WORKING CAPITAL MANAGEMENT PRACTICES: A CASE OF SECONDARY SCHOOLS IN SAMETA DIVISION GUCHA DISTRICT.

BY

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (FINANCE) OF KENYATTA UNIVERSITY.

NOVEMBER 2007
DECLARATION

This to certify, that this is my original work and has never been presented in part, or whole in Kenyatta University or elsewhere for the same award as to the best of my knowledge.

Sign: .......................................................... Date: 05-12-07

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Registration Number: E54/0210/03

This work was carried out under my supervision and approval as university supervisor.

Sign: .......................................................... Date: 05-12-07

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Dedication

This work is dedicated to my father Kaburi Nyabando, and my mother Mary Kerubo for their love and encouragement.

To my brother James Nyakundi and His family, My Wife Risper Kwamboka, My Daughters Miriam Moraa and Rebecca Kerubo to whom this should be a challenge.
Acknowledgement

An academic pursuit of this magnitude can not be achieved single handedly. It calls for consolidated support from intellectual authorities, colleagues, family members and friends.

It is with this pleasure and joy that I take this opportunity to appreciate the concerted efforts of my supervisor, Mr. Dominic Ngaba, for his dedication to imparting knowledge and for his invaluable assistance in this project.

Special gratitude goes to my lecturers and fellow students in the school of Business. Their support was of paramount importance.

The role played by my parents and my entire family for their moral, spiritual and financial assistance they accorded me during the time of my studies is highly appreciated.

Special thanks go to Vincent Omwenga Kofi who voluntarily offered me his computer and even worked hard to make this project a success. May God bless him abundantly as he faces life in Kenyatta University as a student and there after.

A word of gratitude also goes to all those who willingly, honestly and sincerely gave a hand in filling the questionnaires and in any other way supported me to make this project a success.
Definition of terms

Working capital: are the investments in short term assets, liabilities and how to raise the required funds for the school. Working capital includes cash, inventory, accounts receivables and accounts payables.

Inventory: are short term assets which stay in the business for a period not exceeding one year. Inventory may include consumables and non consumable materials.

Accounts payable: This is what business customers owe the school. In a school setting may refer to fees arrears and other debts owed to the school.

Creditors: these are the debts the school owes individuals or organizations.

Cash: This is the liquid money held by the school.

Stakeholders: these are the interested parties in schools.

Public secondary schools: these are government sponsored schools.
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Abstract

This study provides a comprehensive analysis of working capital management practices in Sameta Division, Gucha Districts secondary schools. The paper surveys how secondary schools head teachers who are the school financial officers manage the school cash, inventories, accounts receivables and accounts payables. Management of school finances has become a concern of most people in society, as there seems to lack professionalism in some areas of management of school finances (Ngaba 1990). Financial decisions made will affect most people in society, as majority members have vested interests in the school.

This study project incorporated cash, accounts receivables and accounts payables management practices of secondary schools in Sameta Division, Gucha district. There were twenty-five secondary schools in the division at the time of research. All the schools were selected as the sample size.

A questionnaire of open ended and closed questions was used to collect information. It was divided into two sections;

a) Brief overview of the school
b) Working capital management practices of the school.

Descriptive statistics was used to analyze data collected. The data was presented in tables.
CHAPTER ONE

INTRODUCTION

1.1. Background information

Over the years students seeking secondary education in Kenya have been increasing steadily. This has been attributed to the fact that all sectors are regarding acquisition of knowledge in educational institutions as the only way to succeed in getting secular employment. Given the higher demand for secondary education, the process of education provision has become complicated due to high demand of scarce learning resources.

The availability of private secondary schools in Kenya has made people to have a wrong perception that the cost of education in public schools is undervalued is mainly due to non-inclusion of the role of the government in the financing of public schools. The government provides learning resources to these schools unlike private schools, which do not receive any government assistance.

If there existed certainty on the cost of education attributed to one student in one-year stakeholders will be rather serious on the management of resources in their schools. However uncertainty existing implies that the stakeholders will remain silent until they realize that what they hold as the true cost of education is not the actual true cost of the education.
To a larger extent the available way of raising finances for schools is through fees levied on parents, and sponsors of these schools. Real strength of proper financial management policies are those which allow efficient management with reduced wastages if any. School stakeholders will be willing to invest in this sector if they are convinced of good financial management policies and practices in operation that will allow proper control of receipts and payments of resources.

The management of these schools transacts large amounts of money in their schools. In terms of managing school resources head teachers act as finance officers of a middle-sized company with a reasonably high turnover. The never-ending developments in technology for information collection, and analysis of transactions carried out in schools have created anxiety for research to be done on working capital management in schools. Pandey (2002), in his book of financial management asserts that, practicing managers are interested in financial management because among the crucial decisions of the firm are those which relate to the finance. An understanding of the theory of financial management provides them with conceptual and analytical insight to make those decisions skillfully. He further argues that the finance function of raising and using money although has a significant effect on other functions, yet it needs not necessarily limit or constraint running of the business.

