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EFFECT OF MONITORING AND EVALUATION ON FINANCIAL PERFORMANCE: A SURVEY OF SELECTED PRIVATE SCHOOLS IN UASIN GISHU COUNTY, KENYA

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The aim of this study was to examine the effect of monitoring and evaluation on budgetary control: a survey of selected Private schools in Uasin Gishu County, Kenya. The study was conducted through a descriptive research design. The target population was the directors and employees of selected schools. For the purpose of this study, the study used both primary and secondary data. Descriptive analysis was employed to analyse qualitative data. Pearson correlation coefficients were constructed to test the relationship between the dependent and independent variable. The findings were presented in the form of frequency distribution tables. The findings of this study indicated that monitoring and evaluation ($r=0.776$, $p=0.000$) had a significant relationship with financial performance. Based on the findings of this study, it was recommended that Private schools in Uasin Gishu County should invest more in staff development, ensure effective budgeting process is facilitated. Lastly the study recommended that further research be done on the same field but in other sectors or organizations and should focus on other determinants of budget control.

Keywords: Budgetary control, monitoring and evaluation

Introduction

All over the world, the budget is recognized as the key element for economic management (Kiringai, 2002). It is nevertheless also recognized that a country can have a sound budget and financial system and still fail to achieve its intended targets. This suggests that the rules of the game by which the budget is formulated and implemented are equally important and that they do influence outcomes of organizations (Schick, cited in Isaboke & Kwasira, 2016). Budgetary control is the process of developing a spending plan and periodically comparing actual expenditures against that plan to determine if it or the spending patterns need adjustment to stay on track. This process is necessary to control spending and meet various financial goals. Organizations rely heavily on budgetary control to manage their spending activities, and this technique is also used by the public and the private sector as well as private individuals, such as heads of household who want to make sure they live within their means (Dunk, 2009).

Budgetary control is a system of management control in which the actual income and spending are compared with planned income and spending, so that the firm can make decisions if plans are being followed and if those plans need to be changed in order to make a profit. Budgetary control is the one of best technique of controlling, management and finance in which every department's budget is made with estimated data. Then, the management conducts a comparative study of the estimated data with original data and fix the responsibility of employee if variance will not be favourable. Organizations can use budgetary control in forecasting techniques in order to make plan and budget for the future (Epstein & McFarlan, 2011). According to Siyanbola (2013), a budget is a parameter which measures the actual achievement of people, departments, ministries and firms, while budgetary control ensures that actual results are positively or negatively in accordance with the overall financial and policy objectives of the establishment. Therefore private schools financial performance can be influenced by their budgetary control measures applied to determine the extent of achievements of expected and set goal in relation to the outcome.

A professional and transparent approach to budget planning will help convince investors, development banks and national or international donors to make financial resources available if the organization implements proper monitoring and control of budget process. This is achieved through ensuring that the estimated budget does not deviate from the actual outcome in order to take appropriate actions where necessary (Otley & Van der Stede, cited in Kimani, 2014). Evaluation is a key determinant for effectiveness, through an evaluation plan, the firm can clarify what direction the evaluation should take based on priorities, resources, time, and skills needed to accomplish the evaluation. To enhance effectiveness and transparency the management team should be actively involved in the process of monitoring and evaluation of budgetary control processes and procedures (Hancock, 2009).

Statement of the Problem

According to Scarlett (2008), budgetary controls refer to the principles, procedures and practices of achieving given objectives through budgets. The budgetary control system helps in fixing the goals for the organization as a whole and concerted efforts made for its achievements. It enables economies in the enterprise. Preetabh (2010) highlighted the benefits of budgetary control as profit maximization; a budgetary control aims at maximization of profits or an organization through, proper planning and co-ordination of different functions, proper control over various capital and revenue expenditures and putting resources into best use. Coordination; achieved through working of different departments and sectors.

