EFFECT OF BUDGETING DIMENSION ON FINANCIAL MANAGEMENT OF PUBLIC SECONDARY SCHOOLS. A CASE STUDY FROM NYAMIRA, KENYA

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Abstract

The primary aim was to determine the effect of budgeting dimensions on the financial management of public secondary schools in Nyamira County, Kenya. This study utilised a descriptive research design. The study population consisted of all 130 Extra County secondary schools in Nyamira County. A sample of 172 respondents was drawn from 43 Extra County secondary schools. The study employed simple random sampling and purposive sampling techniques to select the necessary respondents, who were the Principals, Deputy Principals, Procurement Officers/Store Keepers and Accountants/ Account Clerks. Data were gathered through questionnaires. The study revealed that the budget dimension had a positive and statistically significant effect on financial management. The study concluded that budgeting practices in public secondary schools are moderately implemented but weak in strategic financial planning and control. The study recommended that schools should consider setting up an active budget committee that meets regularly to review spending patterns and track progress.

Keywords: financial planning, expenditure monitoring, resource utilisation, school administration, fiscal accountability

JEL Classification: M41, I22, H83

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1. Introduction

Inflation and economic growth have a complex relationship, which has been the subject of much debate and research in the field of macroeconomics. As two of the most crucial macroeconomic variables, the interplay between inflation and growth has far-reaching implications for the overall well-being and development of an economy (Barro, 1995; Dornbusch et al., 1996). Understanding this relationship is of paramount importance for policymakers as it informs the formulation of effective monetary and fiscal policies aimed at fostering price stability and sustainable economic growth.

Effective budgeting is a key component of financial management in public secondary schools because it helps institutions plan, allocate, and control the use of financial resources in line with their objectives (Manei & Omagwa, 2019). Through budgeting, schools can identify their income and expenditure needs, prioritize development projects, and ensure that available resources are used efficiently. Sound budgeting practices also promote accountability, transparency, and proper financial planning, which are essential for achieving educational goals and maintaining financial sustainability (Kiriza et al., 2015; Waihenya, 2019).

Despite its importance, many schools continue to experience challenges in budget implementation and control, including weak monitoring systems, inaccurate forecasting, and ineffective budget reviews (Eloundou & Chi, 2023). These weaknesses can lead to poor resource utilization and financial management problems. Therefore, examining the effect of the budgeting dimension on financial management is important in understanding how budgeting practices influence the ability of public secondary schools in Nyamira County to manage their finances effectively, meet their obligations, and support long-term institutional development.

Budgeting also provides a framework for monitoring and evaluating financial performance. By comparing planned expenditures with actual spending, school administrators can identify variances, control unnecessary costs, and make timely corrective decisions. Effective budget monitoring ensures that financial resources are used for their intended purposes and helps schools avoid financial mismanagement, wastage, and accumulation of debts. As a result, schools are better positioned to achieve their operational and development objectives while maintaining financial discipline.

Furthermore, participatory budgeting, which involves department heads and other stakeholders in the budgeting process, enhances ownership and accountability in financial management. When different departments contribute to budget preparation, the resulting budget is more likely to reflect the actual needs and priorities of the school. This promotes efficient resource allocation and improves the overall management of school finances. Therefore, effective budgeting is expected to have a positive influence on the financial management of public secondary schools in Nyamira County by strengthening planning, accountability, expenditure control, and financial sustainability.

Accounting practices are meant to help schools use their resources wisely, keep clear and honest financial records, reduce waste, and make sure everyone is accountable for the money they manage (Manei & Omagwa, 2019; Muhaswa, 2022). Most governments allocate significant financial resources to educational institutions in order to improve their financial management. The Kenyan government has made significant investments in education, allocating between 13.5% and 16.5% of the national budget to the Ministry of Education. Within the ministry's budget, 23% is allocated to public secondary schools (Muthanga, 2017).

Despite the significant financial resources allocated by the Kenyan government to public secondary schools, many schools in Nyamira County continue to experience financial management challenges such as accumulated debts, delayed payments to suppliers, and inadequate funding for essential school operations. Effective budgeting is expected to promote proper financial planning, resource allocation, expenditure control, and accountability. However, the persistence of these financial challenges raises concerns about the effectiveness of budgeting practices in managing school finances and achieving institutional objectives.