Schools largely deal with transactions, which span for a duration of one-year individuals and entities have increasingly focused on working capital management strategies applied in schools. In this research working capital
components will include cash, account receivables, inventory management and account payable.

1.2. Statement of the Problem

Education is a basic need and a right for young people in Kenya. Provision of education has been taking place slowly because it has been facing various problems. There are various challenges facing education sector including lack of learning resources and maximum utilization of the available resources. Most of these problems have been worsening over time since introduction of cost sharing by the government (Oduog 2003).

In Kenya, secondary schools are either privately owned or are public schools. In public secondary schools responsibility of managing school resources is solely on the school board of governors. The powers and the duties of the board of governors are exercised and carried out by the head teacher. The school head is therefore in charge of the school cash, debtors, creditors and inventories. There seems to be lack of professionalism in some areas of management of school finances (Ngaba 1990). There is need to research on working capital management practices in these schools so as to find out whether lack of professionalism in working capital management practices is the cause of high cost of public secondary school education even with government financing as compared to private secondary schools (Karan 1995).

Financial management of secondary school education has been a hindrance to running of schools and this remains a major problem facing Kenyan secondary schools. This study was aimed to analyzing how working capital is sourced
and spent. The research also established that under performance of head teachers in financing management is a result of employing less qualified accounting staff that maintains poor records and fails to adhere to accounting procedures (Ministry of Education 1987).

1.3 Purpose of the Study

The overall objective of the study was; to investigate working capital management practices of secondary schools in Sameta division Gucha district.

1.4 Study Objectives

The objectives of this study were to determine;

(i) cash management practices in secondary schools

(ii) inventory management practices in secondary schools

(iii) accounts payable management practices in secondary schools

(iv) the correlation between the head’s experience in accounting and financial management and the application of appropriate working capital management practices.

1.5 Significance of the Study

The study is relevant in the following areas. It will;
(i) promote the growth and development of public schools by identifying bottlenecks that hinder their performance. Stakeholders will be equipped with information on areas of weakness and possible solutions. For example, if school boards are keen on expenditures made by the head and the head teacher takes advantage to misappropriate school resources this can be rectified.

(ii) assist government, potential non-governmental organizations in promotion of education standards and enrolment through creation of public awareness. Sponsors of these secondary schools, teachers and students will be aware of the income and expenditure. Therefore, any overcharge of less will be countered accordingly.

(iii) contribute to the body of knowledge in this field. Working capital managers in secondary schools will be enlightened on techniques and practices of management.

(iv) help the stakeholders the extent to which they are finance their schools and even how whatever they contribute is expanded in these schools.

1.6 Limitations of the Study
In undertaking this research the following were the problems encountered; first limitation was, assessing secondary data materials. Some materials was not be availed to the researcher from where they are kept. Deliberately authorities withheld information for security reasons. This was because they had fear that confidential information may spill out to the public.

Secondly, the scope of coverage was so wide to be covered within the allocated time. This was because Sameta Division in Gucha District has twenty five secondary
schools. Thirdly, co-operation of respondents was a limitation in the sense that some respondents may not co-operate in giving sufficient, reliable and relevant information needed. Lack of enough time to visit analyze and give the report within the allocated time, was forth limitation.

Lastly, financial constrains experienced. Funds were inadequate in carrying out the study. This was due to contingencies, which were unforeseen.
CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

In Kenya the missionaries originally introduced formal education. Some missionary pioneers like Dr. Ludwing Krath and John Rebman had to use their own resources to run their elementary schools (Olembo 1995). Olembo further adds that, communities contributed land, building materials, labour and fees levied on pupils who attended these schools to run and build school. Financing education has been and is still a burden to all countries in the world and therefore various sources should be sought to finance education (Oduog 2003). Schools are expensive because they are poorly managed. This is true when the cost of education in private is compared with that of public secondary schools, private schools charge almost the same amount of fees from students as in public schools but private schools have a surplus unlike in public school where resources are never enough (Karan 1995).

This review will focus on duty of head teachers in financial management, management of school finances and resources, dangers of excessive working capital, dangers of inadequate working capital, defaults in payment of account receivables, inventory management, cash management, preparation of budget estimates and accounts payables management. The teams overriding judgment on the school use of its financial resources and newly developed technologies will focus on the extent to which all pupils’ benefited from wisely targeted spending. The report further says that much of the
evidence for the judgment will be derived from evaluation on the quality of links between planning and spending (National Development Report 2002).

2.1 Duty of Head Teachers in Management of Finances

Head teachers are appointed by the Ministry of Education to be in charge of the day-to-day administration of their schools assisted by school committees and boards of governors. The Kenya Education Staff Institute based in Kenyatta University enhances management skills of school heads. The institute provides management training aimed at improving performance and efficiency. Training program offered in the institute includes educational management, financial management, management for education personnel management and legal matters affecting education.

