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### PLANNING, DECISION MAKING AND MANAGEMENT OF SCHOOL FINANCES BY THE SCHOOL HEADS IN MEGHALAYA

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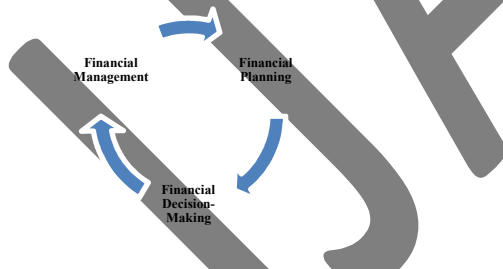
#### ABSTRACT

School budgets and the ways they are financed vary from state to state; district to district and government school to non-government school as well as from year to year. School funding is not quite that simple because every State has its own formula and system for financing education, with responsibility for providing a level of funding necessary for its educational goals and objectives to be fulfilled and satisfied. Head of the schools are delegated with enormous responsibilities for the schools' financial management as their financial planning results in quality financial decision making for quality achievement of institutional goals. In Meghalaya, a combination of income taxes, corporate taxes, sales taxes, and fees provides the budget for elementary and secondary schools which filters to schools through Directorate of School Education and Literacy (DSEL). Government schools' heads are authorized to make important financial decisions. But in non-government and government aided schools, which are managed and controlled by School Managing Committee (SMC) have very less financial power. A survey by the investigators revealed that, in Meghalaya, due to the absence of Meghalaya Education Act which is yet in the form of a draft, we still follow Assam Secondary Education Act 1961. Education Financial Act for the schools and their heads for financial management are thus absent. Mismanagement of funds as an educational failure thrust into the schools due to lack of financial knowledge as well as skills & expertise by the financial manager, who is the school head. Devoid of such an Act, manifests futile financial planning and undirected financial decision making by the heads of the schools. Many heads' merely receives financial resources, plans and utilizes ineffectively and inefficiently producing distorted cost-benefit profiles each year thus diminishing, unrecorded. To understand the budgetary process and the accounting system, school heads felt a serious need for financial training and development as a mandatory course of certification to hold such a position as School Head. Education Policy, w.r.t FINANCIAL MANAGEMENT must be formulated and implemented. The policy must comply with available legislation such as Meghalaya Education Financial Act (MEFA) and it should set directions and give financial management guidance to all the school heads. Such policy may illuminate or reduce the mismanagement of school funds. Hence, this article is a cry for the need of Meghalaya Educational Finance Act for Schools.

**Keywords:** Educational Planning, Educational Decision Making, Educational Management, Educational Finances, School Heads.

## INTRODUCTION

All schools are different but basically the objectives of any school go towards the same end; that is improving the quality and standards of the educational outcomes for the students. Often the journey of ensuring educational goals and objectives can be fulfilled only after educational institution has adequate finance. Finance is the life blood of any school business, it is very important to bring the institution into existence, to see it growing and prospering. School finances are meant for maintenance of salaries for teaching staff and cover all school running costs, including the wages of all non-teaching staff, property maintenance, classroom materials, purchase and depreciation of capital items, leases and rentals and all staff professional development. School head in practice normally is delegated responsibility for the financial management of the school, who has considerable authority in important matters such as budgeting (Behnaz & Alireza 2008). It is vital therefore that they know their roles and responsibilities in managing the finances of the school. Planning and budgeting functions of the school are dependent on heads' decision making styles (Noorjahan, 2005). These ultimately influence how they make affective decisions to ensure that they plan for the future to ensure that financial resources are sustainable, especially during uncertainty. Dan (2012) asserted that planning and decision making are highly interrelated. Planning is an advanced form of decision making leading to the security and successful financial system of the school. Thus financial planning can make major difference in the quality of head's financial decision making for fulfillment of institutional goals.