Waren (cited in Thuita & Kibati, 2016) noted that within an organization, different departments have a bearing on one another, this therefore makes coordination of various executives and subordinates necessary in achieving of budgetary targets. Other budgetary benefits as indicated by Preetabh (2010) include specific time aims; the plans, policies and goals are decided by the top management. All efforts are put together to reach the common goal of the organization. Although the Kenya Education Management Institute has been inducting private school Head teachers on financial management skills, some school managers are still involved in financial mismanagement through: misappropriation, misallocation and embezzlement of school financial resources. In addition there has been unprecedented continuous poor students' academic performance in national examinations especially in schools with poorly managed finances leading to outcry from stakeholders.

There has been an increase in dissatisfaction with the way principals have been managing the school finances resulting to students' violence, parent's demonstrations and interdiction of some head teachers in private schools (Baraka, cited in Kibet, Makokha, & Namusonge, 2016). Even though the principals have attended financial management skills under KEMI, in Uasin Gishu county most of the Principals are not able to adhere to the public financial accounting instructions it is noted that in the county, 10% of the Principals could not prepare financial books of accounts, 30% had incomplete cash books, 60% had incomplete payment vouchers and 80% had inadequate training on financial management skills. This inefficient skill in financial management makes it difficult for the management to monitor and evaluate their financial performance. There was therefore great need to investigate the effect of monitoring and evaluation on budgetary control in selected schools in Uasin Gishu County, Kenya.

Review of Literature

Effect of Monitoring and Evaluation on Financial Performance

Monitoring and Evaluation (M&E) is a continuous management function to assess if progress is made in achieving expected organizational results, to spot bottlenecks in implementation and to highlight whether there are any unintended effects from an investment plan, program or project and its activities (Baraka, cited in Kibet, Makokha, & Namusonge, 2016). The processes of planning, monitoring and evaluation make up the Result-Based Management (RBM) approach, which is intended to aid decisionmaking towards explicit goals (Waren, cited in Thuita & Kibati, 2016). Planning helps to focus on results that matter, while M&E facilitates learning from past successes and challenges and those encountered during implementation.

Elements of an M&E system such as result Frameworks or log frames organize organizational intended results, i.e. measurable development changes. Result Frameworks inform the development of the M&E plan and both must be consistent with each (Otley & Van der Stede, cited in Kimani, 2014). The M&E plan, which contains a description of the functions required to gather the relevant data on the set indicators and the required methods (Hancock, 2009). The M&E plan is used to systematically organize the collection of specific data to be assessed, indicating roles and responsibilities of project stakeholders (Hancock, 2009). It ensures that relevant progress and performance information is collected processed and analyzed on a regular basis to allow for real-time, evidence-based decision-making; the various processes and methods for monitoring (such as regular input and output data gathering and review, participatory monitoring, process monitoring) and for evaluation (including impact evaluation and thematic, surveys, economic analysis of efficiency; and the Management Information System, which is an organized repository of data to assist managing key numeric information related to the project/plan and the analysis (Otley & Van der Stede, cited in Kimani, 2014).

The Theory of Budgeting

Hirst (cited in Kimani, 2014) explains that an effective budgetary control solves an organization's need to plan and consider how to confront future potential risks and opportunities by establishing an efficient system of control, a detector of variances between organizational objectives and performance (Shields & Young, 1993). Budgets are considered to be the core element of an efficient control process and consequently vital part to the umbrella concept of an effective budgetary control.

Budgets project future financial performance which enables evaluating the financial viability of a chosen strategy. In most organizations this process is formalized by preparing annual budgets and monitoring performance against budgets. Budgets are therefore merely a collection of plans and forecasts (Silva & Jayamaha, 2012).

The financial implication of business plans, identifying the amount, quantity and timing of resource needed (Shields & Young, 1993). The implementation of budgetary procedures. The establishment of short to medium-term objectives serves the purpose of providing estimates of future sales revenues and expenses, to provide short and long-term objectives for a coordinated management policy. Benchmarks for management and task controls are provided by comparing actual results with budgeted plans and to take corrective actions if necessary (Sharma, cited in Kimani, 2014). Budgets can further influence the behaviour and decisions of employees by translating business objectives, and providing a benchmark against which to assess performance. Hancock (2009) even considered such operational planning as the backbone of management.

