of accounting knowledge among the outside directors in reducing the probability of financial restatements only if they had financial expertise. Very few studies have explored a financial expertise on the board, as they focused mainly on the financial expertise of the audit committee. Overall, the empirical evidence showed that directors must have financial expertise, otherwise it may impair the directors’ ability to monitor the management, thus, makes it unable to
detect irregularities in the financial reports. It is expected that a higher proportion of financial expertise on the board is associated with more conservatism, because the financially literate directors understand and appreciate the merit of conservatism in reducing agency conflict.

The finding from the board had illustrated governance expertise in the last five years. The board also needs governance expertise, this refers to the experience obtained from the directors’ participation on the board of other firms, which deepens their knowledge in solving various problems. Fama and Jensen (1983) suggested that outside directors developed reputational effects which reflected on them as an expert in decision control. The value of the outside directors primarily depended on their performance as internal managers in other companies, to signal their expertise to the market. There was uncertainty of schools experiencing cases of projects not being successful while many agreed that the board has professional who assist in managing financial, and uncertainty loomed. A number of empirical studies have shown that governance mechanisms with strong attributes are associated with quality financial reports and lower agency conflict. Since conservatism is an important governance tool that can limit agency conflict and improve the value relevance of the reported earnings, it is likely that board members with appropriate skills would demand more conservatism, in order to strengthen the firms’ corporate governance (Ahmed, et al, 2002).

There was however uncertainty on schools outsourcing accountants to resolve operational financial, and compliance related business issues. Previous studies have established that most small business owners hesitate to recruit professional staff for assisting in managing financial, managerial, information technology, and business development aspects of their businesses (Gooderham et al., 2004). Some broad causes of this hesitation include: fear of losing control over business affairs, lack of resources to meet recurring expenses of these professionals, risk of losing business success factors and secrets, and fear of switching loyalties of employees to competitors (Dyer and Ross, 2008). On the other hand, owners usually lack expertise to handling financial management of their business (Mitchell and Reid, 2000). Their inexperience, opportunistic behaviour, and lack of expertise in understanding financial management, affect their firms’ business performance (Perren and Grant, 2000).
5.3.3 Effect of Corporate Governance Principles On Financial Management

Lastly the findings revealed that management and board of director’s are efficient and have capacity to perform their duties properly. Khanfar and Mattarneh (2011) adds that financial performance and financial analysis become one of most important areas in cognitive science, its need started after the huge collapses and repression of many companies that took place in late twenties and early thirties, which imposed the need to study companies financial reports content effectively to enable the related and concerned of financial statement know their real performance, and predicting company future. Al-Nu'aimi and Al-Tamimi (2008) established that the financial analysis is one of the most important topics in the operations of the investment, in particular, because of its ability to assist senior managers in the analysis and interpretation of the results of the financial statements in the financial statements.

It was also established that there are set rules and policies that generate information on roles and responsibilities. According to Lisa (2008) corporate governance refers to the set of systems principles and processes by which a company or a corporation is governed. They provide the guidelines as to how the company can be directed or controlled such that it can fulfill its goals and objectives in a manner that adds to the value of the company and is also beneficial for all stakeholders in the long-term stakeholders in this case would include everyone ranging from the board of directors, management, shareholders to customers, employee to society. Cheng and Townsend (2000) adds that to cope with the challenges from rapidly changing environment in 1990s and 21st century numerous educational reforms and schools restructuring movements have been implemented to pursue educational effectiveness and school development not only in developed countries but globally.

The members were also found to be able to effectively manage issues of procurement, allocation and control of financial resources. Magdi (2000) has corporate governance involves making guidelines, rules and policies that generate information on roles and responsibilities, in the case of preschool inputs, outputs or outcomes and disseminate that information to local level stakeholders. Al-Khalayla (2012) findings reveal that financial management means the efficient and effective management of money (funds) in such a manner as to accomplish the objectives of the organization. It includes how to rise to capital how to allocate it i.e. capital budgeting. Not only about long term budgeting but
also how to allocate the short term resources like current assets. It also deals with the dividend policies of the shareholders. Generally financial management is concerned with procurement, allocation and control of financial resources of a concern.

