Influence of adoption of financial competency practices by Boards of management on governance of early years education centres in Kisumu Central Sub- County Kenya

ABSTRACT

Financial Competency Practices in Kenya are guided by the Kenya National Financial Inclusion Strategy (NFIS) approach of 2025-2028 and involve key behaviors and skills at the early years education level. The purpose of this study was to bridge the governance gap by establishing the influence of adoption of financial competency practices by boards of management on governance of early years education centres in Kisumu Central Sub-county, Kisumu County, Kenya. The study was anchored on External Reporting Theory by Akintoye (2012). The theory demonstrates arrange of financial competency practices that management board members of different early years education (EYE) centres can adopt to attain good governance. The study adopted concurrent triangulation design study design. Both stratified and simple random sampling were used to obtain 11 public and 78 private EYE centres. The respondents constituted two teachers per EYE centre of which one being the Centre manager and another the class teacher giving a total of 178 respondents. The questionnaires were used to obtain data from the class teachers while interview schedules were used to obtain data from the Centre managers. The data was analyzed using both descriptive and inferential statistics. The study findings revealed that most of the EYE boards of management are unable to construct, use and monitor the EYE centres' budget over time. The study concluded that adoption of financial competency practices by boards of management significantly affect governance in early years education (EYE) centers in Kenya. The study recommended that the EYE centres' management boards should develop specific, relevant training plans to address the financial competency gap between the current skills and evolving learning needs. The study further recommended that EYE centre managers and class teachers should be involved in financial decision making, budgeting and implementation.Finally, the study recommended a research study on the influence of internal audit report on governance of early years education centres.

Key words:*Influence, adoption, financial competency practices, early years education (EYE), governance, Kisumu Central Sub- County, Kenya.*

1.0 Introduction

1.1 Background to the study.

Effective financial competency practices determine the quality of governance in early years education centres. Every EYE centre has multiple stakeholders or groups of individuals with whom the BoM must interact to carry out its financial competency practices on financial training and qualification. According to Kaplan & Nortam (2010) the financial competency practices have been translated into what has been called an evaluation of the teachers' ability to handle financial issues. In instances where effective adoption of financial competency practices is enhanced, teacher attendance of financial management seminars and facilitation of such seminars by the BoM are implemented hence adequate governance achieved (Noe, Hollenbeck, Gerhard, Wright, 2010). However, in situations where adoption of financial competency practices is lacking, funds are misused, adequate payment is compromised and teacher training on financial management is ignored hence adequate teacher performance is compromised. Financial competency practices are determined by the boards of managements' training on financial issues and professional qualification hence improving governance.

According to Kiria (2013) financial competency practices are the systems of controlling costs through budgets. This means that financial competency practices help in establishing a budget policy, gathering archival data, collecting data from different departments within the organization and finally setting the budgetary amount to be used for the expenditures. These arguments agree that financial competency practicesinvolve particular systems of controlling costs presented for expenditures in organizations. However, they ignore the aspect of evaluations which is considered useful ingredient of financial competency practices.According to Oladipo (2008), it can be regarded as a hierarchical process starting from a sub-unit level to apex systematically presenting budget formulations, approval, implementations and monitoring and evaluation for the organization. In situations where EYE centres with effective financial competency practices involves every sub-unit in budgeting formulations, approval implementation, monitoring and evaluation, good staff relation is attained and hence effective governance is achieved. In view of the discrepancies noted in the definitions above, the definition for financial competency practices adopted for this study is derived from Gustafson & Parsson (2010) who argues that financial competency practices are the various steps that are followed when preparing the EYE Centres activities of predicting and qualifying future financial requirements in order to achieve the designed goals and objectives of the EYE Centre. This definition is considered appropriate because it enables the different functions of management control and provides a benchmark against which the governance is measured. In support of this statement, Bose (2012), argues that the financial competency practices provide a forecast of revenues and expenditures which is achieved through constructing a model of how the EYE centres might perform financially hence impacting positively on governance.

