Accounting Practices and Fund Management: An exploratory study of financial practices of private schools in Maiduguri, Nigeria

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Abstract
The dearth of public secondary schools in recent times in Nigeria has seen many parents opt for private education for their children. This has resulted in a thriving business for private school owners and the need to employ several accounting practices to manage their finances and maximize profitability. The study explores accounting practices and fund management in private schools in Maiduguri, Borno State, Nigeria. A sample of 131 respondents (principal and bursars) across Maiduguri metropolis were randomly surveyed using a single structured questionnaire. Face validity of the instrument was ascertained by senior lecturers from the department of accounting, University of Maiduguri. Cronbach alpha coefficient was also run to assess the instrument's reliability and items' consistency. Data was collected, coded and analyzed with the aid of Statistical Package for Social Science (SPSS) version 23. Results from the principal component analysis shows accounting practices (bookkeeping, internal control and budgeting) are associated with fund management practices in private schools. The study concludes that private should not underscore the relevance of imbibing appropriate accounting practices in managing their funds. The study recommends further confirmatory studies to validate the exploratory results.

Keyword: Accounting practices, Fund management, Private schools, Maiduguri

Introduction

Private schools play a significant role in secondary education globally but more so in developing economies (Aliyu, 2018). The fall in standards of public schools in Nigeria due to inadequate funding and quality of education has led to the involvement of private stakeholders to address the gap in education. This has resulted in an astronomical rise in establishment of private schools across the country. Enrolment in private secondary schools in particular has witnessed an upsurge due to actual and perceived societal notions about educational quality and performance compared to public schools (Ogbiji, 2018; Arinze, 2016; Ehigiamusoe, 2012). In Borno state, the rising demand for literacy has led to an increase in the establishment of private schools in Maiduguri Metropolis as public schools struggle to meet the educational demand of the Society. Unlike public schools that generate their revenues from federal government and student fees, private schools mainly generate their funds from school fees, PTAs, donations, loans or grants won. Osuala (2007) opines that schools need to diversify their sources of funds and use their funds prudently to achieve set educational goals. Regardless of their revenue sources, some private secondary schools fail to achieve planned activities and programmes due to mismanagement of funds. Many of the schools are poorly equipped, have poor learning facilities, laboratories and computers which truncates planned activities and inhibits educational goals. According to Aliyu (2018) this may be due to lack of financial management skills of administrators which results in poor financial practices, disregarding of budgets and mismanagement of funds. In other cases, imposition of illegal levies on students, non-completion of approved and paid projects, misuse of P.T.A funds, poor record keeping and poor accountability have also been reported (Ofougwuka, 2005).

In order to meet rising demand and educational needs, private schools are constantly seeking more effective ways of managing their funds (Nyanyuki, Okioga, Ojera, Nyabwanga, & Nyamwamu, 2013). Effective funds management requires financial management skills such as effective revenue generation, needs assessment of schools, budgetary planning, Cost benefit analysis, bookkeeping, personnel administration and Accountability (Oguonu, 2007). Yet, most private schools seem unable to manage their funds effectively. As management of schools are separated from control, school managers often mismanage and misuse proprietors' financial resources. In addition, poor accounting practices in private schools as a result of inclusion of family members without appropriate skills cause incomplete records, errors, frauds and poor implementations of set plans (Langat, 2008). As a result, financial reporting practices become cumbersome and fail to achieve the purpose for which they were employed (Langat, 2008). These problems have ultimately resulted in the untimely closure of many promising private schools due poor performance and inability to sustain themselves thereby threatening their going concern status.