There was no clear response on difficulties in managing large volumes of paper work. This contradicts Mabasa and Themane (2002) report that school governing bodies are not trained before they start their work and this manifests in problems such as unfamiliarity with meeting procedures, This can be attributed to irrelevant and inadequate training of SGB members, which does not really address the core functions of school governance. In this regard, Maile (2002) contends that illiteracy among SGB members, especially parent-governors, may contribute to their own inefficiency and argues that this is possible because illiteracy precludes parents from accessing relevant information. To this end and in relation to the problem of illiteracy, Van Wyk (2004) points out that many SGBs, particularly in less advantaged areas, do not have the required skills and experience to exercise their powers. Another governance challenge is that of allegiance to constituencies.

5.4 Conclusion

5.4.1 Impact of the Board Composition On Financial Management

As per the findings secondary schools in Siaya have in place budgeting practices that board members are aware of. In addition as a form of transparency the board oversee supply chain management, and movable asset management and control. So as to achieve efficiency members prioritise on use of scarce resources to ensure effective stewardship over public money and assets. In addition, the members are actively involved in the various processes of financial management such as the planning, implementation, planning as well as accounting and reporting on funds management.

5.4.2 Effect Composition Of Board Skills On The Financial Management

As per the findings it is advisable to ensure that board members possess the vital accounting knowledge so as to be able to improve financial management in schools. At the same time it is advisable to have in place a stipulated period by which members can hold the position so as to not jeopardize financial management in the institutions.
Availability of information is considered important so as to keep all members on track of the happenings in the institutions.

5.4.3 Effect Of Corporate Governance Principles On Financial Management

It is vital for the management and board of director’s to be given the support necessary for them to perform their functions efficiently, and to ensure this is achieved there is set rules and policies that generate information on roles and responsibilities. Collaboration between the principal and other members is also considered very necessary so as to ensure efficient financial management.

5.5 Recommendation

5.5.1 Recommendation for Improvement

5.5.1.1 Impact of the Board Composition on Financial Management

Board members need to adopt use of technology in budgeting practices and overseeing supply chain management and asset management and control. The board also need to maintain effective stewardship over institutions funds and assets. Issues of integrity should be continuously addresses to guarantee smooth operation of the institutions. The body also needs to ensure that there is a well-balanced composition of the board in terms of education and experience as such attributes play a huge role in influencing the performance of the school.

5.5.1.2 Effect Composition of Board Skills on the Financial Management

When assigning roles the member’s in charge of financial matters need to ensure that they have the required accounting knowledge to perform their finance roles effectively. The tenure of the members should be a reasonable one to allow for new members and new ideas. There is a need to undertake thorough audit of the projects so as to be able to establish failure and success rates and make the necessary adjustments where possible.

5.5.1.3 Effect of Corporate Governance Principles on Financial Management

Board of director’s need to be efficient and have the necessary capacity to perform their duties properly in addition, the rules and policies should be shared with all to minimize clash of roles. There should also be an increased collaboration between the principal and
other members so as to ensure the financial objectives of the schools for effective operations.

5.5.2 Recommendation for Further Studies

This study focused on public secondary schools in Siaya County and so to be able to generalize the findings there is a need to extend this study to other counties in Kenya. Similar studies also need to be done in private schools so as to be able to compare with the findings and come up with the necessary policies for effective fund management.
REFERENCES


Bhagat and Black (2000)


European Commission (2010), *more women in senior positions key to economic stability and growth*. Publications office of the EU, Luxembourg


APPENDIX I: QUESTIONNAIRE

This questionnaire aids to assists in data collection for academic purpose. The research intends to give an analysis on effectiveness of corporate governance on financial management of public secondary schools in Kenya. All information obtained, was handled with high level of confidentiality. Do not incorporate identification or names in the questionnaire.