**Fig 1: Schools Financial Flow-Planning/Decision-Making/Management**

## SCHOOL FINANCIAL FLOW

Financial Planning: Finance is the function of school business (Mukesh, 2012). The application of planning to school business function can be called financial planning. It consists in the raising, providing and managing of all the money, capital of funds of any kind to be used in connection with the school business. It is also a process of framing objectives, policies, procedures, programs and budgets of educational activities. This ensures effective and adequate financial and investment policies. Financial Decisions Making : Financial decision means raising external funds and making long-term investments (Raj, 2006), such as establishing a school fund,

preparing a budget annually, collecting and administering school fees, keeping the financial records, appointing an accountant and supplementing the school's resources. The mandatory functions include, drawing up policies such as an admission policy and financial policy. Secure and Successful Financial Management: Financial security and success in schools are achieved only with the intelligence, planning, selection of choices and efficient implementation by the school head. A school head is expected to be a competent financial manager. A school's financial management is the "execution by a person in a position of authority of those management actions (regulated tasks) connected with the financial aspects of schools and having the sole purpose of achieving effective education" (Niemann 1997: 372). Similarly, Joubert and Bray (2007) describe a school's financial management as the performance of management actions connected with the financial aspects of a school for the achievement of effective education. The common factor in these definitions of financial management is that a connection is made between the management tasks and the financial aspects of a school. The implication is that the management of school finances involves the task of planning (budgeting), organising (coordinating), leading (communicating and motivating), as well as controlling (auditing) (Clarke 2007). The school's financial management is imperative because it enables the school to achieve effective education.

**School Finances in the Garo Hills Region of Meghalaya:** Constitutionally, India's education system is a state responsibility with state government providing some general grants. Each state has a different governance arrangement for the effective management of schools. Meghalaya is one of the states among seven states of North-East India and in terms of school type; it is divided into (1) government (2) non-government which includes (deficit, deficit pattern, and adhoc) (3) schools which receives only science grant in aid (4) purely private schools. It is learnt that in Meghalaya general grants received from Ministry of Human Resource Development (MHRD) is fractioned and provided to different schools by the State Government of Meghalaya through Directorate of School Education and Literacy (DSEL). Government schools are annually and directly funded by DSEL and they enjoy all the financial facility provided by the government without any discrimination. Non-Government schools which include (deficit, deficit pattern and adhoc) schools are partially government-aided and grant-in-aid is quarterly provided by DSEL vide operation by District School Education Officers (DSEO); these schools enjoy only minimum grant-in-aid. Non-government schools that come under deficit enjoy all the financial allowances provided by the government except for pension facility; Schools that come under deficit pattern enjoy only scale and dearness allowances (DA). Whereas non-government schools that come under adhoc enjoy only minimum grant-in-aid under lump-sum salary fixed by the government without any provident fund or any other financial allowances. All the non-government schools however equally suffer from irregularity of monthly salary. Considerable dissatisfaction of government's educational financial policy regarding their minimum financial facility with no social and financial security after lifetime service of retirement, for which they are also looked down upon by the society were found from the discussions and interview of

school heads, teachers and staffs of non-government schools. They expressed their condition as pathetic and discriminating.

**Role of School Heads in Financial Planning and Financial Decision Making:** Although the role of school heads varies according to the type of school, he/she is still at the locust of financial management who also makes critical financial decisions within the school. Government school heads in Meghalaya are authorized to make important financial decisions and planning. But non-government school heads, managed and controlled by School Managing Committee (SMC) have less financial power. But the schools heads, who take the dual charge of secretary cum head/principal, are the drawing and disbursing officer. Hence, many non-government (deficit, deficit pattern and adhoc) school heads, with the exception of only few, after consultation with some experienced senior teachers or assistant head freely exercise their respective financial power and generate their own funds thereby making important financial decision and planning. It was however learned that in rural areas, secretary of the school managing committee is usually the financial authority and school head acts as mere ex-officio member who has if not nil, very limited financial power. In such schools, educational politics and financial misutilization get in the way of school's development. Feedback from discussion with some school heads and teachers in rural and urban areas revealed that if voice and decision making power were given to concerned school heads and teachers they could also contribute their ideas and experiences. Some claimed that they can more effectively face the contemporary thinking, acting and decision making than some members of managing committees and policy makers as they know more about the condition of their concerned schools. Other than heads or managing committee members; assistant head, teachers, and non-teaching staff, who are also members of the school community expressed their need to have the right to be involved in financial decision making processes. These in many cases have set in failure of quality education.

**Absence of Meghalaya Educational Finance Act for Schools:** A survey by the investigators revealed that in Meghalaya, due to the absence of Meghalaya Education Act which is still in the form of a draft, yet to become an Act, even after 40 years of Meghalaya statehood, we are even presently still following Assam Secondary Education Act 1961. Hence, Meghalaya still lacks such Act that prescribes how school should manage their funds, which would otherwise provide guidelines for school heads on their roles and responsibilities in managing the finances of the school. Sometimes when the decisions go all the way to cabinet and legislation or regulations gets amended or changed, the Director (DSEL) sends direction to schools through circular in the form of letter. Consequently, interpreting it inadequately or incorrectly by school heads/SMC, experiencing financial mismanagement lacking effective justification. In spite of being in an era when there is increasing recognition that government and schools must be careful how they draw upon and regulate resources, any action that consumes resources must have a powerful justification. But financial actions in the schools of Meghalaya seem to be devoid of many such justifications.