Although previous studies have established a positive relationship between accounting practices and financial management, most have focused on general accounting practices rather than the specific role of budgeting in public secondary schools. Furthermore, limited empirical evidence exists on how budgeting influences financial management in public secondary schools in Nyamira County. This knowledge gap necessitates an investigation into the effect of budgeting on financial management to establish whether effective

budgeting practices contribute to improved financial management in public secondary schools within the county.

This study was based on Stewardship Theory, which was proposed by Davis, Schoorman, and Donaldson (1997). The theory posits that managers, rather than being self-interested agents requiring strict control, are actually stewards who are intrinsically motivated to act in the best interests of the organisation (Salomonsen et al., 2024). It explains how school administrators and finance officers can contribute to effective financial management through responsible budgeting practices. The theory assumes that individuals entrusted with managing organisational resources are motivated to act in the best interests of the institution by prioritising organisational goals over personal interests. In the context of public secondary schools, this means that school leaders are expected to prepare realistic budgets, allocate resources efficiently, and ensure that expenditures align with the schools' objectives.

2. Literature review

Mulani et al. (2015) identified the need to investigate the impact of the budgetary process on the performance of small and medium enterprises (SMEs) in India. The study employed a descriptive research approach and selected a sample of 268 enterprises from the small and medium-sized enterprise (SME) sector in India. The sample was chosen from three districts: Mumbai, Pune, and Solapur. The required information was collected via a questionnaire. The study found a direct correlation between company success and budgeting procedures among the small and medium-sized enterprises (SMEs) examined. The study found that setting challenging yet attainable goals enhances employee motivation in achieving budget objectives and improves the performance of small and medium-sized enterprises (SMEs). Additionally, implementing a formal and stringent control mechanism for the budgetary process tends to increase firm performance in the Indian SME sector.

Fauzan et al. (2019) examined the impact of budgeting quality and human resource competency on school financial performance in Indonesia, with information technology serving as a moderating variable. This study employed a quantitative method and utilized a descriptive research design. The data were examined using inferential statistics with the assistance of SPSS. The study provided compelling evidence to support the notion that the quality of budgeting, financial

human resources competence in the school, and information system all have a significant positive impact on the school's financial performance, either independently or in combination. Additionally, the study found that information technology plays a crucial role in moderating the influence of budget quality on school financial performance. However, it was also noted that information technology does not have a substantial impact on mitigating the influence of budget quality on school financial performance.

In their study, Mahroqi and Matriano (2021) investigated the impact of budgetary controls on the financial performance of Oman Telecommunication Company. The study aimed to evaluate the impact of budgetary control on the financial performance of the Oman Telecommunications Company. Additionally, it sought to confirm the efficacy of budgetary control techniques within the company, taking into account the support and involvement of top management in implementing these techniques. The study employed a survey research design. The data was collected by a questionnaire and evaluated utilizing methods such as frequency distribution, correlations, and regression analysis. The findings demonstrated a direct correlation between budgetary control and the financial performance of the company. Additionally, the study revealed the varying effects of different budgetary control techniques, the company's utilization of variance analysis and accounting responsibility, and the significance of budgetary control procedures.

Agbenyo et al. (2018) studied the impact of budgeting on the financial performance of manufacturing firms listed on the Ghana Stock Exchange. They used evidence from these enterprises to support their conclusions. The study aimed to analyse the functions of budgeting in manufacturing companies and determine the impact of budgeting on the financial performance of manufacturing enterprises in Ghana. The study utilised a cross-sectional research design and employed accessible sampling approaches to choose a sample of 51 respondents. The data were collected using a structured questionnaire. Correlation was utilised to determine the connection between budgeting and financial performance. The study revealed a robust positive association between budgeting and financial performance.