Accounting practices assist schools in efficient management of funds by making optimal use of available resources in order to achieve set objectives. Past studies (e.g. Ibrahim, 2016; Macharia, 2015; Nanyuki *et al*., 2013; Langat, 2008; Nzekwe, 2007) have shown that several accounting practices may influence how private schools manage their funds effectively. Some of these accounting practices include proper bookkeeping practices, strong internal controls and effective budgetary practices. Bookkeeping practices refers to how accounting transactions are recorded in the relevant books of accounts. Private schools need to keep proper records of their transactions, incomes and expenditures in order to ascertain actual expenses incurred and revenues realized. Bookkeeping practices assist school managements determine annual performance through preparation of annual financial statements and viable capital projects to recommend to school owners. Proper record keeping also serves as basis for budgetary practices. Budgeting refers to the process of making deliberate efforts to plan, set targets and estimate incomes and expenditures of an entity, establishment or authority in order to achieve an intended objective (Usman, Yusufari, Hamza & Abdullahi, 2016). Budgeting is necessary for the management of private schools because it helps in planning annual operations and coordination of activities, allocation of resources, communication of plans, enhance accountability, motivate management towards attainment of set targets and provide basis for evaluating performance. In order to ensure budgets are achievable, effective systems of internal controls are needed. Internal controls are mechanisms or structures established by management to ensure that resources are safeguarded, managed efficiently and objectives are attained. Put together, poor accounting practices lead to wasteful expenditures, misappropriation of funds, fraud and inability to achieve set objectives (Olurankinse, 2013). There is therefore an urgent need for stakeholders in private education to imbibe useful and effective accounting practices so as to ensure effective utilization of resources and attainment of set objectives.

There are some studies on particular accounting practices and management of organizational funds. This includes financial management in secondary schools (Aliyu, 2018; Kelvin, 2015; Bua, 2014), accounting systems in tertiary institutions (Ibrahim, 2016), centralization and decentralization of schools' physical facilities management (Ikoya, 2005), budgetary practices of secondary school principals and bursars (Nzekwe, 2007), impact of government instructions on financial management in public secondary schools (Langat, 2008) and perceptual studies on financial management practices in secondary schools (Fasuba, 2019; Koross et al. 2008). There are few studies on accounting practices in public schools likely because of Government influence and its financial impact. A study of this nature in private schools is lacking even though private schools contribute significantly to educational development and provides government revenues through tax. It is therefore important to explore the influence of accounting practices and fund management in private schools in Borno state, Nigeria. The study will be relevant to private school managers, owners, educational authorities and regulators as it will help in planning and restructuring current practices in order to enhance fund management, achieve better stewardship and accountability. This is why this study seeks to explore the accounting practices utilized by private schools in fund management in Maiduguri, Borno State.

The rest of the study is structured into five sections. The next part discusses the literature review and is followed by the theoretical framework. The research methods, results and discussions is reported next. This is followed by the study conclusions.

Literature Review

Fund Management

Increased globalization has led schools to seek competitive advantage by means of carefully planned strategies, management accounting systems in order to effectively manage their funds (Mathew, 2013). Fund management refers to how finances are raised and employed in an efficient and effective manner so that organizational objectives are attained. According to Kwaghbo (2008), it also includes the planning, organizing, coordinating, directing and collecting of funds payments in order to accomplish organizational goals. Fund management is an integral aspect of financial management which influences organizational liquidity, financial performance, growth and economic development (Kungu & Mwangi, 2014).

In secondary schools, funds management refers to the planning and execution of a school's monetary plan through an effective system of recording, assessment and reporting financial resources and assets (Horvat, 2007). When funds are mismanaged in schools, inefficiency, fraud, errors, manipulation and misuse of financial resources will occur (Omondi et al.2016). Fund management in schools aims to ensure that the resources available for education are available, properly disbursed, accounted for and regularly monitored to ensure effective use. It is the duty of educational administrators to optimally and prudently use available resources for the attainment of schools goals and objectives. Chikoko (2008) opined that the management of fund in many secondary and primary schools has been poor and affects the quality of education. Furthermore, Chikoko (2008) reported that many principals and bursars have been found to mismanage school funds. This poor management of funds consequently results in embezzlement, deviation of funds from prioritized projects, defalcations, sub-standard learning equipment and poor quality education (Munge, Kimani & Ngugi, 2016). Good fund management will also help ensure that the schools' funds are appropriately sourced, planned, controlled and expended within budget limits (Coombs & Jenkins, 2002). Hence, appropriate management of funds in school is fundamental to the achievement of not only academic activities of every school and the society but the economy at large (Varghese & Buchert, 2011).

