

## EFFECTIVENESS OF SCHOOL FINANCE COMMITTEES IN FINANCIAL MANAGEMENT OF SCHOOLS

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### ABSTRACT

*This study was conducted to explore the effectiveness of finance committees at schools. Finance committees appear as an alternative to the new paradigm of educational activities. One of the purposes of this study was to make school inseparable from the participation of the community. This concept will play a role to provide a forum for parents, community, stakeholders, and entrepreneurs in school betterment. It is observed that up till now, not any finance Committees in schools have been able to play an effective role in supporting the development of education in schools. One of the important factors is that the institutional management design is not seriously empowered into an independent and professional management.*

*A qualitative design was selected for this study by conducting interviews of selected participants from fifteen school principals and ten finance officers in the Province of Punjab, Department of Education for data collection. The aim of the study was to explore how school finance committees are effective to improve the efficiency of the schools and how such committees can be improved to become more effective in executing their financial responsibilities and functions. A literature review exposed the conceptual framework and extract of the functional effectiveness of school finance committees leading towards the basis for empirical study. The factual study was based on Social constructive paradigm with the philosophical system with the method of investigation. Findings of the study indicated that Finance committees in schools are usually constructed according to the educational policies. effectiveness of finance committees was affected with the attitude and performance of the finance committees. Principals of the schools play a dominating role as ex-officio members in finance committees for different reasons. These reasons can be considered due to their high level of skills and knowledge about financial management as compared with the other members of finance committees. Improvement in the quality of education is an effort that never ends in Pakistan but poor budget is always a great reason of low performance in achieving educational standards.*

*It was found that from the planning to implementation, lake of financial resources was the main reason of weak administration in financial matters like evaluation, monitoring and implementation of financial policies. Resultantly, management of the school has to face budget deficit. Ultimately, they need virement in management of funds. Recommendations of the study address that there is dire need of capacity building of the finance committees in particular areas of utilization of funds. Monitoring, Evaluation, support, annual report, rewards and punishment of finance committees should be done regularly.*

### KEY WORDS:

Financial management, financial planning, financial control and monitoring, financial reporting, record keeping, financial analysis, finance committee

#### 1. INTRODUCTION

As described in the "THE PUNJAB FREE AND COMPULSORY EDUCATION ACT 2014" (Act XXVI of 2014) section 12(3) The Fund shall be utilized for the welfare of the students of the school in the prescribed manner.

All assets of the school are declared the property of the school, it includes all moveable and immovable assets and all kind of finances. It is the responsibility of the school head with the collaboration of School management committee to make efforts to improve the quality of education. (Bischoff & Mestry, 2003. Van Rooyen (2007) points out that there is

no legally binding structure regarding the composition of the finance committee. Finance committees can;

- look after the assets and make sure the right and useful usage of the resources and finances.
- Preparation of budget and utilization of funds as prescribed by the department time to time.
- Record keeping of funds received and spent by the school
- According to the guidelines given by the department an annual financial statement must be produced and provide for annual audit.

This study, therefore, will help to investigate the above responsibilities and its structure by exploring its effectiveness in executing financial management. No studies relating to above responsibilities were found specially, financial management functions were not performed by specific committees and by specific policies at school. Instead, financial roles and responsibilities and accountability is not addressed properly. (Bischoff & Mestry, 2003) stated that finance committees can effectively activate, direct, motivate, and show leadership.

The finance committee may be consisting of head teacher, members of SMC, senior teachers and non- teaching staff. Legally there is no binding on structuring of finance committee. It may be constructed with a formation as; Chairman, vice chairman, secretary, and two other members who are not members of SMC. The composition of the committee may not be as described here but its importance cannot be ignored. Van Deventer and Kruger (2005) assert that there is a strong need for financial management skills in public schools.

Main purpose of the finance committee is to supervise the working of the SMC and give them professional advice related to spending Funds in a way that no question can be raised on financial management. Main purpose of the finance committee is to;

- perform its duties effectively and successfully with effective leadership by motivating, activating, directing and supporting the school management committees.
- Establishment of a school fund and administrating it carefully
- All kind of finances including school funds and donations must be paid into school funds accounts.
- School accounts in banks should be maintained properly
- Preparation of annual budget with available balance and expected income and expenditure according to the instructions of department.
- Managing an internal audit for bringing transparency in income and expenditure statements and submitting its report to high ups of department within the next six months.

Therefore, the study is sought to answer the question:

- How school finance committees are effective in executing their financial management functions?