During budget preparation procedures, consideration of alternative courses of action becomes an integral part and leads to increased rationality. A budget allows a goal, a standard of performance to be established with subsequent comparison of actual results with the created standard. It requires those involved to be forward looking rather than looking back (Scott, 2005). Budgets have therefore been identified as playing a number of roles which include making goals explicit, coding learning, facilitating control, and contracting with external parties (Selznick, cited in Kimani, 2014). Fisher exemplified this by "linking compensation to performance measures against the budget", thereby making goals explicit, communicating goals and thereby coding learning and clarifying performance measures for individual employees of an organization (Goldstein, 2005).

Accounting Theory in Budgetary Control

Kaplan and Norton (1996) emphasize that accounting theory is aimed towards provision of a coherent set of logical principles that form the general frame of reference for the evaluation and development of sound accounting practices and policy development. Otley and Pollanen (2000), the purpose in developing a theory of accounting is to establish standard for judging the acceptability of accounting methods. Procedures that meet the standard should be employed in practice of accounting. Horvath and Seiter (2009) argue that the accounting methods that fail to meet the standard should be rejected. Accounting theory helps in explaining and guiding management actions in identifying and locating information necessary to be used in budget preparation. The money measurement concept in accounting has contributed to a greater extent in providing yardstick for quantifying, conversion and translating various inputs in relation to materials, and machines required in the preparation of budget (Horvath & Seiter, 2009).

Theory in accounting guide in the selection of principles and roles to be applied in particular circumstance. The accounting theory in budget control has come up with different models of analysis for example cost volume profit analysis and standard costing which serve as a standard setting in budgeting. Theory has an important normative role in the evaluation of budget and control procedures to be adopted.

Theory has assisted in making predictions of the likely outcome of budget action in a given set of circumstance and effect of any change in circumstances. Horngren (2002) argues that accounting theory view a firm as a separate entity in which its activities are distinct from its owners. These principles serve as an impetus to the general philosophy of budget itself as a tool for effective management (Horngren, Forster, & Datar, 2005). Budget as a tool for standard setting and performance measurement utilize several accounting concept to a greater extent. Accounting theory has developed models in which standard can be set. Management accounting theory also provides several yardsticks to be used for control. That is variance analysis. Since budget is an instrument of plan. It provides a framework of given feed back to the management on the implementation of budget. When implementing the accounting theory historical data is instrumental since this data serve as an input for making forecast. The cost accounting theory developed by Wedgwood in early 20th century which stress on cost identification, allocation and revenue maximization has provide a basic insight and blue print in budget and control in organization. The matching concept in accounting also plays a role as reference issue in budget analysis (Hopwood, 1976).

Research Methodology

Table 1

This study adopted a descriptive study design. The target population for this study was 25 private schools in Uasin Gishu County. The study targeted a population of all the 25 Principals, 25 Deputy Principals and 25 Bursars. The study used Likert scale questionnaires as data collection instruments. The Cronbach's coefficient alpha was applied on the results obtained to determine how items correlate in the same instrument. Cronbach's coefficient Alpha of more than 0.7 was taken as the cut off value for being acceptable which enhanced the identification of the dispensable variables and deleted variables. Data was analysed by use of descriptive statistics (frequencies, percentages, means and standard deviation)was used to analyse data and inferential statistic simple multiple regression was used to study the determinants of budgetary control on financial performance of private schools

Results and Discussion

Monitoring and Evaluation on Financial Performance of Schools

The study sought to identify the effect of monitoring and evaluation on financial performance of schools. This is shown in table 1.

On the findings regarding effect of monitoring and evaluation on financial performance of schools, majority of the respondents agreed ,regarding the statement that the budgets have clear goals and objectives, respondents agreed at 70.1% while 14.9% were undecided and 15% disagreed; on whether the organization has budget policies that monitors budget spending, the respondents agreed at 82.1% while 0% were undecided and 17.9% disagreed, Lastly on the statement that school's budget performance evaluation reports are prepared frequently, the respondents agreed at 86.6% while 6% were undecided and 7.5% disagreed. This implies monitoring and evaluation of budgetary control process is a critical factor for financial performance of private schools in Uasin Gishu County.