In their study, Wamungu (2023) examined how budgeting methods impact the financial performance of the hospitality sector in Rwanda. The study aimed to analyse the impact of participatory budgeting, corporate budgeting, incremental budgeting, and activity-

based budgeting on the financial performance of Nobleza Hotel & Shami Appart's Hotel. This study employed a descriptive research design, focusing on a sample of 60 employees. The study utilised the Statistical Package for Social Sciences (SPSS) to gather and analyse both primary and secondary data. The findings of the study revealed that The study revealed that budget control is a process that acknowledges the necessary budgeting skills for making better decisions. It identifies crucial financial indicators for the business and determines how and when to monitor them. Budget control also recognises sources of financial and business information that provide insights into business and financial strategies when converted into budgets. It helps interpret budgets and performance measurements as communication tools and ultimately assists in thinking proactively beyond budgeting. Additionally, budget control saves management time by utilizing exceptional guidance.

Mutungi (2017) conducted an empirical study that examined the impact of budgeting and budgetary management on the financial performance of devolved government. The study aimed to examine the impact of budgeting and budgetary control, managerial performance, and county regulation on the financial performance of county governments. A descriptive research design was implemented. An investigation was conducted on a sample of 29 counties, and the resulting data were evaluated using SPSS. The study expressed concern over the difficulties faced by County governments in implementing their budgets. These challenges included a failure to adhere to the specified timelines outlined in the Public Finance Management Act of 2012. Additionally, the study highlighted that the office of the controller of budgets conducts a review of budget implementation every three months to assess performance. Furthermore, it was noted that the county government's budget at the planning stage takes into account the priorities of stakeholders for the upcoming year and aligns budget activities with set goals and targets. The study found a robust positive correlation between budgeting, budgetary management, and financial performance.

Mbogo et al. (2021) conducted a study on the impact of budgeting procedures on the financial performance of small and medium manufacturing firms in Nairobi County, Kenya. The study aimed to strategically plan for cash flows, effectively control cash flows, allocate resources, coordinate activities, and monitor the financial position in order to enhance the financial performance of small and

medium manufacturing enterprises. In order to accomplish this, the study employed a descriptive research design to gather data from a sample of 156 small and medium-sized enterprises (SMEs) that were chosen through the use of a simple random sampling procedure. Data were collected via a questionnaire and subsequently analysed using structural equation modelling. The findings showed that implementing budgeting methods has a favourable and significant impact on the financial performance of small and medium-sized enterprises (SMEs) in the manufacturing sector.

Ngumi and Njogo (2017) sought to determine the impact of budgeting procedures on the financial performance of insurance companies in Kenya. The study utilised a descriptive research design. Among the 45 insurance and reinsurance companies registered by 2010, a sample of 23 insurance companies was chosen for analysis. Convenience sampling was used, and their secondary data were analysed using the Statistical Package for the Social Sciences (SPSS Version 17.0) and Stata version 13 to analyse the panel data. The study found that capital expenditure variation, operations expenditure variance, and human resource variance had a negative relationship with performance, but income variance and performance (ROI) had a positive and significant relationship.

Okotchi et al. (2020) examined how the financial process impacts the performance of County Governments in Kenya. The study aimed to assess the impact of budgetary participation, budgetary control, and budget planning on the performance of Trans Nzoia County. The study utilised a descriptive survey research approach and included all 72 employees in the survey. The study collected data through a survey and analysed it using descriptive and inferential statistics. The study's findings indicate that participation increases a subordinate's trust, sense of control, and ego-involvement with the organisation. This, in turn, leads to greater acceptance and commitment to the budget decisions, resulting in improved performance. Additionally, the study suggests that opinions and proposals from members of the public regarding the budget are taken into consideration during its development. The results also indicated that budgeting offers insights into funding and accountability. Additionally, a majority of the participants agreed that senior management should take into account other factors that affect the connection between budget participation and managers' performance in order for it to have a meaningful and significant effect.

Financial management is widely seen as an important factor in how well organisations perform across different sectors, including schools, businesses, NGOs, healthcare institutions, and government agencies. Research shows that when organisations apply good financial practices such as budgeting, proper record-keeping, strong internal controls, and effective cash flow management, they tend to use their resources more efficiently and remain accountable (Adeyemi & Oboh, 2018; Mukulu et al., 2015; Karanja & Mwangi, 2017). In public secondary schools, this means good financial management helps schools meet their financial needs and run operations smoothly, while weak systems often lead to wasted funds, delayed payments, and overall poor performance (Kamau & Muthoni, 2019).