Thereupon, the purpose of this analytic qualitative study was to investigate the effectiveness of school finance committees in executing their financial management function. To this end, this study seeks to answer the following questions:

2. What is the importance of school finance committee in utilization of funds?

3. What is the effectiveness of the finance committee in execution of financial management activities?
4. What are the measures to improve the effectiveness of finance committee?

## **2.CONCEPTUAL FRAMEWORK**

This study will explore and describe the effectiveness of working of finance committees in the schools. All activities related to finance, conducted under the supervision and instructions of finance committees will be reflected in this research and it will be concluded that how these committees are effective for school administration in daily affairs and financial spending, including financial planning, financial management and control on all kind of available funds in the school. Government is more concerned about granting inclusive autonomy to school heads for the improvement of system and finance committees can appear as an alternative to new initiatives of educational reforms. Finance committee will be given more authority to school administration to make decisions for the betterment of the school, quality education, implementation of National policies, law and regulations according to the needs, abilities and demands of the school. The success of finance committee can be determined by increasing participation of public and exploring the potential of people. It will bring transparency and ensure accountability in the system.

The application of finance committee will be a new initiative to achieve new standards in quality education services. It will provide optimal and effective relationship and cooperation. Finance committee will be helpful to accommodate the stakeholders to provide facilities for education and get financial assistance to students. Role of the finance committee is more visible than the objectives of the school. Following are the four sources given to finance committee to manage; Knowledge, authority, information and reward.

Until now schools have not established finance committees properly. Some schools have such committees but they are not trusted and given authority to take decisions and not empowered to work freely. It is the need of the hour to revitalize the schools and role of the school finance committee at the time of budget preparation and at the time of utilization of finance. This finance committee is described in execution of financial management of the school namely, planning of financial matters, controlling of financial and organizational affairs and reflection of successful financial execution.

## **3.METHOD**

This research study uses qualitative method as stated by Creswell (2009), that qualitative method is used to answer the in-depth understanding of specific event rather than collecting information at surface level. Furthermore, Nieuwenhuis (2007) raised a point that qualitative researchers believe that to reach the reality is to explore it through people 's experiences regarding specific phenomena and attempt to see how they are constructing reality by asking about it.

This phenomenon is going to be underpinned through a framework which describes the effectiveness of the school finance committee. A phenomenological approach is used while conducting this study to uncover the phenomena of financial management strategy of school. Heystek and Joubert (2006) reported that a large-scale survey of head teachers in the province demonstrated anxiety about managing finances and the need for additional training

Semi-structured one-on-one interviews were considered the most effective way to obtain data for the study. Greef (2002:302) pointed out that semi-structured interviews aimed at obtaining in-depth information from respondents about their views on a specific theme and contain a number of predetermined questions to be asked during the interview. Semi-structured interviews permit participants to stray from the outlines of the interview schedule.

Interviews were conducted of students, teachers, finance committees and principals to collect data about school management and use of funds. Views about the increase of school performance in available sources. Validation of data will be done by triangulation form which includes collection and reduction of data, displayed data, drawing of conclusion and verification of all data.

### **3.1. DEMARCATION AND CHALLENGES OF THE STUDY**

The thrust of the study was on the finance committees and their functional effectiveness in financial management, hence the participant demarcation to school heads and finance officers as members of school finance committees. The study was further confined to purposefully selected participants of school finance committees at schools in the province of Punjab (Lahore Division). The study was also delimited to primary schools, informed mainly by the purpose of the study, which did not aim at generalizing findings to all school finance committees, but rather to gain insight into the study phenomenon. Matters pertaining to school finances being sensitive, posed challenges pertaining to eliciting certain data. One of the challenges concerned principals who wanted to sit in on interviews with their finance officers.

Matters pertaining to school finances being sensitive, posed challenges pertaining to eliciting certain data. One of the challenges concerned principals who wanted to sit in on interviews with their finance officers. Although this was resolved through undertakings and assurances of anonymity and confidentiality,

Despite these challenges, the data collected were useful in exposing the nature of school finance committees 'functional effectiveness. it was realised that more useful data could have been gathered had document analysis been used, which, however, does not undermine the aim and objectives of this study. Rather, this puts the study of finance committee effectiveness on a broader academic research discourse and platform.

### **3.2. Structure And Composition of The School Finance Committee**

Allen and Wergin (2009:2) cite Argyris (1997) who mentioned that organizations hold two different basic designs. The first is about theories which people espouse for their behaviors or actions, while the second design involves the theories of action which people use. I

As broached above, the SMC is mandated by the Schools Act to establish committees and subcommittees for which certain duties can be delegated. It was stressed that while the SMC has the treasurer as office-bearer, he or she cannot execute all the operational financial management processes. However, in administering, controlling and managing school finances, the activities involved include the following, as pointed out by Van Deventer and Kruger (2005:240):

- The drawing up of the school's finance policy.
- Setting up the structure within the school that will handle administrative and financial matters.
- Delegating certain financial functions to clerks, class teachers and school treasurers.
- Coordinating the school 's financial activities.