According to Silva and Jayamaha (2012), financial competency practices should be projecting future financial performance, influencing the behavior and decision of the employees by translating organizational financial objectives and providing benchmark against which to assess the performance of teachers. Covaleski et al, (2003) suggests that financial competency practices should be providing a symbolic value of accounting resource negotiation and bargaining, concealing and mobilizing power, environmental change and organizational change hence achieving effective governance in the EYE Centres. Both propositions suggest that the financial competency practices should establish rules and authoritative guidelines for social behavior. They further suggest that financial procedures should be considered as the core element of an efficient control process and consequently vital part to the umbrella concept of an effective teacher performance. Their views however, both fail to address the issue of institutional environmental differences since they are treating the institutions as though they are static and not dynamic in nature. They have also failed to adequately explain why organization attend to their environmental productivity instead they have focused more on explaining the environmental meaning hence giving very little impact on governance within the organization. In view of the issue raised above, the relationship between financial competency practices and governance should be characterized effective financial training and teacher qualification.

World Bank (2012) conducted a similar study in the East African Community and concluded that the financial competency practices through the elements of effective preparation, execution and budget reporting by skilled person enhance governance. In Kisumu County, the EYE centres of Kisumu Sub-County are currently experiencing poor utilization of funds due to lack of sound training for the EYE centres on matters financial competency practices and this is a gap in the adoption of financial competency practices.Little studies have been conducted on the adoption of procurement practices. This study therefore targeted bridging the governance gap by establishing the influence of the adoption of financial competency practices by boards of management on governance of early years education centres. Review of related literature indicates that effective financial competency practices is not adequately considered in the governance of early years education centres in Kisumu central Sub-County. The purpose of this study was to determine the influence of adoption of financial competency practices by boards of management on governance of early years education centres in Kisumu central Sub-County, Kenya.The specific objective that guided this study was to determine the influence of financial competency practices by the boards of management on the governance of early years education centres in Kisumu Central Sub-County, Kenya.

1.2 Statement of the problem.

In Kenya, majority of public and private EYE cetres are faced with challenges that bar them from achieving effective governance. The boards of management of these EYE centres are challenged to support the Auditor General's effort to curtail misuse of funds. Similar challenges are experienced in EYE centres in Kisumu Central Sub County. Most EYE centres experience misappropriation of funds and lack of appropriate audit evidence to supporting the use of funds. At the same time, the procedures for financial competency practices are not strictly adhered to and in a few EYE centres where the procedures are followed, availability of records is in adequate. A report made by the Kisumu County Director of Education in September 2017 during one of the head teachers conferences confirmed lack of or very little availability of financial transparency and accountability in many institutions within Kisumu County. The report showed that out of one million shillings granted to every public EYE centre by the government for infrastructure development, only five schools could account for their expenditure indicating weak structures of governance in most EYE centres. Misguided financial decisions, debts accumulation, mismanagement of funds, inadequate savings and increased financial stressresults to weak structures of governance in early years education cetres in Kisumu central sub-county. This study is aimed at solving this problem by developing a financial competency practices model that will be adopted by the boards of management of early years education centres for effective governance in EYE centres.

1.3 External Reporting Theory and theoretical framework

This study was guided by the External Financial Reporting Theory (EFRT) advanced by Akintoye (2012). The theory is used to explain how financial information on financial competency practices is presented to users of accounting data within an organization resulting in a direct significance to governance. The theory was used by Sharma, Dwivedi, Kumar, Davari & Shukla (2010) to analyze the application of human resource accounting in heavy industries covering the period 2001 – 2010 with the case study of the Hindustan Copper Limited in India. The findings revealed that the employee performance has a positive effect on the profit and capital statements of the industries. Bontis & Fitz-enz (2002) conducted a study of financial capital disclosure in Canadian corporations, and the findings of the study revealed that adoption of procurement practices has significant positive relationship with governance.

