

Effective School-Based Financial Management: A Study on the Practices of Cluster Schools in Malaysia

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Abstract— This study presents findings on the practices of effective school school-based financial management by Cluster schools in Malaysia. The challenges over recent years are not only on the management quality of the school financial operation, but to achieve the aspired educational excellent and academic achievement through effective school-based financial management. This study employed the quantitative research method through distribution of questionnaires to all leaders of Cluster schools in Malaysia. The results shows that 119 cluster schools managed to obtain high level of practices for 11 elements under the profile of effective school-based financial management. There are also no significant differences between the group of Sekolah Berasrama Penuh (SBP) or boarding schools and Sekolah Menengah Kebangsaan Agama (SMKA) or Islamic national secondary schools on all practices of effective-school based financial management. Overall, it indicates good performance, which satisfied the government purpose of granting guided financial autonomy to the school level.

Keywords— decentralization, effective, financial management, school-based management

I. INTRODUCTION

The concept of school-based management in Malaysia was largely aspired by the global phenomenon of management decentralization affecting the government sectors in many countries in the world. In Malaysia, it began in public schools through the establishment of PTj (Pusat Tanggungjawab) schools or Responsibility Center and followed with the formation of Cluster school as proposed in the Education Development Master Plan or Pelan Induk Pembangunan Pendidikan (PIPP) 2006-2010. Cluster school is a form of school brand awarded to schools that are excellent in their cluster in the aspect of school management and production of

students with multi capability in academics, spiritual and co curriculum. The implementation of Cluster school is based on the concept of school-based management which involves the school decentralization through a guided autonomy in specific areas of school management. The autonomy given are in the implementation of overall school management, human resource management, financial and physical resources, curriculum, including the co curriculum management and implementation. Furthermore, the education stakeholders are expected to increase their participations in the school management process in various forms of contribution such as ideas, financial fund and many others.

The autonomy granted to the Cluster school covers a wider area of autonomy as compared to schools of PTj level that are human and physical resources management, financial management, staff professionalism development and also curriculum and co curriculum development programs. It was also being called as a guided autonomy where the school is given the authority bounded with the regulations enforced in the Education Act 1996, National Education System, Financial Regulation Act 1957, Treasury Circulars and the Malaysia Education Quality Standard or Standard Kualiti Pendidikan Malaysia (SKPM). Another significant characteristic of the Cluster school is the increase of roles by the educations stakeholders. In addition to principal and teachers, the participation will come from the community such as the Parent-Teacher Association, Governing Board, school alumni and also the non-government organizations (NGO). Their responsibility will cover the areas such as the student scholarship, school financial resources, academic and co-curriculum excellence programs and also the career development program.

The challenges over recent years are not only on the management quality of the school financial operation, but to achieve the aspired educational excellent and academic achievement through effective school based-financial management. This is supported by Maliza Abd Malek (2007) who stressed on the urgency of schools to have a strategic financial planning in order to achieve the desired outcomes and to avoid unnecessary wastage and mismanagement of the public money. With regards to this problem, principals and teachers have to be equipped with special knowledge related to school-based financial management so that they will collaborate effectively in planning for the school budget and the daily financial operation (Zu Che Soh, 2008).

Furthermore, there are issues regarding less participation in decision-making by teachers and parents to ensure effective school-based financial management in Malaysia. It was recommended that school financial resources to be collectively monitored by Parent-Teacher Association (PIBG) or school board of director if exist and further receive assistance by school's alumni or the community surrounding (Goinsamy, 2007; Mariani Md Don, 2008 & Mohd Noor Said, 2004). There are also necessity to disseminate the school's vision, mission and objectives among the school members and stakeholders to ensure the mutual understanding and commitment from them to plan for the school's strategic planning. Research did find that the critical success factor in managing school finance by Cluster school in Malaysia is the integrity and transparency by principals to share the relevant information to other teachers, parents and the members of school alumni (Muhammad Faizal A. Ghani et al., 2011 & Wan Shamsiah Wan Yusoff, 2008). Based on all these issues, the purpose of this study is to study the level of practices of effective school-based financial management by Cluster schools in Malaysia. Specifically, the objectives of this research are:

- 1) To measure the level of practices of effective school-based financial management by Cluster schools in Malaysia
- 2) To find any significant differences between practices of effective school-based financial management between the group of Sekolah Berasrama Penuh (SBP) or boarding schools and Sekolah Menengah Kebangsaan Agama (SMKA) or Islamic national secondary schools under the Cluster schools in Malaysia.