These results are consistent to Hancock (2009) who stated that evaluation is a key determinant for effectiveness, through an evaluation plan, the firm can clarify what direction the evaluation should take based on priorities, resources, time, and skills needed to accomplish the evaluation. To enhance effectiveness and transparency the management team should be actively involved in the process of monitoring and evaluation of budgetary control processes and procedures. Further, Drury (2006) stated that budgetary monitoring and control process is a systematic and continuous one which, is characterized by the following stages: Estab-

Monitoring and Evaluation on Financial Performance of Schools

Monitoring and Evaluation		**SA**	**A**	**U**	**D**	**SD**
The budgets have clear goals and objectives	F	24	23	16	6	4
	%	35.8	34.3	14.9	9.0	6.0
The organization has budget policies that monitors budget spending	F	23	32	0	4	8
	%	34.3	47.8	0	6.0	11.9
The organization's budget performance evaluation reports are prepared frequently	F	33	25	4	2	3
	%	49.3	37.3	6.0	3.0	4.5

Table 2

lishing targeted performance or level of activity for each department of the organization by way of setting targets to be achieved enhances the monitoring of the organizations performance.

From the findings on table 2 on the effects of budget control on financial performance of schools, majority of the respondents agreed that the costs of activities and functions of the organizations are constantly reviewed by the executive committee at 77.6% were in agreement while 9% were undecided and 13.5% disagreed, on whether the organization savings is improved through budget control the respondents agreed at 82.1% while 7.5% were undecided and 10.5% disagreed, and lastly they agreed that through budget control essential goods and services are purchased leading to efficiency at 83.5% while 21% were undecided and 10.5% disagreed. This implies that budget control of private schools is a very essential component of the performance as it plays a key role in reducing the danger of monetary loss which later translates to improved performance.

The findings concurs to that of Dunk (2009) who stated that budgetary control is the one of best technique of controlling, management and finance in which every department's budget is made with estimated data. Further, Siyanbola (2013) states that a budget is a parameter which measures the actual achievement of people, departments, ministries and firms, while budgetary control ensures that actual results are positively in accordance with the overall financial and policy objectives of the organization.

Budget Control on Financial Performance of Schools

The study sought to identify the effect of budget control on financial performance of schools. This is shown in table 2.

Budget Control on Financial Performance of Schools

Budget Control		SA	A	U	D	SD
The costs of activities and functions of the organizations are constantly reviewed by the executive committee	F	28	24	6	4	5
	%	41.8	35.8	9	6	7.5
The organization savings is improved through budget control	F	33	22	5	3	4
	%	49.3	32.8	7.5	4.5	6
Through budget control essential goods and services are purchased leading to efficiency	F	27	29	14	5	2
	%	40.3	43.2	21	7.5	3

Correlation Analysis

From the study, Karl Pearson's coefficient of correlation was used to check the linear relationship between the variables, The Pearson correlation coefficient is a very useful way to measure the existence of relationships between independent and dependent variables. The evaluation of the correlation was in accordance to Saunders (2003) who indicated that r=1 shows a Perfect linear correlation, $0.9 < r < 1$ indicates Positive strong correlation, $0.7<r < 0.9$ Positive high correlation $0.5 < r < 0.7$ Positive moderate correlation, $0< r < 0.5$ Weak correlation r=0 shows no relationship and $-1 <r < 0$ Negative relationship.

Table 3

Correlations between Monitoring and Evaluation and Financial Performance

		Monitoring and Evaluation	Financial performance
Monitoring and Evaluation	Pearson Correlation	1	.776**
	Sig. (2-tailed)		.000
	N	67	67
Financial performance	Pearson Correlation	.776**	1
	Sig. (2-tailed)	.000	
	N	67	67

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

Table 3 presents the relationship between monitoring and evaluation and financial Performance of private schools in Uasin Gishu county whereby the respondents (N = 67) and the significance level is 0.01, the results indicate that monitoring and evaluation has positive high correlation to financial performance equal to r=0.776 and the p-value is .000 which is less than 0.01. When p-value is less than significant level, it is concluded that variables are correlated and null hypothesis is rejected and remains with alternative hypothesis (Saunders, 2003). This means that there is a significant relationship between monitoring and evaluation and financial performance. This implies that monitoring and evaluation contributes to positive financial Performance of private schools in Uasin Gishu County.