Accounting Practices

Accounting practices involve procedures of collecting, transforming, reporting and disseminating accounting information to intended users. These practices are vital in ensuring the survival and growth of every business entity. Good accounting practices are especially relevant to educational institutions because economic transactions are condensed (Sigilai & Bett, 2013) and may not be managed by professional accountants. Private schools generate funds from few sources such as fees, dues, grants or aid. In most instances, private schools are managed by agents (on behalf of owners) such as Principals, Vice-principals and Bursars. It is therefore important that school administrators manage the resources fairly and appropriately. In particular, accounting practices help private schools to manage scarce resources and remain profitable, compete favourably and achieve their set objectives. They are therefore essential in shaping the context of accounting information, financial reporting and ultimately profitability of all organizations (Nupakorn & Papruke, 2010).

Accounting practices are essential to users who require accounting information to make more informed decisions. Prior studies indicate that accounting practices are associated with efficiency of fund management in secondary schools. For instance, Kinyanzi, Ombuki and Kalii (2019) found accounting practices not only influence fund management but also financial performance of secondary schools. Nyaga (2016) showed that the extent of accounting practices depended on financial literacy and competence of administrators and finance officers which also determines the efficacy and effectiveness of fund management practices in Kenyan schools. In addition, establishment of internal control is only effective when controls are strong and are applied as prescribed. Ackom-Wilson (2015) found most administrators' poor accounting practices due to lack of skill and financial literacy in Ghanian secondary schools which were major impediments for effective fund management. Furthermore, Amirizi and Ololube (2018) study found financial practices were the foundation for effective fund management strategies, accountability and administration of public secondary schools in Rivers state, Nigeria.

Book keeping Practices and Fund Management

Bookkeeping refers to recording accounting transactions in their appropriate books of accounts. It consists of several stages of routine procedures that are delegated to accountants or finance officers which are monitored and checked by supervising officers for accuracy, completeness and conformance to accounting regulations. Bookkeeping is done to maintain proper financial records of organizational financial activities so that organizational assets and other resources are safeguarded (Otieno &

Nyangechi, 2013). According to Maseko and Manyani (2011), the financial records include cash receipt book, general ledgers, petty cash book, cheque payments book, general journal and nominal account which are kept in line with organizational and financial accounting systems. Good accounting practices facilitate timely recording, processing and preparation of financial reports of schools.

Proper bookkeeping practices has been linked with fund management and organizational performance in various studies (Jefferson, 2012). For instance, poor bookkeeping practices lead to poor fund management in schools resulting in inefficiency, frauds, errors and misuse of financial resources (Omondi et al., 2016; Munge, Kimani & Ngigi, 2016). Nyanyuki *et.al.*(2013) also reports that the efficiency of fund management is associated with the extent to which bookkeeping practices employed in public secondary schools. Similarly, Maseko and Manyani (2010) found that ineffective bookkeeping practices affect performance of organizations. However, Njeru (2004) reported that bookkeeping practices such as cash management and cash budgets by head teachers influenced effectiveness of fund management in schools. As such, it is important to examine bookkeeping practices in relation to fund management in Private Schools.

Internal Control and Fund Management

Francis and Imiete (2018) note that fund management comprises of funds procurement, funds allocation, fund monitoring systems and accountability through timely reports to stakeholders. Internal controls refer to processes and procedures designed by management in order to reasonably assure management that assets are safeguarded, monitoring is established and objectives are achieved (Knechel 2001). Schools establish internal controls majorly to ensure management of schools (principals, vice principals and bursars) utilize owners' resources in order to protect their interests and achieve set goals. Some of the controls instituted in schools include supervisory visitations, human resources control, authorization controls, administrative controls and accounting and financial controls (Bolaji, 2004; Kenyon, 2006).