**Mismanagement of funds due to lack of financial knowledge skills and expertise:** On account of their lack of financial knowledge, skills and expertise, many school heads are unable to work out practical solutions to financial problems in schools of Meghalaya. They are placed under tremendous pressure to manage their schools' funds. Very often educational finance are not planned or are ill-planned and even the decision making process are not sound. In an era of high expectations for accountability and entitlement among school stakeholders, decisions can quickly backfire and blow up in the face of school heads with profound adverse affects. At every juncture of financial decision making and planning, it appears that school heads are being criticized by any one of a number of individuals or institutions, including their own employees. It is learnt that although Meghalaya State Government has very little contribution with regards to providing financial funds for the purpose of construction and improvement of science laboratory, science building, computer education, drinking water facility etc, yet both government and non-government, even private schools are receiving grant-in-aids from Centrally Sponsored Scheme for the purpose. However, in many instances it has been reported that there is mismanagement of funds through misappropriation, fraud, pilfering of cash, theft and improper control of financial records, particularly in rural areas.

**Absence of Financial Management Training:** It was reported that professional training on financial management for school leaders is almost nil in Meghalaya. The absence of state department of education in providing such trainings tend to be the major reasons why many school heads and members of school managing committees still encounter problems in this area. To meet educational requirements and financial resources to be utilized effectively and systematically as possible, planning competency on the part of school head while performing the role of a leader, as a decision-maker has become mandatory and unavoidable.

**Need for Training of School Heads:** School head being held the core and most influential in the development of the overall budget, needs training and development in terms of understanding the budgetary process and accounting system, which will enable him/her to be responsible and accountable for funds that have been received for the attainment of specific school objectives. Moreover, to work with district offices and agencies of the community, to serve as mentors to school stakeholders, mentor agenda of which might include a program for school business training, strategic planning, and shared decision-making, school head needs training. To become competent enough to understand the sources of revenues as well as the political nuances so that he/she will be able to effectively facilitate strategic budgetary planning which enable the linkage of curriculum goals to available resources, training in a well articulated pedagogy such as transformational approach will allow school head to think and act in ways that reflect the common good as the leader. It will also equip him/her to make a contribution towards the improvement of the overall quality of teaching and learning of the school (Raj, 2004).



## CONCLUSION

The role of school head's decision making in planning is highly important as it permeates financial functions which are the core of planning. Financial decisions made under the guidance of planning can work together in a coherent way to advance educational goals. Intelligent planning will allow financial decisions to be made in a much more comfortable and intelligent way by making decisions easier by providing guidelines and goals for the decision. In an era of emphasis on shared governance in decision-making and school based management, the logical assumption is that if financial decision making power is given to local stakeholders who know more about the local education system than to central policy makers, financial planning and decisions made in cooperation with local stakeholders, could improve educational outcomes and increase their satisfaction. During the time of uncertainty school head could seek advice from local stakeholders, and may also delegate these functions to individuals who have necessary expertise, specialized knowledge or skills in school's finances. Decentralization decision making will encourage demand for a higher quality of education and ensure that school reflects local priorities and values. It is also important to note that School Based Management (SBM) has become a very popular movement over the last decades that emphasize the individual school (represented by any combination of principals, teachers, parents, students and other members of school community) as the main decision making authority. Hence, in schools that are managed by managing committees (SMC) heads and teachers should be allowed to involve in financial decision making process. Members should also meet regularly to discuss important financial matters including payment of monthly salary to teachers when Meghalaya government fails to provide the same, as teachers cannot work efficiently in empty stomach. Consequently, in order for schools to manage its finance effectively and efficiently school finance policy must be developed, adopted by all the relevant stakeholders and implemented accordingly. The policy must comply with available legislation such as Meghalaya Education Financial Act, and it should set directions and give guidance. Thus when a financial crisis arises, a little thought will help determine which decision to make that will not only help resolve the crisis, but will also help advance the overall plan. Schools and systems need policies and the financial policy may illuminate or reduce the mismanagement of school funds. Hence, this article is a cry for the need of Meghalaya Educational Finance Act for Schools.

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