This theory was preferred over the Human Capital theory of Becker (2002) that addresses the role of a person's stock of education, experience, and skills that can be used to the benefit of an organization (Terjesen, Sealy & Singh, 2009). The theory is also preferred over the Human Resource Value theory by Flamholtz, Bulletin & Hua (2002) that addresses the value of human organization in relation to the organizational goals and objectives. As applied in this study, the External Financial Reporting theory holds that the adoption of financial competency practices would influence the governance in EYE centres by enhancing strong financial literacy and implementing effective financial management techniques. This is true considering the fact that when the procurement practices model is adopted by the Boards of management in an EYE centre, there will be a positive significance on governance. However, in adopting this theory, the following short comings are likely to be experienced; overemphasis on the financial statements, neglecting the physical resources and human resources in terms of the quality and quantity needed by the EYE centre for effective governance. The current study bridged this gap by recommending professional guidance and support in handling EYE centres' financial competency practicesprograms.

2.0 Literature Review

Maina (2012) investigated the influence of head teachers' competencies in financial management on infrastructure development in public Primary schools in Kieni East District of Nyeri County, Kenya. A cross-sectional survey design on 54 public schools was used. A simple random sampling was adopted to obtain 30 schools of which one Headteacher from every school responded to the questionnaire in order to provide data for the study. Both qualitative and quantitative analysis were used to interpret the data. Tables and charts were used to present the data. The findings revealed that Headteachers found record keeping as time consuming and that it required a professional and they did not display the summary of books of accounts. This is dangerous as it could be a window of misappropriate of feeds due to lack of transparency. The study recommended training of teachers in auditing at KESI to facilitate the acquisition of skills. The study failed to collect adequate data since only headteachers were used as respondents. The current study bridged this gap by including both centre managers and class teachers thereby obtaining in-depth data.

Alvarez and Patane (2024) examined teachers' perception on the financial management practices of school needs within specific divisions of region 10. The study targeted 50 teachers from both private and public schools in the region. A targeted sampling design was adopted to select the respondents, aiming to include teachers who had direct experience with the school heads' financial management practices. The findings revealed that the school heads were demonstrating a high level of competence in the financial management practices. This mean that the knowledge, skills and attitude of school heads in financial management have profound implications for the overall effectiveness and efficiency of educational institutions. The study recommended that the school heads should be trained on programs focusing on financial management, leadership competency and technical skills to enable them address, identify challenges and improve overall financial management practices. The study used a researcher made questionnaires consisting of three (3) survey questionnaires. Descriptive statistics such as frequency percentages, mean and standard deviation were employed. Tables were used to present. The study failed to include other teachers in the investigation and this gives room for subjectivity of responses by failing to reveal sensitive information about finances which could have been easily revealed by other members of staff. The current study bridged this gap involving both centre managers and class teachers thereby improving the validity of the given responses.

Muturi (2013) investigated factors influencing competency of Boards of Management in Financial Management in Public secondary schools in Nakuru North District, Nakuru County, Kenya. A descriptive survey design was used. The study targeted to members of B.O.M, 14 principals and one (1) District school auditor in the district. Purposive sampling was used to select 80 respondents for the study. Questionnaires and interviews schedules were used to collect data from the 80 respondents. The findings revealed that BOMs in financial management in schools have been influenced by the level of education, In-service training and experience as school managers. The study recommended that majority of members of BOM should have past secondary academic qualification and be trained in financial management. The study failed to provide accurate data since the respondents provided information touching on their own behavior and experiences. The current study bridged this gap by carefully assuring the respondents high level of confidentiality.

Merano (2023) established the financial management competence of elementary school heads and the performance of schools in Leyte Division. A descriptive correctional method of research was used to determine the financial management of competence of school heads and performance of schools. The study respondents included 125 school heads and 125 school teachers involved in the school financial task force for the year 2016 – 2027. The respondents were obtained from randomly selected five districts from Area 1 to Area 5 in Leyte Divisions. From each District, one school head and teacher involved in the school financial task force was selected. The data gathered was tabulated and analyzed using statistical package for social sciences (SPSS). The findings revealed that most school heads lacked training in financial management and school performance budgeting is not related to the financial management competence of the school heads. The study recommended that school heads should attend training and seminars related to financial management. The study lacked sufficient empirical data since it relied on the data of the year 2014 and not of the year

2016 – 2017 which was the study period. The current study bridged this gap by adopting both questionnaires and interview schedules during the study period thereby obtaining valid and current data.