According to the ministry of education manual for head teaches of secondary schools in Kenya (1997), the head teacher is the financial controller and accounting officer and is responsible for all financial collections and expenditure. The head teacher should be familiar with book keeping procedures (Alomba 2003). According to the ministry of education financial instructions for educational institutions, educational institutions heads are supposed to ensure efficient and effective management of school finances to provide and promote educational service.

2.2 Management of Secondary School Finances and Resources.

The ministry of education (1997) financial instructions for educational institutions noted that; under performance of head teachers in financial management results from employing less qualified accounting staff that maintains poor records and fails to adhere
to accounting procedures. The same instructions noted further that private secondary schools in contrast, did not experience as much of financial mismanagement by the head teachers because of their proper identification and available accountability system. Ngaba (1990) adds that there seems to be lack of professionalism in some areas of management of school finances and this calls for qualified personnel in the management of school finances considering huge expenditure involved in education.

It is important for administrators to realize that business management goes beyond allocating cash to items, but has to look at the school as an investment, which would eventually pay dividends to the government (Alomba 2003). Reeder (1914) maintains that educational investment should be well handled to ensure maximum production from it (Reeder 1941) and that the little funds available be well spent the government report to the international conference on education (1996). The report agrees that care and consideration be given to large surpluses of the budget, increasing surpluses where there are shortfalls in provision, deficit budgets and an usually high or low expenditure in one or more key areas. Another feature of careful financial planning is often financial planning is often financial control and administration.

Investment in current assets should be adequate, not more or less to the needs of the firm. Imbalance investment may cause excess or shortages of working capital which may lead to wastages incase of excesses or deficit incase of shortages and thus losses to the organization. (Pandey 2002).
2.3.0 Preparation of Budget Estimates

The proposed educational needs include the expenditure necessary to support programs and the anticipated revenues to cover expenditure (Campbel 1971). People within the schools system should actually play a big role in preparation of estimates. The preparation of estimates should never be a non-man affair (Miller and Spalding 1956). The head teacher should present the budget document to the board of governors before the board finally adopts it (Alomba 2003).

Government developments plan for the period of 1970-1978; argues that another feature of careful financial planning is effective financial control and administration, which establishes whether;

(i) action on main recommendation report

(ii) system for financial are unobtrusive, efficient and responsive to need and enable teachers to concentrate on their core work.

(iii) grants are used effectively.

(iv) head teachers and board of governors have adequate information to ensure that finances are kept in good order and costs are easily determined.

2.3.1 Role of Budget Administration

Budget administration is important in the fulfilling of the following roles;

(i) a budget is a financial plan that is meant to guide an institution’s operations such that any deviations can be corrected in good time (Reeder 1941).

(ii) proper budgeting makes the work of head teachers and auditors in accessing relevant information for scrutiny (Campbel 1971).
(iii) un audited is a prerequisite for all schools which receive grants from the government (Republic of Kenya development plan for the period of 1970-1978).

(iv) financial plan provides opportunity for the schools to develop, analyze and compare many different scenarios in a consistent way. Questions concerning the school’s future lines of operations and questions of what financing arrangements are optimal are addressed. (Pandey 2002).

2.3.2 Dangers of Excessive and Inadequate Working Capital

Ramamorthy 1976), identifies the following dangers of holding excessive working capital;

a) results in unnecessary accumulation of inventories, which increases wastages, theft, losses, and mishandling of resources.

b) it is an indication of a defective credit policy.

c) makes management complacent which degenerates into managerial inefficiency.

d) accumulating inventories may lead to setting an achievable goals

Further Ramamarthy (1976) identifies the following as dangers of inadequate working capital:

(i) growth of the firm stagnates

(ii) it becomes difficult to implement plans and achieve set targets

(iii) operating inefficiencies creep in.
(iv) fixed assets are not efficiently utilized for lacking working capital
(v) firm loses its credibility when it is not able to pay its short-term obligations.

Preparation of budget estimates and proper budget administration with adequate supervision leads to proper management of Accounts payable, inventory, cash and accounts payable as discussed below.