Even with this understanding, many organizations still struggle with financial management due to challenges such as limited financial skills, weak control systems, and poor monitoring of funds (Mensah & Adjei, 2020; Mwila, 2018). Most of the available studies also tend to focus on general financial management practices rather than looking closely at specific accounting areas like inventory management in secondary schools. This leaves a gap in understanding how these specific practices affect financial management in schools. As a result, there is need for further research to better understand how different accounting practices influence financial management in public secondary schools.

3. Methodology and data

This study adopted a descriptive research design to examine the effect of the budgeting dimension on the financial management of public secondary schools in Nyamira County, Kenya. The target population comprised 130 Extra County public secondary schools registered by the Ministry of Education. Respondents included principals, deputy principals, accountants, and procurement/store officers because of their direct responsibility for budgeting and financial management within their schools. A sample of 172 respondents was selected from 43 schools using appropriate sampling procedures. Data were collected through a structured questionnaire developed from previous studies and adapted to the public secondary school context. All questionnaire items were rated on a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree).

The questionnaire captured two main constructs: budgeting and financial management. Budgeting was assessed through eight

statements covering departmental involvement in budget preparation, consideration of departmental priorities, preparation of departmental budgets, inclusion of both development and recurrent expenditures, existence of short- and long-term budget plans, budget spending controls, budget variance analysis, and regular review of budget performance by a budget committee. Financial management was measured using seven statements relating to alignment of budgets with school development plans, growth of the school's asset base, adequacy of school fees to meet operating costs, use of well-prepared budgets, collection of school fees, timely recovery of outstanding fees, and availability of sufficient cash to meet financial obligations. Before the main survey, the questionnaire was piloted in schools outside the study sample. Reliability was evaluated using Cronbach's alpha, with all constructs recording values above 0.70, while content and construct validity were established through expert review, the Content Validity Index, and factor analysis.

The data were coded and analysed using SPSS version 22. Descriptive statistics, including frequencies, percentages, means, and standard deviations, summarised the findings. Pearson's correlation and simple linear regression analyses were then performed to examine the relationship between budgeting and financial management and to determine the influence of budgeting on financial management at a 5% level of significance.

4. Results

4.1 Demographic characteristics

The study achieved a very strong response rate of 97.1%, which is more than adequate for analysis and drawing reliable conclusions. Based on Babbie (2013), this is considered an excellent response rate, meaning the findings are dependable. The respondents were fairly balanced by gender, with 56% female and 44% male, showing that both men and women participated in providing views on the topic.

In terms of age, most respondents were 50 years and above (64.7%), followed by those aged 40-49 years (25.1%), while only a small number were aged 30-39 years (7.2%) and 20-29 years (3.0%). This shows that the study mainly reflects the views of older and more experienced individuals. In terms of education level, most respondents had a Bachelor’s degree or higher (68.1%), followed by Diploma

holders (17.5%), CPA holders (9.0%), and Certificate holders (5.4%), indicating that participants were generally well educated and likely knowledgeable about financial matters.

Finally, most respondents had long working experience, with 70.1% having worked for more than 9 years, while smaller proportions had 7-9 years (15.0%), 1-3 years (6.6%), 4-6 years (5.4%), and less than 1 year (3.0%). Overall, this shows that the study was based on respondents who were not only well educated but also highly experienced, making the findings more reliable and grounded in real school financial management practice.

4.2 Budgeting dimension

The descriptive statistics on budgeting assessed respondents' views on budgeting practices and procedures used in schools. The findings are shown in Table 1.

Table 1

Respondents' Perception on Budgeting Dimension

Budgeting	Mean	Std.Dev.
All the heads of departments involved in the preparation of budgeting plans for the next period	4.096	.3511
The school's budget at planning level factors in the priorities of different departments	4.07	.321
Each department in the school prepares budget plans prior to budget periods	4.01	.310
The school incorporates both development and recurrent plans in their budgets	3.98	.554
The school has both short- and long-term budget plans.	2.29	.714
The school has budget policies that help in monitoring budget spending limits	1.98	.432
At the end of the budget cycle, the school compares actual and budgeted performance and tabulates variance	1.97	.431
There exist a budgetary committee that periodically meets to review budget performance	1.88	.377
Average	**3.03**	