Hernandez (2024) Conducted a study to determine if there was a link between school administrators' financial competency in managing school resources and the financial management practices of the schools Division of Quezeon. A Descriptive correlation design was used a targeted population of 372 school administrators and teachers who answered the questionnaires. Descriptive and inferential statistics were used to analyze the data. The data was presented in tables to show overall related variables of managing school resources and financial management practices. The findings revealed that the school administrators unlike teachers were highly competent in securing resources, fiscal management, use of technology in managing operations, coordinating with others and professionalism. The study recommended that the teachers should be actively involved in the school's financial decision-making processes. The study failed to provide detailed data since only questionnaires were used for both school administrators and Headteachers. This means that some very sensitive information could not be revealed by the respondents. The current study bridged this gap by using both questionnaires and interviews schedules hence obtaining rich data.

3.0 Materials and methods.

Research design is a plan that provides the underlying structure to integrate all elements of a study so that the results are credible, free from bias and generalizable (Dannels, 2018). The study adopted a concurrent triangulation design where booth qualitative and quantitative data were collected giving equal priority to both. The design was found appropriate for this study since it directly offers the opportunity to find out the universal view of adoption pf procurement practices in relation to early years education Centre's governance thereby ensuring completeness of the study.

3.1 Target population and sample size

The study targeted 37 public and 260 private EYE centres found in the region giving a total of 294 EYE centres. According to Oso & Onen (2009), a sample size is a part of the target population that has been procedurally selected to represent it. Babbie (1992) recommended that the sample size should form 30% of the population for effective generalization of the research findings. Based on this view, 89 EYE centres were sampled for the study. The respondents constituted two teachers per EYE centres, of which one was the Centre manager and another the class teacher, giving a total of 178 respondents.

3.2 Sampling techniques and Sampling procedure.

The study used both stratified sampling and simple random sampling. The stratified sampling was adopted since it aims at proportional representation, with a view to accounting for differences in the sub-group characteristics (Elfie & Negida, 2010). In this study, the main strata were the Manyatta zone, Southern zone and Central zone. Each zone was further divided into Public and Private EYE centres. After sorting out the different EYE centres into strata, a simple random sampling was used to select the 89 EYE centres since it gives every respondent an opportunity to be included in the sample. Consequently, 11 Public and 78 Private EYE centres were used.

3.3 Research Instruments

Questionnaires for class teachers and interview schedules for centre managers were used to collect data from the respondents. Questionnaires were used since they allow respondents to give much of their opinions pertaining to the research problem. They were distributed to the respondents and latter collected for analysis. An interview guide is schedule showing a face-to -face survey used to explore responses from a selected group of people in order to get adequate and in-depth information during a research study (Elfie & Negida, 2017). The interview schedule was appropriate for this study since the investigator had a chance to elucidate the purpose of the study to the EYE centres' managers. The content of validity of the data collection instruments was determined through discussing them with the supervisors, and the necessary corrections were made. Quantitative data was analyzed using both descriptive and inferential statistics. The level of significance was alpha=0.05. Frequency distribution tables were used to describe the demographic characteristics of the respondents. Inferential statistics were used to determine the relationships and significance between adoption of procurement practices by boards of management and governance of early years education centres. The inferential statistics used include a regression model, incorporating all the independent variables for this study and some control variables such as sex, age and education of the individuals. The regression model was done after conducting the ANOVA (analysis of variance) test, two sample tests and pairwise correlation tests.

4.6. Adoption of Financial competency practices on governance.

The study sought to find out the influence of adoption of financial competency practices on governance. This study assessed 4 selected factors that influence adoption of financial competency practices as shown in table 4.1. These factors were assessed to determine the extent of perceived level of influence based on a 5- point Likert Scale.