Studies have suggested that there is a link between internal controls and fund management in educational institutions. For instance, Aliyu (2018) found many secondary schools in Kaduna failed to effectively manage and account for their funds effectively. Similarly, Kinyanzi, Ombuki and Kalii (2019) study found many schools deviated from their budgets by expending outside established plans indicating poor budgetary. In addition, the study documented many incidences of poor compliance to budgets due to poor monitoring and internal controls. Nyaga (2016) showed that the success of budgetary practices is dependent on the extent to which employees participate in the budget concerned. Otieno and Nyangechi (2013) report that regular supervision by school committees as a control mechanism influences the extent to which funds are managed in schools. This is because the visitation panels help to ascertain that there is adequate record keeping and reporting and all procedures are carried out in line with current plans and limits. In addition, the principal as the chief executive is expected to ensure that accounting practices are well coordinated and supervised so that funds are efficiently managed and staff are accountable. Furthermore, Amudo and Inanga (2009) note that top management sets the tone of internal control by embedding control processes in organizational activities. Cox (2000) also asserts that authorization and administration controls establish responsibility for delegation of power and authority. In addition, accounting and internal controls help in ensuring adherence to management policies, errors, fraud detection and prevention. Moreover, Kenyon (2006) opines that Human resource controls ensure that competent people are employed with the right capabilities to carry out their assigned functions. In sum, internal controls are established to ensure that records are accurate, complete, timely and in line with acceptable accounting regulations so that funds are managed effectively and organizational goals and objectives are achieved.

Budgeting and Fund Management

Budgeting is an important accounting practice that enables organizations in general, and schools in particular to achieve their objectives. In secondary schools, administrators prepare budgets to give their financial activities a direction and decide how funds will be sourced and utilized (Izeiuj 2011). Budgeting as a planning activity consists of various segments of financial expectations, disbursements and assignment of authority and responsibilities for proper management of fund (Kiriza, Walela & Kukubo 2015). Budgets also serve as basis for monitoring, control and performance assessment during financial management inspection.

Research indicates that budgeting can have a direct impact on fund management in schools. For instance, Thenga (2011) study also reported that even though south African schools practiced budgeting, their financial competence influenced the accounting practices they employed. Munge, Kimani and Ngungi (2016) identified lack of proper budgeting as one of the key reasons why school administrators misappropriate and mismanage school funds. Poor budgeting practices can also make school mangers derail from established plans by spending on non-prioritized areas (Macharia 2002). Ncube, (2016) asserts that in several instances, school administrators have failed to manage school funds appropriately and properly account for the funds under their custody as a result of poor accounting and budgetary practices. Besides, even where budgets to manage funds exist, a systematic process of budget planning, budget adoption and approval, budget implementation and budget evaluation is lacking, making the whole system divert from prioritized projects, non-impactful and insignificant (Nnabuo, 2001; Edem, 2003). As a result, the budgets become unattainable and fail to achieve effective fund management. In sum, previous literature indicates that budgets can be used to ensure financial activities are appropriately planned for, controlled, monitored so that funds are managed efficiently to achieve set objectives.

Theoretical Framework

This study is underpinned by the agency theory which explains the relationship between the study variables. Agency theory explains the problems and challenges that emanate when ownership of businesses is separated from control. According to Jensen and Meckling (1976), there is a contractual relationship between owners and managers of businesses which establishes a principal and agent relationship. The principal engages the agent to manage his business on his behalf for a reward. However, as the agent may also have self-interest due to privileged information (Sen, 1987; Williamson, 1985), the agency conflict is brought to bear. In order to protect their interests, principals implement some monitoring activities to curb the actions of the agents to control the agency cost (Panda & Leepsa, 2017). Bendickson, Muldoon, Liguori, and Davis, (2016) note that in order to solve the agency problem, governance systems are required to align risks and monitor agent behaviour.