Source: authors' Work

The findings indicate that budgeting practices in public secondary schools in Nyamira County are moderately implemented, as reflected by the overall mean score of 3.03. This suggests that while schools have adopted several important budgeting practices, there are

still gaps that need to be addressed to enhance financial planning, accountability, and effective utilisation of resources. Respondents generally agreed that schools embrace participatory budgeting approaches, with the involvement of all heads of departments in the preparation of budgeting plans recording the highest mean score (M = 4.10, SD = 0.35). This finding demonstrates that schools recognise the value of involving key stakeholders in financial decision-making. The participation of departmental heads allows budget proposals to reflect actual departmental needs, promotes transparency, and enhances ownership of budget decisions among those responsible for implementation. Similarly, respondents agreed that school budgets consider the priorities of different departments during the planning stage (M = 4.07, SD = 0.32) and that each department prepares budget plans before the budget period (M = 4.01, SD = 0.31). These findings indicate that budgeting processes in public secondary schools are largely structured and consultative, with departments given opportunities to identify their financial requirements. Such practices are important because they support more realistic budget estimates and improve the alignment between allocated resources and institutional priorities. In addition, respondents agreed that schools incorporate both development and recurrent expenditures in their budgets (M = 3.98, SD = 0.55), suggesting that schools attempt to balance daily operational demands with investments aimed at improving future institutional performance.

However, the findings reveal weaknesses in strategic budgeting practices. Respondents disagreed that schools have both short-term and long-term budget plans, as indicated by the low mean score (M = 2.29, SD = 0.71). This suggests that many schools focus mainly on immediate financial needs rather than developing comprehensive financial plans to guide future activities. The variation in responses, as shown by the standard deviation, suggests that some schools may have adopted long-term planning approaches, but such practices are not consistently implemented across the county.

The study further established weaknesses in budget monitoring and control mechanisms. Respondents disagreed that schools have budget policies for monitoring spending limits (M = 1.98, SD = 0.43), compare actual and budgeted performance and analyse variances at the end of the budget cycle (M = 1.97, SD = 0.43), and that budgetary committees regularly meet to review budget performance (M = 1.88, SD = 0.38). These findings suggest that although schools demonstrate

strength in budget preparation, they face challenges in monitoring implementation, evaluating financial performance, and enforcing expenditure controls.

Overall, the findings show that budgeting contributes positively to financial management by promoting participation and improving resource allocation. However, limited attention to long-term planning, monitoring, and evaluation reduces the effectiveness of budgets as continuous financial management tools. This may be attributed to limited financial management capacity, inadequate follow-up after budget preparation, and competing administrative responsibilities. The findings agree with Mbogo et al. (2021), who established that effective budgeting practices enhance resource management, expenditure control, and overall financial performance. Therefore, strengthening budgeting systems in public secondary schools requires greater emphasis on strategic planning, regular budget reviews, and effective monitoring mechanisms.

4.3 Financial management

The descriptive statistics on financial performance and budgeting practices aimed to assess respondents' perceptions regarding the financial stability and financial management capacity of schools. The findings were as depicted in Table 2.

Table 2

Respondents' perception on financial management dimension

Financial Management	Mean	Std.Dev.
The school budget is aligned to the school's development plans	4.32	.527
The school asset base has generally increased over time	4.13	.375
The fees charged by the school are appropriate to cover the running costs	4.02	.289
The school operates on well-prepared budgets	3.78	.945
All fees are duly collected	3.28	.826
Outstanding fees are duly collected in time	2.18	.876
The school has enough cash to meet its obligations when they fall due	1.87	.664
Average	**3.37**	

Source: authors' work

The findings indicate that financial management in public secondary schools in Nyamira County is moderately effective, as reflected by the overall mean score of 3.37. Respondents confirmed

that school budgets are closely aligned with development plans (M = 4.32, SD = 0.53), school assets have generally grown over time (M = 4.13, SD = 0.38), and the fees charged are adequate to support school operations (M = 4.02, SD = 0.29). They further agreed that schools prepare and operate within well-structured budgets (M = 3.78, SD = 0.95). These findings suggest that schools have established practical financial planning and budgeting approaches that support efficient resource use and help achieve both short-term operational needs and long-term development goals.