Please answer every question as in outlined by using either a cross(x) or (ticking) in the option that applies.

SECTION A: DEMOGRAPHIC FACTORS

Please tick the most appropriate answer (√ )

1. Age
   - Below 25 yrs
   - 25-30yrs
   - 30-39yrs
   - 40 yrs and Above

2. Gender
   - Male
   - Female

3. What is your highest education level?
   - Certificate
   - Diploma
   - Degree
   - Masters
   - PHD

4. How long have been a board member in this organization?
   - Less than 1 year
   - 2-4 years
   - above 5 years
SECTION B: Impact of the Board Composition on Financial Management.

Please indicate your opinion as per the level of disagreement or agreement with the outline statement using 1 to 5 scale guideline. 1= Strongly Agree 2- Agree, 3= Neutral, 4 =Disagree, 5= Strongly Disagree

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<tbody>
<tr>
<td>I am aware of budgeting practices in this school,</td>
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<tr>
<td>As a board member, I oversee supply chain management, movable asset management and control</td>
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<td>We prioritise on use of scarce resources to ensure effective stewardship over public money and assets</td>
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<td>I am actively involved in planning and implementation of the financial plan, accounting and reporting on funds management</td>
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<td>As a board we review and ratify proposals submitted by management without being influenced</td>
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<td>We have managed to detect problems and troubles before the school is exposed</td>
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<td>The board composition has an influence on the performance of the school</td>
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SECTION C: Board Skills and Financial Management

Please indicate your opinion as per the level of disagreement or agreement with the outline statement using 1 to 5 scale guideline. 1= Strongly Agree 2= Agree, 3= Neutral, 4 =Disagree, 5= Strongly Disagree

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<tbody>
<tr>
<td>1. Presence of accounting knowledge is vital in order to improve financial management in schools</td>
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<tr>
<td>2. The board has illustrated governance expertise in the last five year</td>
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<td>3. tenure of board member affects financial management in schools</td>
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<td>4. We have all information on projects undertaken by the school</td>
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<td>5. We have experiences cases of projects not being successful</td>
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<td>6. The board has professional who assist in managing financial</td>
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<td>7. We outsource accountants to resolve operational financial, and compliance related business issues</td>
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**SECTION D:** Application of corporate governance principles

Please indicate your opinion as per the level of disagreement or agreement with the outline statement using 1 to 5 scale guideline. 1= Strongly Agree 2= Agree, 3= Neutral, 4=Disagree, 5= Strongly Disagree

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<tr>
<td>1. Management and board of director’s are efficient and have capacity to perform their duties properly</td>
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<td>2. We have set rules and policies that generate information on roles and responsibilities</td>
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<td>3. We are able to effectively manage issues of procurement, allocation and control of financial resources.</td>
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<td>4. We have difficulties in managing large volumes of paper work</td>
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<td>5. New members feel intimidated by the presence of other members who seem knowledgeable</td>
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<td>6. We have faced a lack of the necessary knowledge and skills for financial management</td>
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<td>7. Lack of collaboration between the principal and other SGB members has been a challenge</td>
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**SECTION E: Financial management**

Please indicate your opinion as per the level of disagreement or agreement with the outline statement using 1 to 5 scale guideline. 1= Strongly Agree 2= Agree, 3= Neutral, 4=Disagree, 5= Strongly Disagree

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<tr>
<td>1. Are all invoices stamped are recorded into the system correctly, and clearly marked for account code assignment</td>
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<td>2. The accounting policy and procedure manual is updated regularly</td>
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<td>3. Procedures exist to ensure that only authorized persons can alter or establish a new accounting policy or procedure to be used by the entity</td>
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<td>4. There are written policies and procedures covering all routine financial management and related administrative activities</td>
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