The agency theory helps explain the relationship between accounting practices and fund management. As school administrators/principals and bursars are agents of school owners, they are expected to manage the resources at their disposal in the interest of school owners. The school owners as principals in the agency relationship, establish the accounting practices such as bookkeeping, internal controls and budgeting systems as control mechanisms so that funds can be efficiently and effectively managed and utilized. However, the agency conflict may mean that school administrators may pursue other interest thereby failing to keep proper books, not applying internal controls and fail to manage funds in line with budgets. As a result, funds are underutilized, mismanaged, embezzled and the objectives are not achieved. The agency theory hence explains that owners of businesses (school principals) employ mechanisms in schools to safeguard resources (bookkeeping, budgeting and internal controls) to ensure risks are reduced and resources (funds). Moreover, several studies (e.g. Kinyanzi, Ombuki & Kalii, 2019; Amirizi & Ololube, 2018; Munge, Kimani & Ngugi, 2016) have shown that when financial practices of principals and school administrators are monitored, financial recklessness is minimized and schools are able to manage their funds effectively. Hence, agency theory is adopted to underpin the study.

Research Methods

For the purpose of this study, an instrument from Muthanga and Odipo (2018) was adapted and administered in a cross-sectional survey on principals and bursars of private schools in Maiduguri, Nigeria. The instrument was tested for face validity and reliability and some wordings were amended for clarity and understandability. The instrument had two sections; section A on respondent demographic data and section B on topical issues relating to the study variables. The demographic data enquired on respondents' age, gender, respondent cadre and educational qualification. The accounting practices examined consisted of bookkeeping practices, internal controls and budgeting practices and fund management. Bookkeeping practices were measured by five items examining the type of books kept and the timeliness of documentation. Internal controls were measured by five items which examined respondents' satisfaction about the controls put in place. Budgeting practices were measured by five items that assessed the school's budgeting practices and adherence to budgets and targets set. Fund management was measured by eight items which assessed respondents' skill and the extent to which funds were effectively managed. All item measures were assessed on a five-point scale. The population of the study consist of 124 registered private schools in Maiduguri Metropolis as registered by the Borno state Ministry of Education. From the population, a sample of 95 schools was selected based on Yamane (1967) formular for sample determination. The sample was then selected using simple random sampling (balloting) which afforded every school an equal chance of being selected for the survey. As every school has a principal and a bursar/accountant, this sums up to a total of 190 principals and bursars. During the field survey, the 190 instruments were then administered to the principals and bursars of the selected private secondary schools within Maiduguri Metropolis. Of the 190 administered, only 131 were properly filled and returned. These 131 informs the basis of the analysis and results.

Results and Discussions

The descriptive statistics shows majority of the respondents were males (82%) and 50%

were between 36-45 years of age. Bursars/Accountants accounted for 44% and principals 56% of the respondents. About 35% have attained their first degree or higher national diploma and 39% have some form of postgraduate degree (Postgraduate Diploma, Masters). About 11% have some type of professional qualification (NIM, ANAN, ICAN).

Reliability Test and Exploratory Factor Analysis

The accounting practices were each examined to establish the internal consistency and reliability of the item measures. The Cronbach alpha test coefficient on table 1 shows items for all factors are reliable (>.70).