Data collection In line with the research paradigm orientation as well as the design and strategy of inquiry, semi-structured interviews were used for data collection. According to Nieuwenhuis (2007a:87), an interview is a two-way conversation in which the interviewer asks the participants questions to collect data and to learn about the ideas, beliefs, views, opinions and behaviours of the participants. Leedy and Ormrod (2005:144) state that interviews are conducted because the researcher is interested in others people’s stories. Because the aim of qualitative interviews is to see the world through the eyes of a participant, this study aimed at understanding in-depth the perceptions of each participant on the effectiveness of schools’ finance committees. Semi-structured one-on-one interviews were deemed to be the most appropriate technique to collect information. According to Greef (2002:302), semi-structured interviews are used to gain a detailed picture of a participant ‘s beliefs about a particular topic and consist of a set of predetermined questions on an interview schedule, which will guide the interview and not dictate it. Semi structured interviews allow for deviations from the schedule. The types of questions that were used in the interview schedule were open-ended. These types of questions were chosen because open ended questions allow the interviewees to respond in the way and to the extent they desire. According to Greef (2002:305), interviews offer the following advantages:

- The participants narrate their experiences using their own words.
- The participants are able to bring solutions to the problem by collaborating through interaction.
- The researcher manages to probe the participants in order to get clarity about the phenomenon.
- The researcher manages to give direction to the participants. The disadvantages of interviews are well-documented in research literature (Greef, 2002:305). To deal with them, good interview practices were adhered to as pointed out in the section detailing the role of the researcher.

**3.3. Data Analysis**

Data analysis is involved to interpret and evaluate repeatedly by reading the data, building up and breaking down the data into categories and themes (Durrheim, Painter & TerreBlanche, 2006). This study aimed to interpret, analyze the views and situation of the participants. According to Nieuwenhuis (2007) the purpose of interpretive analysis is to provide thick descriptions of processes, characteristics, context and transactions, that constitute the phenomenon being studied.

**3.4. Demographic Profile of Participants**

Twenty primary schools were selected for interviews. Appointments were made through the head teachers of the schools. Out of the intended twenty head teachers and finance officers, only fifteen head teachers and ten finance officers were interviewed, because by then, data saturation had been reached. For purposes of convenience and purposive selection, all participants were from primary schools located in the districts of the Punjab Province. Profile of participant school head teachers, 15 head teachers who participated in the study were all from primary schools located in Lahore division. Their profiles indicated some distinctive characteristics as depicted in table 3.1 below. 76

PRINCIPAL	GENDER	EXPERIENCE	ENROLMENT	QUINTILE
A	M	18	815	1
B	M	6	649	2
C	M	18	1048	1
D	F	2	554	2

E	M	6	935	2
F	M	6	840	1
G	F	4	706	1
H	F	5	1022	1
I	F	14	908	2
J	F	16	364	2
K	M	18	870	1
L	F	2	241	1
M	M	8	533	2
N	F	5	665	1
O	F	3	679	1

As shown in table 3.1, of the 15 principals interviewed, the following features were notable:

- Seven were male and nine were females.
- Male principals (A, C, K) had 10 years of experience in their present positions, while only two female head teachers (I and J) had experience of over ten years. Opinion of the researcher is that having experience more than 10 years can be called experienced and less than 10 years will be called less experienced.

Enrolment of all schools was different and experience of high and low enrolment was also different regarding management of funds and effectiveness of finance committees specially in those schools where enrolment is high and fund are less.

Table 3.2 Profile of participant finance officers

Finance officer	Gender	Experience	Enrolment	Quintile
A	F	12	815	1
B	F	22	649	2
C	F	22	1048	1
D	F	4	554	2
E	F	15	935	2
F	M	3	840	1
G	F	12	706	1
H	F	15	1022	1
N	F	20	665	1
O	F	10	679	1

The profile of finance officers who were participants indicates some distinctive features. The following are noticeable:

- There was a total of nine female finance officers and one male finance officer.
- The male finance officer had the least experience at three years, while the female participants mostly had experience of more than ten years. It is obvious that the position of finance officers appears to be held mostly by women, which is a pattern that many other studies have noted when the participants were finance officers. This also points to the

demographic distribution of school-based administrators or clerks. Most of the finance officers in this study had more experience than their own head teachers.