2.4 Management of Accounts Receivable

In any business firm, schools included there have to be debts created. To estimate probability of default the financial credit manager should consider the character of the customer’s willingness to pay, capacity or ability to pay and the prevailing economic conditions and other conditions affecting ability to pay (Wiley 1985). Credit evaluation procedure of the individual accounts should involve credit information, credit investigation, credit limits and collection procedures (Van Horn 1985). Financing education has been and is a burden. This implies that even in schools debts owed by students in form of fees may be a burden to pay (Oduog 2003). This implies that financing secondary, education is a major problem facing secondary schools in Kenya. Costs associated to creditors are not trivial. First, there is the chance that the students will not pay the arrears. Secondly, the school has to bear the costs of carrying the receivables. Credit policy decisions thus involve the benefits of increased enrollment and the cost of granting credit. Components of credit policy includes, terms of sale which is the condition under which a firm sells its goods and services for cash or credit analysis is the
second component, it is the process of determining the probability that customers will not pay. Last component is the collection policy, which is the procedures followed by a firm in collecting accounts receivables (Ross.A.S, Westerfield.W.R and Jordan .D.B 2003). Nyakundi (2003) says that government involvement and political situation in the country may hinder payments in accounts payables,

**2.5 Inventory Management**

Inventory can be categorized into raw materials work in progress, and finished goods (Pandey 2002). Three motives of holding inventory (Star and Miller 1962) are;

i) transaction motive- to facilitate smooth production and sales operations

ii) precautionary motive- to guard against risk of unpredictable changes in demand and supply.

iii) speculative motive- takes advantage of price fluctuations

Objectives of the inventory management should be the maximization of the value of the firm. The firm should therefore consider costs returns and risk factors in establishing inventory policy. Inventories represent as significant investment for many organizations. Despite the size of the school the head teacher who is the financial manager of will not normally have control over inventory management. Instead other functional departments will usually share decision-making authority regarding inventory.
2.6 Cash Management

Cash management is concerned with the managing of (Pandey 2002);

(i) cash flow into and out of the firm

(ii) cash flow within the firm and

(iii) cash balances held by the firm at a point in time by financing
deficit or investing surplus cash.

The school should evolve strategies regarding; cash planning, managing the cash
flows, optimum cash level and investing surplus cash. Ideal such management
system will depend on the firm’s product, organization structure, competition,
culture, and options available (Pandey 2002). The basic objective in cash
management is to keep investment in cash as low as possible while keeping the
firm operating efficiently. This goal usually reduces the dictum “collect early and
pay late” (Ross A.S Westerfield W.R and Jordan D.B 2003) Managing cash
includes the following; management of cash collection which involves over the
counter collection of cash, pre-authorized arrangement, on line terminals, lock
boxes and concentration banking.

Managing cash disbursement includes maintaining zero balance accounts and
controlled disbursement accounts.

2.7 Management of Accounts Payable

A firm will always wish to tie up as little cash as possible in disbursement. The
idea in these systems is to have no more than the minimum amount necessary to
pay bills on deposit in the Bank (Ross A.S, Westerfield W.R. and Jordan D.B
Pandey (1999) identifies two most significant sources of short-term finance for working capital as trade credit and Bank borrowing (bank overdrafts). Major advantages of trade credit are:

i) it is relatively easy to obtain

ii) it varies with the amount granted.

iii) trade credit is an informal, spontaneous source of finance. It does not require any negotiations and formal agreement. It does not have the restrictions which are usually parts of negotiated sources of finance.

Ngaba (1990) defines credit terms as the conditions under which the school allows students to have fee arrears. The conditions include the due data and cash incentives (discounts) given for prompt payment.
2.10 Conceptual Framework

Cash management
- Cash collections
- Cash disbursement

Accounts receivables
- Credit period
- Components of credit policy
- Optimal credit policy

Proper Working capital Management practices

Inventory Management
- Stock levels
- Inventory costs
- Economic order quantity

Accounts payables
- Controlled disbursement
- Payment period

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter discusses research design, target population, population of study, location of study, data analysis techniques and sample size and sampling strategy.

3.1 Research Design

Descriptive research study was used. It was used because it enabled the researcher answer questions concerning the current status, and collections of quantifiable data from the sample population in order to determine the working capital management practices in Sameta Division, Gucha District secondary schools.

3.2 Target Population

The study targeted twenty-five head teachers of Secondary schools in Sameta division, Gucha district. The division is densely populated with this big number of secondary schools. The list of the school is as attached in the appendix five.

3.3 Sample Size and Sampling Strategies

This being a case study, all the twenty five head teachers of secondary schools in Sameta Division, Gucha district were studied. Schools in this division are of all the categories of secondary schools found in other parts of the country. These categories are: district secondary schools, provincial secondary schools, private schools boarding and day
schools. The sample was the entire population of twenty five secondary schools in Sameta Division in Gucha district.

3.4 Data Collection Instruments and Procedure

Data was collected from both primary and secondary sources. The primary data was collected through the use of a questionnaire, while secondary data was sourced from the schools financial reports.

Data for this study was collected by means of both open ended and closed type of questionnaires. This was administered through personal contacts. The use of these instruments was advantageous because it required less manpower and convenient and cheap. It also enabled the researcher to gather in-depth information on the phenomenon under investigation with a view to achieving research objective and answering the research questions.