However, the findings also highlight challenges in fee collection and cash flow management. While respondents moderately agreed that fees are collected as required (M = 3.28, SD = 0.83), they indicated concerns regarding the timely collection of outstanding fees (M = 2.18, SD = 0.88) and the availability of sufficient cash to meet obligations when they fall due (M = 1.87, SD = 0.66). This shows that delayed payments and cash shortages remain key issues affecting school financial stability. Strengthening fee collection practices and improving cash flow management strategies would therefore enhance financial sustainability and promote effective financial management in public secondary schools.

4.4 Regression analysis

A simple regression analysis was conducted to examine the influence of budgeting on the dependent variable. Table 3 below presents the results.

Table 3

Model summary for budgeting

Model	R	R square	Adjusted R square	Std. error of estimate
1	.480[a]	.230	.219	.219549

a. Predictors: (Constant), Budgeting

The regression results indicate a moderate positive relationship between budgeting and the dependent variable, as reflected by the correlation coefficient (R = 0.480). The coefficient of determination (R^2 = 0.230) shows that budgeting explains 23.0% of the variation in the dependent variable, suggesting a meaningful influence on the outcome.

4.5 ANOVA for budgeting

The ANOVA results were used to assess the overall significance of the regression model examining the effect of budgeting on financial management (see Table 4).

Table 4

ANOVA for budgeting

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	1.841	1	1.841	49.30	.000[b]
Residual	6.164	165	.037		
Total	8.005	166			

a. Dependent Variable: Financial Management

b. Predictors: (Constant), Budgeting

The p-value (p=.000) shows that the overall model is statistically significant. This means the relationship between budgeting and financial management is strong enough that it is unlikely to have occurred by chance. In other words, budgeting does play a real role in financial management.

4.6 Model coefficients for budgeting

To determine the effect of budgeting on financial management, a simple linear regression analysis was conducted with financial management as the dependent variable and budgeting as the independent variable. The results are presented in Table 5.

Table 5

Model coefficients for budgeting

Coefficients[a]					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.029	.330		9.185	.000
Budgeting	.112	.108	.080	3.035	.032

a. Dependent Variable: Financial Management

According to Table 5, the unstandardized coefficient (B = 0.112) means that a one-unit increase in budgeting is associated with a 0.112-unit increase in financial management. In simple terms, better budgeting is linked with slightly better financial management. The t-

value (3.035) and the significance level (p = 0.032) show that this relationship is statistically meaningful. This means the effect of budgeting on financial management is unlikely to be due to chance, so we can confidently say there is a real relationship. Overall, the results suggest that budgeting has a real but modest positive effect on financial management. It helps improve financial management, but it is not the only factor involved, meaning other influences are also important.

5. Conclusion

The study concludes that budgeting practices in public secondary schools are moderately implemented but weak in strategic financial planning and control. While schools demonstrate strength in participatory budgeting and inclusion of departmental priorities, there is limited evidence of long-term budgeting, budget monitoring systems, variance analysis, and active budget committees. This indicates that budgeting processes are not fully developed as a financial management tool. However, budgeting still significantly influences financial management, meaning that improvements in budgeting practices would lead to better financial discipline and resource allocation.

As far as budgeting is concerned, although schools involve departmental heads in budgeting, the process still appears to be more routine than strategic. Schools are encouraged to move beyond basic annual budgeting and begin planning more deliberately for both the short and long term. Each school should consider setting up an active budget committee that meets regularly to review spending patterns and track progress. Schools should also start comparing actual spending with planned budgets to understand where money is being overused or underused. When budgeting is treated as a continuous process rather than a one-time activity, schools are better able to control spending and plan ahead with confidence. The findings add to existing literature by showing that effective budgeting is not just about preparing annual budgets but also about regularly reviewing, monitoring, and adjusting them to support better financial management in public secondary schools. While the study confirms earlier findings on the importance of budgeting, it also highlights that continuous budget monitoring, expenditure tracking, and long-term planning can help schools make better financial decisions, use resources more efficiently, and strengthen accountability.

Future research should include other levels of education such as primary schools, colleges, and universities to determine whether financial management challenges are similar or different across institutions. Further studies should also examine how digital tools like accounting software, mobile payments, and inventory systems improve efficiency and accountability in school financial management.

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