Table 4.1: Financial Competency Practices

Auditory Practices n=89	Min Statistics	Max Statistics	Mean		SD	Skewness Statistics
There is effective preparation, execution, and	**1**.00	**5.00**	**1**.8500	.05016	.89723	.405

budget reporting by skilled person.						
BOM competent in securing resources, fiscal management, use of technology.	1.00	5.00	1.9031	.04033	.72136	.147
Positive attitude towards record keeping of financial income and expenditures.	1.00	5.00	2.2057	.05281	.93881	.089

Table 4.1 shows that specifically based on a 5 Likert Scale, Positive attitude towards record keeping of financial income and expenditures1st rank (α= 2.2057) with standard deviation (.93881) followed by,BOM competent in securing resources, fiscal management, use of technology.(α= 1.9031) while the lowest was,there is effective preparation, execution, and budget reporting by skilled person. (α= 1.8500) with standard deviation (.89723). The findings here revealed that, most of the EYE boards of management are unable to display effective preparation, execution and budget reporting due to lack of adequate training on financial management. This is in agreement with Muturi (2013) who investigated factors influencing competency of Boards of Management in Financial Management in Public secondary schools in Nakuru North District, Nakuru County, Kenya and the findings revealed that BOMs in financial management in schools have been influenced by the level of education, In-service training and experience as school managers. Similarly, the finding is consistent with Merano (2023) who established the financial management competence of elementary school heads and the performance of schools in Leyte Division and the findings revealed that most school heads lacked training in financial management and school performance budgeting is not related to the financial management competence of the school heads. The implication of this finding is that the EYE centres' management boards should develop specific, relevant training plans to address the financial competency gap between the current skills and evolving learning needs.However, majority of the EYE boards of management are more skilled in securing resources, fiscal management, use of digital devises for financial practices. This is in agreement with Hernandez (2024) who established the link between school administrators' financial competency in managing school resources and the financial management practices of the schools Division of Quezeon and the findings revealed that the school administrators unlike teachers, were highly competent in securing resources, fiscal management, use of technology in managing operations and coordinating with others. The implication of this finding is that EYE boards of management should involve the staff in financial decision making, budgeting and implementation. From the table 4.2, the data revealed that most of EYE centre managers and teachers do not have a positive attitude towards keeping records on financial income and expenditures. This is in agreement with Maina (2012) who investigated the influence of head teachers' competencies in financial management on infrastructure development in public Primary schools in Kieni East District of Nyeri County, Kenya and the findings revealed that Headteachers found record keeping as time consuming and that it required a professional and they did not display the summary of books of accounts. The implication of this finding is that EYE boars of management should ensure all EYE centre managers and class teachers are sensitized on the importance of

keeping financial records more particularly on income's statement, balance sheets and cash flow.

4.2. Summary of Findings and Discussion.

The following are the summary of the findings and discussion from the study;

- That, most of the EYE boards of management are unable to construct, use and monitor the EYE centres' budget over time due to lack of adequate training on financial management.
- That, most EYE centres'boards of management do not adequately focus on the school income's statement, balance sheets and cash flow.
- That EYE centre managers and class teachers are not involved in financial decision making, budgeting and implementation.

5.0. Conclusion and Recommendations.

The study concluded that adoption of procurement practices significantly affects governance of EYE centres. This means that adoption of financial competency practices results in improved money management, informed financial decision making and financial independence and financial securityregarding financial programs in EYE centres thereby enhancing good governance. The study recommended that the EYE centres' management boards should develop specific, relevant training plans to address the financial competency gap between the current skills and evolving learning needs. This can as well be enhanced by ensuring continuous learning and knowledge sharing within the EYE centres to adopt to evolving needs of the learning institutions within the country.The study alsorecommend that EYE centre managers and class teachers should be involved in financial decision making, budgeting and implementation. This further helps in boosting their morale, align with classroom needs, and successful policy implementation by leveraging their on-the ground expertise leading to better resource commitment and improving governance of EYE centres.The study further recommended a research study on the influence of internal audit report on governance of early years education centres with strong focus on board effectiveness, financial policy compliance, risk management and financial accountability.

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