3.5 Data Analysis

The collected data was analyzed using descriptive statistics. The mean and standard deviation will be used to analyze the data. The data was presented using tables. Microsoft Excel and statistical program for social science (SPSS) program was used to help analyze statistical data.
CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION OF RESULTS

4.1.1 Introduction to Data Analysis

In this Chapter, an analysis of data collected through questionnaire is made. The data has been presented by showing the actual number of responses and their corresponding percentages in tables.

The following general areas have been considered in the analysis;

i) background information of the respondents and their institutions

ii) cash management practices

iii) inventory management practices

iv) accounts receivable management practices

v) accounts payables management practices.

4.1.2 Background Information of Respondents and their Institutions

Twenty-five questionnaires were issued to the schools in Sameta Division as listed in appendix five. The results on how the questionnaires issued were returned are as shown in table 4.1 below.
Table 4.1 Issue and Return of Questionnaires

<table>
<thead>
<tr>
<th>Category of school</th>
<th>No. of schools in the category</th>
<th>No of Questionnaires</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provincial</td>
<td>3</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>District</td>
<td>17</td>
<td>17</td>
<td>68</td>
</tr>
<tr>
<td>Private</td>
<td>5</td>
<td>5</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

From table 4.1 it can be noted that majority of schools are District day schools representing 68% of the total school population. It was further realized that all district schools were day schools, while all private and provincial schools are boarding schools.

Due to the nature of the sample size; twenty-five schools, simple descriptive statistics like percentages, frequencies and cross tabulation were used for data analysis.

4.1.3 Fees Structure for Year 2005

The respondents were asked to state the fees charged and whether fees levied was above or below the recommended amounts. Their responses are summarized in table 4.2 below.

Table 4.2 Fees Structure

<table>
<thead>
<tr>
<th>Category</th>
<th>Provincial</th>
<th>District</th>
<th>Private</th>
<th>Total</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than recommended fees</td>
<td>0</td>
<td>12</td>
<td>-</td>
<td>12</td>
<td>48</td>
</tr>
<tr>
<td>Recommended fees or more</td>
<td>3</td>
<td>5</td>
<td>5</td>
<td>13</td>
<td>52</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>17</td>
<td>5</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>
From table 4.2, it was realized that the 85% of district schools charges less than the recommended amounts of fees, and 100% of private and provincial secondary schools charged recommended amounts.

4.1.4 Enrollment in Schools

The researcher wished to find out enrolment in schools. The respondents were asked to state if they had less than or more than 100 students and the results obtained were tabulated as in table 4.3 below.

Table 4.3 Enrolments in Schools

<table>
<thead>
<tr>
<th>Value label</th>
<th>Provincial</th>
<th>District</th>
<th>Private</th>
<th>Total</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less 100 students</td>
<td>0</td>
<td>11</td>
<td>0</td>
<td>11</td>
<td>44</td>
</tr>
<tr>
<td>More than 100 students</td>
<td>3</td>
<td>6</td>
<td>5</td>
<td>14</td>
<td>56</td>
</tr>
<tr>
<td>Total</td>
<td>2</td>
<td>17</td>
<td>5</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

As shown in the table 4.3, 44% of all schools had enrolment of less than 100 students; of these under enrolled schools 64% are district schools. Further it was realized that 100% of private and provincial schools had more than 100 students.

4.1.5 Bursary Allocation

The researcher was interested to find out whether schools were awarded bursaries. Respondents were to state ‘yes’ or ‘no’ to establish whether they had ever received bursary, the findings are as recorded in table 4.4 below.
Table 4.4 Bursary Allocation to Schools

<table>
<thead>
<tr>
<th>Value label</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Yes</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

As shown in table 4.4 above, 100% of the schools benefited from bursary allocation. However, some schools 28% reported to have received other donations other than bursary from well-wishers like banks, non government organizations.

4.1.6 Percentage of Bursary Received

Respondents were further asked to state the percentage of bursary received as a percentage of total fees supposed to be received and the results were tabulated as shown in table 4.5 below.

Table 4.5 Bursary Received as a Percentage of Fees paid

<table>
<thead>
<tr>
<th>Year</th>
<th>Provincial</th>
<th>District</th>
<th>Private</th>
<th>% of bursary over fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>5</td>
<td>12</td>
<td>3</td>
<td>20</td>
</tr>
<tr>
<td>2002</td>
<td>6</td>
<td>17</td>
<td>2</td>
<td>25</td>
</tr>
<tr>
<td>2003</td>
<td>5</td>
<td>15</td>
<td>2</td>
<td>22</td>
</tr>
<tr>
<td>2004</td>
<td>7</td>
<td>14</td>
<td>3</td>
<td>24</td>
</tr>
<tr>
<td>2005</td>
<td>4</td>
<td>13</td>
<td>1</td>
<td>18</td>
</tr>
</tbody>
</table>
From table 4.5 it can be noted that 25% of all fees paid in schools is catered by bursaries. This is ascertained by taking an average of percentages of fees over bursaries for the five years as shown in table 4.5.