II. LITERATURE REVIEW

The framework of this study is based on two theories that are the Institutional Theory and Education Production Function. The institutional theory best described the nature of the school-based management reform that occurred around the world and the motive behind organizational change that occurred in school management from the traditional style of bureaucracy. Institutional theory is the theory which focuses on the environmental factors experienced by organizations such as school, firm or any other institutions. It holds the concept of conformity towards external or societal norms, rules and requirements in order for organizations to reach

legitimacy. The rise of institutional theory was initiated from the writing of Meyer and Rowan (1977) which brought a new paradigm to the previous view of open system theory by Katz and Kahn (1966). Instead of understanding an organization as a component of a system that interacts and adapts to its respective environment, institutional theory has re-conceptualized this understanding by recognizing the limitation that become the constraint for an organization to change.

This then was identified as organizational field which actually constituted a recognized area of institutional life for example the key suppliers, consumers and even the other institutions operating in the same manner (DiMaggio & Powell, 1991). Institutional theory was identified with its basic principal of conformity. Conformity will measure the level of commitment of an organization to reach for the legitimacy in which the incorporation of social norms and rules was viewed as the organization's rational action. As supported by Tooley and Guthrie (2003), legitimacy will be achieved if one organization operated within the bounds and norms of its respective institutional environment. Therefore, organizations were expected to commit for the practices of best management approaches as a rational action which becomes the symbols of organizations' commitment to their respective environments.

The theoretical framework of this study is also based on the Education Production Function. Education production function rooted from the production functions in Economics context which measure the relationships between school and students input and the school outcomes (Bowles, 1970). As among the pioneer of education production function, Hanushek (2010) described it as a function that relates various inputs to education such as families, teacher quality and school resources to the maximum level of outcome such as the student achievement. The concept underlying the education production function began in 1966 through the released of the 'Coleman Report', the United States government's monumental study on educational opportunity (Coleman et al., 1966) in (Hanushek, 2010). The output of educational process which is commonly measured as achievement of individual students is directly resulted from input that are directly controlled and not so controlled by policy makers. The example of directly controlled input were teachers, curriculum, characteristics of school and any related sources whereas the not so directly controlled were described as families, friends and the students' own capabilities.

III. METHODOLOGY

This research applied the quantitative research method through survey using questionnaire to all Cluster schools in Malaysia. The selection of participants in this survey was based on non-random purposeful sampling due to the certain needs of this study. This is in line with Creswell (2008) as selection requires the participants who already understood and experienced the phenomenon being studied for the purpose of achieving the targeted goal. Questionnaire was distributed to all leaders of Cluster schools in Malaysia through mail in order to have findings from the population of Cluster schools

in Malaysia (Peninsular Malaysia, Sabah and Sarawak). The term ‘school leaders’ in this study referred to principals or head teachers and could be replaced by any of his/her assistant as the acting principals/head teachers. There were the ones who ranked as the top school managers and supposed to have vast knowledge in the area of school financial management.

The questionnaire items of this survey were basically derived from the instrument of Profile of Effective School-Based Financial Management in Malaysia developed through the application of Delphi method (Norfariza, 2014). It consists of two parts that were the demographic information and the characteristics of the profile with the total of 134 items. The questionnaire was developed with five- point Likert scale with the measurement of 1 = ‘Never’, 2 = ‘Seldom’, 3 = ‘Sometimes’, 4 = ‘Often’ and 5 = ‘Very Often’. In order to confirm the reliability of the questionnaire, pilot study was initially conducted. The questionnaire was analyzed quantitatively using SPSS version 19. The process involved descriptive statistical analysis of data, which include frequency, percentage, mean and standard deviation and inferential statistical analysis of Mann Whitey *U*.

The pilot study was conducted with 28 school leaders (either principal/head teacher or any assistant principals) from the schools with guided financial autonomy and has similar characteristics as the Cluster schools. For validity of the survey, the questionnaire items actually have been validated by experts through the Delphi method applied in the development of the profile. The reliability was measured through internal consistency methods, which require only a single administration of an instrument. Alpha coefficient or also known as Cronbach alpha was measured with the acceptable value of Cronbach alpha between 0.65 and 0.95 as supported by Chua (2006). From the analysis done, the value of Cronbach alpha for all the 13 elements in the questionnaire was within the range of 0.671 till 0.949.

The initial analysis was done for demographic profile of the survey’s respondents, which was presented in the form of frequency and percentage. In order to find the level of practices (LOP) of effective school-based financial management by Cluster schools in Malaysia, data was analyzed in the form of mean and standard deviation. The mean of their practices then been interpreted according to three level as shown in the Table 1, which has been adapted from Zulkifli Awang (2012).