Regression Analysis

In this study, a multiple regression analysis was conducted to test the influence among predictor variables and financial performance of private schools. The research used statistical package for social sciences (SPSS V 21.0) to code, enter and compute the measurements of the multiple regressions, to determine the linear statistical relationship between the independent and dependent variables for this study. The null hypotheses were tested using the multiple regression models. For the hypothesis, the regression equations were first obtained using the B coefficients on the line of best fit. The decision rule was that when the p-value is less than the conventional 0.05 the null hypothesis is rejected and when it is above the conventional value 0.05 the null hypothesis is accepted. The results are shown in the section that follows

Table 4

Model Summary of the Dependent and Dependent Variables

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.939[a]	.881	.874	.167

a. Predictors: (Constant), Monitoring and Evaluation

Table 4 illustrates the model summary used in this study, Adjusted R squared is coefficient of determination which tells us about the version in the dependent variable due to changes in the independent variable, the value of adjusted R squared was 0.881 an indication that there was variation of 88.1% on financial performance of private schools in Uasin Gishu County due to changes in the independent variable monitoring and evaluation , This show that 88.1% changes in financial performance of private schools could be accounted for by monitoring and evaluation. R squared is the correlation coefficient which

From the data in the table 6 the established regression equation was

$$Y= 0.543+0.252X1$$

From findings in table 6, it was revealed that the regression weights of the independent variables were significant monitoring and evaluation p=0.000. This means that the postulated hypotheses were not supported. Thus Monitoring and Evaluation is a predictor variable for financial performance of private schools in Uasin Gishu County.

The standardized coefficients indicate the corresponding change in the dependent variable when

shows the relationship between the study variables, and financial performance of private schools in Uasin these findings indicated that there was a strong posi-Gishu County as shown by 0.874. tive relationship between monitoring and evaluation

Table 5

ANOVA of the Dependent and Dependent Variables

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.829	4	3.207	15.266	.000[b]
	Residual	1.725	62	.028		
	Total	14.554	66			

a. Dependent Variable: financial...performance
b. Predictors: (Constant), Monitoring and Evaluation

Table 5 illustrates the Analysis of Variance (ANOVA) which assesses the overall significance of the model. According to the table p < 0.05, (0.000), indicating that the regression model was useful in explaining the financial performance of private schools in Uasin Gishu County.

Table 6

Coefficients of the Dependent and Dependent Variables

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.543	.213		2.551	.013
	Monitoring and Evaluation	.252	.038	.330	6.555	.000

a. Dependent Variable: financial...performance

a change of one unit is effected in the independent variable. Thus, a unit change in monitoring and evaluation will lead to a 0.252 unit change in financial performance of private schools in Uasin Gishu County.

Conclusion

On the effects of monitoring and evaluation of budgetary control process on financial performance, it was concluded that budgets have clear goals and objectives, private schools has budgets policies that monitors budget spending and the statement that school's budget performance evaluation reports are prepared frequently.

Recommendations of the Study

Based on the findings of this study, the following recommendations were made:

i. Private schools in Uasin Gishu County should invest more in staff development in order to enhance their financial performance. More training should be done to the head teachers on how to conduct more efficient controls and monitoring of the school budgeting process

ii. Private schools in Uasin Gishu County should ensure effective budgeting process is facilitated through capacity building, robust systems and processes and prioritization All stakeholders should get involved in budget execution in enhancing the overall budget control process.

iii. Lastly there is need to establish a strong link between the planning process and the budget control process. Schools need to adopt a medium term plan to define priorities for their daily tasks.

Suggestion for Further Research

Whilst this study focused on monitoring and evaluation further studies should focus on other determinants' of budget control and its effect on organizational performance.

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