### 4.1.7 Staffing of Schools

The table 4.6 below shows staffing levels of schools as found out by the researcher. The researcher was to find out if schools are overstaffed, well staffed, or understaffed as tabulated in table 4.6 below.

<table>
<thead>
<tr>
<th>Table 4.6 Staffing of the Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value label</td>
</tr>
<tr>
<td>------------</td>
</tr>
<tr>
<td>Understaffed</td>
</tr>
<tr>
<td>Staffed</td>
</tr>
<tr>
<td>Overstaffed</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

From the table it can be noted that 88% (15) of day schools were understaffed. This explains why day schools have financial crisis throughout the year as much of what they get is paid as wages to the staff.

### 4.1.8 State of Accounting Records

Respondents were asked to assess their completion of bookkeeping records; they were to state whether their books of accounts were incomplete, complete or comprehensive. The
results are as shown in table 4.7 below which shows the status of school records and books of accounts.

Table 4.7 Book Keeping Records

<table>
<thead>
<tr>
<th>Value label</th>
<th>Provincial</th>
<th>District</th>
<th>Private</th>
<th>Total</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incomplete records</td>
<td>0</td>
<td>16</td>
<td>0</td>
<td>16</td>
<td>64</td>
</tr>
<tr>
<td>Complete records</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>6</td>
<td>24</td>
</tr>
<tr>
<td>Comprehensive</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>17</td>
<td>5</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

From the findings it can be noted that Private and provincial schools were found to have 100% complete and comprehensive records. The researcher established that 94 % (16) of district schools had incomplete financial records.

4.1.9 Fees Payment

Fees payment findings were tabulated as in table 4.8, here the researcher was interested to find out if schools have fees arrears or not, the results are as indicated in table 4.8 below.

Table 4.8 Fees Payment

<table>
<thead>
<tr>
<th>Value label</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total fees cleared</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Has fees arrears carried forward</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>
No school was found to have had 100% collection of fees from students in the Sameta division. All schools had school fees arrears at any given time.

4.1.10 Head- teacher's Financial Management Courses

The researcher wished to find out on financial management courses pursued by head teachers and the results were tabulated as in table 4.9 below.

<table>
<thead>
<tr>
<th>Value label</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>No</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

It was observed that no school from all categories had a head-teacher trained in financial management.

4.1.11 Head Teacher’s Financial Management In-Service Courses

The researcher asked respondents to list in-service courses they had undertaken in regard to financial management. The results are tabulated in table 4.10.

<table>
<thead>
<tr>
<th>Value label</th>
<th>Provincial</th>
<th>District</th>
<th>Private</th>
<th>Total</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>1</td>
<td>0</td>
<td>3</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td>No</td>
<td>2</td>
<td>17</td>
<td>2</td>
<td>21</td>
<td>84</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>17</td>
<td>5</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>
It can be noted that 60% of the private schools and only 33% of provincial school take their head teachers for in service course in financial management. There was no district school which in-serviced their head-teacher. About 65% and 40% of provincial and private school respectively did not in-service their head teachers.

4.1.12 Auditing of School Accounts

The respondents were asked to state whether audit was carried out or not and the responses are summarized in table 4.11 below.

Table 4.11 Auditing of School Accounts

<table>
<thead>
<tr>
<th>Value label</th>
<th>Provincial</th>
<th>District</th>
<th>Private</th>
<th>Total</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>3</td>
<td>17</td>
<td>4</td>
<td>25</td>
<td>96</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>17</td>
<td>5</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

As is the requirement of the ministry of education the entire provincial schools (100%) and District schools (100%) indicated that their accounts are audited once annually. Only 4 %(1) schools indicated that their accounts are not audited

4.1.13 School Non-Teaching Staff's Level of Education

School non teaching staffs are partly involved in the management of school finances in one way or the other. The respondents were asked to state their level of education. Levels of education of these non teaching staff are as in table 4.12.
Table 4.12 Levels of Education for School non Teaching Staff

<table>
<thead>
<tr>
<th>Value label</th>
<th>Degree</th>
<th>A-Level</th>
<th>KCSE/KCE</th>
<th>KICE</th>
<th>CPE/KCPE</th>
<th>Any other</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bursar</td>
<td>-</td>
<td>68</td>
<td>32</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td>Accounts clerk</td>
<td>-</td>
<td>40</td>
<td>60</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td>Stationery</td>
<td>-</td>
<td>-</td>
<td>96</td>
<td>4</td>
<td>-</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td>Typist</td>
<td>-</td>
<td>-</td>
<td>92</td>
<td>8</td>
<td>-</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td>Cook</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8</td>
<td>92</td>
<td>100</td>
</tr>
<tr>
<td>Watchman</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8</td>
<td>12</td>
<td>80</td>
<td>100</td>
</tr>
<tr>
<td>Storekeeper</td>
<td>-</td>
<td>-</td>
<td>36</td>
<td>52</td>
<td>12</td>
<td></td>
<td>100</td>
</tr>
<tr>
<td>Grounds-men</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>16</td>
<td>84</td>
<td>-</td>
<td>100</td>
</tr>
</tbody>
</table>

Among the staff of all school from all categories it was found that positions of the bursary (68A-Level and 32% KCSE) and that of the accounts clerk (40% A-level and KCSE) are the ones with highly learned personnel.