Table 1
Value of Mean Interpretation for Practices of Effective School-Based Financial Management

Mean value	Level of practices (LOP)	Interpretation
1.00 till 2.49	Low	Less satisfied
2.50 till 3.89	Moderate	Moderate satisfied
3.90 till 5.00	High	Satisfied

IV. FINDINGS

1) **The level of practices of effective school-based financial management by Cluster schools in Malaysia.**

Findings on the level of practices by 119 Cluster schools were presented for every element included in the school-based financial management functions. Table 2 shows the results for all elements followed by some explanations and brief discussion on the results of the analysis. The table was presented according to the school-based financial management functions as follows:

Table 2
Mean, Standard Deviation and Level of Practices (LOP) for all elements

Constructs	Elements	Mean	Std. Dev.	LOP
Part II (A): Function of planning	• School vision and mission establishment	4.64	0.576	High
	• Financial purposes	4.49	0.637	High
	• School finance organizational structure	4.58	0.586	High
	• Role of financial planner	4.55	0.704	High
	• Budget management procedures	4.50	0.639	High
Part II (B): Function of financial acceptance	• School financial sources	3.87	0.917	Mod.
	• Financial acceptance procedures	4.65	0.713	High
Part II (C): Function of acquisition and disbursement	• Acquisition and disbursement authority	4.80	0.470	High
	• Acquisition and disbursement procedures	4.83	0.428	High
Part II (D): Function of control and evaluation	• School financial references	4.70	0.525	High
	• Financial control authority	4.65	0.576	High
	• Financial control procedures	3.64	0.566	Mod.
	• Financial magement effectiveness measures	4.45	0.690	High
TOTAL				

From the analysis, the result shows that Cluster schools managed to obtain high level of practices for 11 elements under the profile of effective school-based financial management. Only 2 elements found to be practiced at moderate levels which are categorized to be at moderate satisfied practices. The elements are:

- Element of school financial sources
- Element of financial control procedures

Therefore, we can deduce that Cluster schools have satisfied level of practices for most elements under the profile of effective school-based financial management in Malaysia.

2) Different on the practices of school-based financial management between SBP and SMKA.

Table 3 presents findings on the different of practices of effective school-based financial management between the group of Sekolah Berasrama Penuh (SBP) or boarding schools and Sekolah Menengah Kebangsaan Agama (SMKA) or Islamic national secondary schools under the Cluster school in Malaysia. The data were analysed using the analysis of Mann-Whitney *U* at $p < 0.05$ significant level (2-tailed).

Table 3
Different on the practices of effective SBFM elements

Element	Type of cluster school	Mean rank	Mann-Whitney <i>U</i>	Sig.
School vision and mission establishment	SBP SMKA	14.29 19.73	81.500	0.099
Financial purposes	SBP SMKA	14.79 19.00	91.000	0.208
School finance organizational structure	SBP SMKA	16.37 16.69	121.000	0.922
Role of financial planner	SBP SMKA	13.94 18.85	80.000	0.125
Budget management procedures	SBP SMKA	15.29 18.27	100.500	0.372
School financial sources	SBP SMKA	16.47 16.54	123.000	0.985
School financial acceptance procedures	SBP SMKA	16.66 13.50	82.500	0.330
Acquisition and disbursement authorities	SBP SMKA	15.69 16.42	111.500	0.817
Acquisition and disbursement procedures	SBP SMKA	16.97 15.81	114.500	0.702
School financial references	SBP SMKA	17.47 15.08	105.000	0.470
Financial control authorities	SBP SMKA	17.24 14.04	90.500	0.333
Financial control procedures	SBP SMKA	17.97 11.79	63.500	0.059
Financial management effectiveness measures	SBP SMKA	17.84 14.54	98.000	0.325

Note: *Significant at confident level $p < 0.05$ (2-tailed)