Table 1: Reliability Test

Factor	No. of Items	Cronbach's Alpha
Bookkeeping	5	0.913
Internal Controls	5	0.914
Budgeting	5	0.878
Fund Management	8	0.923

A factor analysis (Principal Component Analysis) to identify the principal structure underlying the variables was also run as shown on table 2. The Bartlett's test for all the factors is significant (.000), the Kaiser-Myer-Olkin (KMO) measure (.911) surpasses the .60 minimum benchmark for exploratory studies (Hair et al., 2010). The anti-image correlation for each factor also surpassed the 0.50 benchmark indicating that factors are associated with each other. The communality values for the factors range between .480 to .869 and the total variance explained by the factors having Eigen values >1 is 71% (see appendix). The rotated factor matrix on table 3 shows all factor loadings are significant (>.50) and load on only one construct. The factor analysis results have achieved best fit with four constructs loading on only one factor and all factor loadings are greater than 0.50. It is therefore established that these factors are reliable, valid and are the relevant factors to determine accounting practices and fund management in schools.

Table 2: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.911
Bartlett's Test of Sphericity	Approx. Chi-Square	2208.123
	df	253
	Sig.	.000

Table 3: Rotated Component Matrix[a]

	Component			
	1	2	3	4
BKKP1		.739		
BKKP2		.864		
BKKP3		.841		
BKKP4		.761		
BKKP5		.804		
INTCONT1			.566	
INTCONT2			.829	
INTCONT3			.843	
INTCONT4			.860	
INTCONT5			.898	
BUDGTN1				.842
BUDGTN2				.729
BUDGTN3				.801
BUDGTN4				.781
BUDGTN5				.743
FMGT1	.757			
FMGT2	.806			
FMGT3	.699			
FMGT4	.767			
FMGT5	.803			
FMGT6	.679			
FMGT7	.797			
FMGT8	.745			

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 6 iterations.

Conclusion

The paper reports an exploratory study on accounting practices influencing fund management in private secondary schools in Maiduguri, Nigeria. Exploratory studies are suggested by previous studies (e.g. Hair et al., 2010) in order to provide initial results that can be built upon by future studies. The findings from the principal component analysis (PCA) showed the three factors were distinctive and valid variables that influence fund management. The paper hence recommends an empirical or confirmatory study to validate this preliminary established results and provide further empirical insights on how accounting practices affect fund management in private secondary schools.

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APPENDIX 1

Communalities

	Initial	Extraction
BKKP1	1.000	.641
BKKP2	1.000	.831
BKKP3	1.000	.809
BKKP4	1.000	.704
BKKP5	1.000	.757
INTCONT1	1.000	.480
INTCONT2	1.000	.794
INTCONT3	1.000	.829
INTCONT4	1.000	.864
INTCONT5	1.000	.869
BUDGTN1	1.000	.799
BUDGTN2	1.000	.617
BUDGTN3	1.000	.679
BUDGTN4	1.000	.706
BUDGTN5	1.000	.660
FMGT1	1.000	.692
FMGT2	1.000	.720
FMGT3	1.000	.595
FMGT4	1.000	.679
FMGT5	1.000	.757
FMGT6	1.000	.563
FMGT7	1.000	.662
FMGT8	1.000	.677

Extraction Method: Principal Component Analysis.

Total Variance Explained

	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	9.739	42.345	42.345	9.739	42.345	42.345	5.206	22.634	22.634
2	2.538	11.034	53.379	2.538	11.034	53.379	3.843	16.709	39.343
3	2.109	9.169	62.548	2.109	9.169	62.548	3.788	16.471	55.814
4	1.996	8.680	71.227	1.996	8.680	71.227	3.545	15.414	71.227
5	.726	3.155	74.383						
6	.660	2.869	77.252						
7	.572	2.485	79.737						

8	.554	2.409	82.146
9	.542	2.357	84.503
10	.473	2.055	86.557
11	.382	1.662	88.219
12	.355	1.541	89.760
13	.341	1.481	91.241
14	.312	1.356	92.597
15	.264	1.150	93.747
16	.242	1.054	94.801
17	.226	.984	95.785
18	.215	.935	96.720
19	.196	.852	97.572
20	.180	.781	98.354
21	.132	.573	98.927
22	.131	.568	99.494
23	.116	.506	100.000

Extraction Method: Principal Component Analysis.