4.1.14 Delegated Financial Management Functions

The researcher wished to find out if school heads delegate financial management duties and the results are as indicated in table 4.13 below.

Table 4.13 Delegation of School Financial Management by Head Teachers

<table>
<thead>
<tr>
<th>Value label</th>
<th>Provincial</th>
<th>District</th>
<th>Private</th>
<th>Total</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>3</td>
<td>8</td>
<td>4</td>
<td>15</td>
<td>60</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>9</td>
<td>1</td>
<td>10</td>
<td>40</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>17</td>
<td>5</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>
The schools which stated that they delegate stated that they delegate only cash collection and petty cash expenditures involving only emergencies. Three that is, 100% of provincial schools and 80% (4) of private schools and 74% (8) of district schools delegate school financial management. This constitutes 60% of total schools from all categories delegation and 40% not delegating financial management tasks as shown in table 4.13.

4.2.0 CASH MANAGEMENT

Responses in tables 4:14-4:22 which refer to questionnaire in questions, A7, All -B7 of the questionnaire as is in appendix 2 in respect to cash management practices.

Table 4.14 shows fees not paid by students expressed as a percentage of fees that is supposed to be paid by these students.

Table 4.14 Percentage of Fees not Paid

<table>
<thead>
<tr>
<th>% of fees paid</th>
<th>Provincial</th>
<th>District</th>
<th>Private</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less 10%</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>Less 20%</td>
<td>2</td>
<td>0</td>
<td>1</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>Less 30%</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>Less 40%</td>
<td>0</td>
<td>6</td>
<td>1</td>
<td>7</td>
<td>28</td>
</tr>
<tr>
<td>Less 50%</td>
<td>0</td>
<td>8</td>
<td>0</td>
<td>8</td>
<td>32</td>
</tr>
<tr>
<td>Lover 50%</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>17</td>
<td>5</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>
It can be realized from the table 4.14 that 68% of all schools reported to have experienced fees arrears of 40% and over. District schools reported fees arrears of 40% and over during the existing year.

4.2.1 How Cash Collected is Maximized

Respondents were asked to show how they maximize cash collections from students table 4.15 below shows what Heads do to maximize Cash Collections.

Table 4.15 Maximizing Cash Collections

<table>
<thead>
<tr>
<th>Value label</th>
<th>Provincial</th>
<th>District</th>
<th>Private</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Write demand</td>
<td>3</td>
<td>9</td>
<td>5</td>
<td>17</td>
</tr>
<tr>
<td>Make telephone calls</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Summon parents to schools</td>
<td>1</td>
<td>12</td>
<td>5</td>
<td>18</td>
</tr>
<tr>
<td>Send students home for fees</td>
<td>3</td>
<td>17</td>
<td>5</td>
<td>25</td>
</tr>
</tbody>
</table>

Criteria used for unpaid fees varied with schools using more than one criterion. It was observed that 100% of all schools reported that they send students home for fees. Also, 100% of private schools and provincial schools write demand letters and nine district schools write demand letters. Telephone calls were rarely used that is, 8% of all schools used this mode.
4.2.2 Reasons for Holding Cash

Head teachers were asked to give reasons for holding cash in schools. They were to select reasons for holding cash from precautionary motive, speculative motive and transaction motive. The results were as tabulated in table 4.16 below.

Table 4.16 Reasons for Holding Cash

<table>
<thead>
<tr>
<th>Value label</th>
<th>Provincial</th>
<th>District</th>
<th>Private</th>
<th>Total</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergency (precautionary motive)</td>
<td>3</td>
<td>17</td>
<td>5</td>
<td>25</td>
<td>100</td>
</tr>
<tr>
<td>Anticipated expenditure –speculative</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>10</td>
<td>40</td>
</tr>
<tr>
<td>For expenditure –transaction</td>
<td>3</td>
<td>10</td>
<td>3</td>
<td>16</td>
<td>64</td>
</tr>
</tbody>
</table>

Varied reasons for holding cash were reported. Precautionary motive was the most preferred represented by all (100%) schools from all categories. Speculative motive is relied by 100% (3) and private schools and a 12% for district schools. Transaction motive applies to 100% provincial schools, 60% of private schools and 18% of district schools as indicated in table 4.16.