#### 4. DISCUSSION AND RESULTS

##### (i) Link between School Committee and School

The school management is independent body, having less hierarchy and management relationship with administrative department. Schools have some committees for active management but they are not in strong binding and working formally without taking decisions and bringing reforms in the school administration. It is the core responsibility of the school management to create more chances to increase funds and ensure utilization of funds in a proper way to achieve high goals. It is proven fact that awareness grows with optimal, effective and efficient realization of roles and responsibilities of the school management. The concept of school finance committee also completely changed the system of spending of funds with most useful and efficient way of spending. It was concluded that school finance committee can work with the school head in a relationship of partner to develop the quality of school and quality of education. It will develop a democratic, transparent and accountable society in the school. This initiative of finance committees will stimulate the community empowerment efforts to increase the quality of education according to the requirement of developing trends. Generally, school management can be explained as a model that provides great autonomy to school, creates flexibility among decision makers, encourages the stakeholders (principal, parents, teachers, students, community members) to participate in the management of the school. Main purpose of the finance committee is as under:

- To draw up the school 's finance policy.
  - Setting up the structure to handle the administrative and financial matters within the school.
  - Delegating functions of certain financial matters to clerks, class teachers and school SMC members.
  - Coordinating with educational policies while performing the school's financial activities
- All these activities will create a sense of belonging among the stakeholders. which are aimed at improving school performance based on national education policies and applicable laws and regulations

##### (ii) Effectiveness of Finance Committees in Improving the Quality of Education

Effectiveness of finance committee was found to participate in numerous activities:

- Budgeting process of the school
- Usage of funds properly
- Checking of discrepancies in usage of funds
- Strict compliance of finance polices issued by the education department
- Reconciliation of finance books on Regular basis and publishing of reports on quarterly basis

Ranson S. & Crouch C. (2009) stated that factors that affect the effectiveness of an organization include,

1. work ability (Characteristics of workers)
2. formulation of strategic goals (Policy and Practice)
3. Innovation (Management Policy).

The effectiveness of finance committee is as important as an advisor who carried out the proposals and plans to meet the quality and standards of an infrastructure. Finance committee supports the school management to take decisions independently in utilization of funds. Participation of finance committee in all the meetings of the school management will improve the efficiency of the finance committee. A quality improvement in National

Education polices and applicable Laws can be seen if the finance committee is working efficiently and effectively. Good working skills should be owned by the finance committee so that its role as functioning body can be carried out properly. Most influential factor is work ability related to effectiveness because availability of all resources and facilities without good working mechanism is meaningless.

School finance committee plays an important role in supervisory performance which includes to ensure transparency and accountability in the implementation of policies. Moreover, educational planning, allocation of funds and generating funds for school, control over decision making and announcement of rewards on attaining goals. Finance committees should be free from influence of groups and individuals to become independent in decision making and working for the better learning activities. These committees can play important role in school planning and allocation of funds with regard to best use of resources.

## **5.FINDINGS**

Research findings showed that generally the structure of school finance committee was in lined with the directions of the school education department and finance committees consisted of three main members, the head teacher, one senior teacher, and one member of SMC (parent of student). The committee members specially the parent member was given the key position in the committee to resolve the parents and students' issues in the school. It is, therefore, concluded that finance committees have to follow the educational polices and rules. They can work independently but under the rules.

### **5.1 Role of The Head Teacher in The Finance Committee**

The role of head teachers indicated through findings depicted that as a qualified head they display their knowledge of financial matters in taking decisions being head of finance committee. Funds of schools are to be managed according to the policies of school education department and according to the needs of the school.

It is a matter of concern that in case of misappropriation and misuse of funds the school head will be held responsible for it. In this regard it is important to give directions related to proper use of funds and contribute for capacity building of the members of finance committee.

### **5.2 Role of Treasurer**

The treasurer of the finance committee was discussed and participants expressed their views about the role of treasurer. It was observed that a parent member of the school management committee will be an effective member of the finance committee however, discrepancies related to this member were also described by the participants that what could be expected by the treasurer and what actually may be practiced.

### **5.3 Role of the finance officer**

Findings of the study showed that the role of finance officer is very much important in finance committee. Maintaining record of the day-to-day spending and maintaining balance sheet, financial statement and bookkeeping along with collecting funds and donations from the community. The finance officer should be well aware of internal and external auditing.