- a) Element of school vision and mission establishment
The results show that there are no significant differences between SBP and SMKA on the level of practices for the element of school vision and mission establishment [U ($n_1 = 19, n_2 = 13$) = 81.5, $p < 0.05$].
- b) Element of financial purposes
The results show that there are no significant differences between SBP and SMKA on the level of practices for the element of financial purposes [U ($n_1 = 19, n_2 = 13$) = 91, $p < 0.05$].
- c) Element of school finance organizational structure
The results show that there are no significant differences between SBP and SMKA on the level of practices for the element of school finance organizational structure [U ($n_1 = 19, n_2 = 13$) = 121, $p < 0.05$].
- d) Element of role of financial planner
The results show that there are no significant differences between SBP and SMKA on the level of practices for the element of role of financial planner [U ($n_1 = 19, n_2 = 13$) = 80, $p < 0.05$].
- e) Element of budget management procedures
The results show that there are no significant differences between SBP and SMKA on the level of practices for the element of budget management procedures [U ($n_1 = 19, n_2 = 13$) = 100.5, $p < 0.05$].
- f) Element of school financial sources
The results show that there are no significant differences between SBP and SMKA on the level of practices for the element of school financial sources [U ($n_1 = 19, n_2 = 13$) = 123, $p < 0.05$].
- g) Element of school financial acceptance procedures
The results show that there are no significant differences between SBP and SMKA on the level of practices for the element of school financial acceptance procedures [U ($n_1 = 19, n_2 = 13$) = 82.5, $p < 0.05$].
- h) Element of acquisition and disbursement authorities
The results show that there are no significant differences between SBP and SMKA on the level of practices for the element of acquisition and disbursement authorities [U ($n_1 = 19, n_2 = 13$) = 111.5, $p < 0.05$].
- i) Element of acquisition and disbursement procedures
The results show that there are no significant differences between SBP and SMKA on the level of practices for the element of acquisition and disbursement procedures [U ($n_1 = 19, n_2 = 13$) = 114.5, $p < 0.05$].
- j) Element of school financial references
The results show that there are no significant differences between SBP and SMKA on the level of practices for the element of school financial references [U ($n_1 = 19, n_2 = 13$) = 105, $p < 0.05$].
- k) Element of financial control authorities
The results show that there are no significant differences between SBP and SMKA on the level of practices for the element of financial control authorities [U ($n_1 = 19, n_2 = 13$) = 90.5, $p < 0.05$].
- l) Element of financial control procedures
The results show that there are no significant differences between SBP and SMKA on the level of practices for the element of financial control procedures [U ($n_1 = 19, n_2 = 13$) = 63.5, $p < 0.05$].
- m) Element of financial management effectiveness measures
The results show that there are no significant differences between SBP and SMKA on the level of practices for the element of financial management effectiveness measures [U ($n_1 = 19, n_2 = 13$) = 98, $p < 0.05$].

From the overall results of the analysis, we can conclude that there are no significant differences between the group of Sekolah Berasrama Penuh (SBP) or boarding schools and Sekolah Menengah Kebangsaan Agama (SMKA) or Islamic national secondary schools on all practices of effective-school based financial management. The results of mean rank for all elements also show more or less similar

performance between the practices of SBP and SMKA. SBP has higher level of practices for six elements that are the element of financial acceptance procedures, acquisition and disbursement procedures and all elements under the function of control and evaluation. Whereas SMKA has higher level of practices for seven elements that are all elements under the function of planning, element of financial sources and element of acquisition and disbursement authorities.

The success of Cluster schools to practice 11 elements in the profile at high level indicates the overall satisfactory level of performance by Cluster schools in practicing effective school-based financial management. This result is contrasted to a local case study done by Wan Shamsiah Wan Yusoff (2008) on the financial performance of a Cluster school in Selangor and the results of Rahmad Sukor Ab Samad and Choo (2005) on the practices of school-based management concept by school of PTj level in the district of Petaling, Selangor. This research managed to prove that SMKA or Islamic secondary schools under the group of Cluster school are also capable to be excellent in school financial management contrasted to their poor performance report stated in the Auditor-General's Report or Laporan Ketua Audit Negara in 2002 (Jabatan Audit Negara Malaysia, 2002).

There are some possible reasons for the other two elements being practiced at moderate level. The entrepreneurship culture under the element of school financial sources is still a new concept for most public schools in Malaysia. This new paradigm has recently received attention as a result of government initiatives under the Economic Transformation Programme (ETP) in 2010, which induced the public sector to be more aggressive in increasing wealth. This culture also could only be strengthened with a certain degree of financial autonomy granted by the higher authority to the school community to increase their pool of funds. The other element is school financial control procedures in conjunction with the requirement of Internal Audit Division, Ministry of Education, Malaysia. Schools have to do the self-online auditing through Excellent Financial Management System (SKPK) annually to ensure that they are working within the regulated school financial management framework. Most schools probably give less attention to the requirement of the Internal Audit Division as compared to School Audit Division due to its smaller scope of audit investigation.

V. CONCLUSION

As a conclusion, Cluster schools in Malaysia were satisfactorily practicing the effective school-based financial management as a result of the decentralization reform occurred in the government sector. By implication, the management tasks previously handled by the central authority have been properly executed by the Cluster schools within the concept of financial decentralization. This condition has empowered the school community particularly the administrative members and further increase the role of all school stakeholders to contribute to the success of the school management. From the practical aspect, the guided financial autonomy has encourages the school leaders to have better

financial planning. It reduces any unnecessary flow of money and channeled it to the most appropriate use and need, which could facilitate the school's overall achievement in future.

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