### **5.4 Findings regarding the functioning of finance committees**

It was concluded that finance committee is included to manage the finances of the school and perform the following duties:

1. Ensuring the proper use of school funds
2. Ensuring the transparency in spending
3. Considering PPRA rules in purchase
4. Adhering the financial management policies issued by the school and School Education Department



5. Creating resources of purchase for better learning environment

Frequent meetings of finance committees were required for better results as it was observed that generally finance meetings were held twice a month, monthly, quarterly, or when required. It was further observed that deliberations on these meetings were not constant in the schools with relative persons about financing and reporting of finances. Preparation of budget, its monitoring and use of funds are the main deliberations for effectiveness of the finance committees. It seemed that the school head played a dominating role being chairperson of the committee and being knowledgeable person. It was also observed that some schools did not separate the finance committee from school management committee which seemed to contradict earlier conducting frequent meetings of finance committee. Some finance committees were chaired by the finance officer which was not recommended. It was indicated through finance committees that they were afraid of articulating their views and cannot raise their voices because the head teacher having more knowledge about financial management dominate the parents and finance officer. The head teacher explained that working parents of the students have time issue and reluctant in attending meetings. Therefore, there are not fully functioning finance committees at schools as reflected in statement that finance committees are not showing input in terms of what should be purchased due to having less knowledge about financial policies of the education department. The head teacher gives them guidance about financial matters so they only give their consent about the needs pointed out by the head.

As a platform for community participation in school-based quality improvement, the formation and role of School finance Committees are adjusted to the prevailing autonomy. The role of the school finance committee is not only participating as partner in preparation of the school budget, but the school finance committee also acts as a supporting institution. The school finance committee provides support for collection of funds, mind and energy in the implementation of educational policies in the school. Improvement cannot be realized if there is no coordination and cooperation among school members and school finance committee.

## 6. RECOMMENDATIONS

Following recommendations are given in this study:

- Finance committees must undergo capacity building process to develop their skills regarding financial management so that they can interpret and implement the legal position of spending. Rationale behind this statement is that with financial management skills finance committee members can better execute financial matters. Feelings of inferiority among finance members will be eliminated and they will be able to work with more independently and confidence.
- The members of finance committee should participate in departmental trainings related to financial management skills to address specific areas of their duties and needs. It is not logical that illiterate parents cannot perform financial duties. It is proved that if they are provided opportunity to get trainings on financial management in their user-friendly language, they can participate in financial decisions easily.
- A clear code of conduct must be introduced by the provincial government for establishing finance committees and the school management should follow it strictly while conducting meetings and taking financial decisions instead of getting dominance to the other finance committee members. It will help to ensure the correct use of finance in the school to increase the learning process and achieving high goals. It will help to identify the actual needs of the school to engage the effective role of finance committee. It will promote transparency in utilization of funds and encourage the members of the finance committee to appreciate their friendly role in

utilization of funds. School heads should be careful about their responsibilities of management of school finances properly and accordingly. School education department can check effectiveness of the finance committees by special audit or by monitoring the working of the finance committees through financial reports of the schools. Departmental representative must monitor the process of spending in the school regularly by taking corrective action.

- Feedback mechanism must be established in the department for taking corrective measures in case of process derailing. It is needed when the records and reports related to school finance reach at official station after damage is done. To overcome this problem, it is recommended that finance committee should be classified in to two categories one functioning for day-to-day financial management and other for planning for long term functioning. It will bring ease for the finance committee to enhance their capacity for working peacefully and effectively. Once the committee members are trained, the effectiveness of finance committee will be visible in every decision of finance related activity.
- Main contention of the study was asserted as the school finance committee will easily place realistic, practical and school tailor-made policies related to financial management.

### 6.1 Recommendations for Future Research

For future research recommendations are made as under:

- Further research can be conducted to explore ways to understand the framework pertaining to the financial management of the schools.
- Research can be conducted to explore different ways of ensuring that the members of the finance committee are capacitated according to the need assessment of the schools and they have user friendly approach.
- Research can also be conducted to explore the roles and responsibilities of finance committee members by ensuring their continuous development for the purpose to implement their skills effectively and efficiently.

### 7. CONCLUSION

The purpose of the study was to investigate the role and effectiveness of school committees in financial management. To achieve this aim, the study sought to accomplish the following objectives:

- To examine the components that determine effectiveness of school finance committees.
- To assess the level of effectiveness of finance committees in managing school funds.
- To suggest measures to enhance the effectiveness of finance committees in the management functions of the school. This was done through the literature review, data collection, analysis and interpretation, and the recommendations based on the literature and the empirical studies. Even though the study was limited to public Primary schools in Division Lahore Districts, other schools can benefit from the school heads of sound financial management highlighted in this study.

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