4.2.3 Accelerating Cash Collections

How schools accelerate cash collections was found out by asking respondents on what they do to accelerate collection of cash. The findings of the researcher were as recorded in table 4.17 below.
Table 4.17 Accelerating Cash Collection

<table>
<thead>
<tr>
<th>Value label</th>
<th>Provincial</th>
<th>District</th>
<th>Private</th>
<th>Total</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Through bank</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>11</td>
<td>44</td>
</tr>
<tr>
<td>Use of airmails</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>5</td>
<td>20</td>
</tr>
<tr>
<td>Use of lock boxes</td>
<td>0</td>
<td>8</td>
<td>1</td>
<td>9</td>
<td>36</td>
</tr>
</tbody>
</table>

To accelerate cash collections, 48% of all schools collected cash through bank with 60% of provincial schools, 60% of private schools and 24% of district schools collecting fees through the bank. No school collected cash by use of special delivery services as tabled in table 4.17.

4.2.4 Cash Disbursements

On cash disbursements respondents were asked on how they disburse cash. The heads were given the options of; use of drafts, releasing of cheques not immediately drawn and maintaining separate accounts for payroll disbursements. The results are as recorded in table 4.18.

Table 4.18 Cash Disbursement

<table>
<thead>
<tr>
<th>Value label</th>
<th>Provincial</th>
<th>District</th>
<th>Private</th>
<th>Total</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use of drafts</td>
<td>1</td>
<td>11</td>
<td>2</td>
<td>14</td>
<td>56</td>
</tr>
<tr>
<td>Releasing cheques not drawn immediately</td>
<td>1</td>
<td>5</td>
<td>1</td>
<td>7</td>
<td>28</td>
</tr>
<tr>
<td>Maintaining separate accounts for payroll disbursements</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>Any other</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>17</td>
<td>5</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>
Table 4.18 realized that 56% of all schools used drafts as a mode of cash disbursements, mostly held by district school (64% of district schools). Only 28% (7) of schools engaged in releasing cheques drawn immediately. Maintaining separate accounts for payroll disbursements was held by 12% of all the schools, of which 40%(2) are private schools and about 30%(1) are provincial schools.

4.2.5 How cash Available is Optimized

The researcher asked respondents to state the mode of optimizing cash available in schools. The respondents were to choose between accelerating cash collections and delaying payments as long as possible on the mode of optimizing cash available. The results were tabulated as in table 4.19.

Table 4.19 Optimizing Cash Available in School

<table>
<thead>
<tr>
<th>Value label</th>
<th>Provincial</th>
<th>District</th>
<th>Private</th>
<th>Total</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accelerate cash collections</td>
<td>1</td>
<td>13</td>
<td>3</td>
<td>17</td>
<td>68</td>
</tr>
<tr>
<td>Delaying payments as long as possible</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td>8</td>
<td>32</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>17</td>
<td>5</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

Optimizing of cash available in school as in table 4.19 shows that 68% of all schools accelerated cash collections while 32% delayed cash payments as long as is realistically possible. Accelerating cash collections explains why most schools send students home for fees.
4.2.6 What is Done in the Event of Cash Deficit

Respondents were asked to state what they do in the event of cash deficit. Alternatives the respondents were given include borrowing, credit purchases, assuming until next year. The results were recorded as in table 4.20.

Table 4.20 Action In the Event of Cash Deficit

<table>
<thead>
<tr>
<th>Value label</th>
<th>Provincial</th>
<th>District</th>
<th>Private</th>
<th>Total</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrow from banks</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>Credit purchases</td>
<td>2</td>
<td>16</td>
<td>3</td>
<td>21</td>
<td>84</td>
</tr>
<tr>
<td>Assume until next year</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>17</td>
<td>5</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

From table 4.20, 84% (21) of schools opted for credit purchases. Only 12% (3) schools borrowed from banks and only 4% (1) assumed until the following year.

4.2.7 What is Done in the Event of Cash Surplus.

Respondents were further asked to state if they invest surplus cash in income generating activities; leave the money in the account until the following year or they buy fixed assets. The findings are as shown in table 4.21.
Table 4.21 Action In the Event of Cash Surplus

<table>
<thead>
<tr>
<th>Value label</th>
<th>Provincial</th>
<th>District</th>
<th>Private</th>
<th>Total</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in income generating activities</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>Leave money in account until next year</td>
<td>2</td>
<td>12</td>
<td>0</td>
<td>14</td>
<td>56</td>
</tr>
<tr>
<td>Buy fixed assets</td>
<td>1</td>
<td>5</td>
<td>3</td>
<td>9</td>
<td>36</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>17</td>
<td>5</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

From table 4.21 it can be inferred that only 8%(2) schools that represents 66% of private schools invest surplus cash in the event of cash surplus. Further, it can be realized that 56% of all schools leave the surplus cash in the bank account until the following year and only 36%(9) buy fixed assets.

4.3.0 INVENTORY MANAGEMENT

Tables 4.22-4.25 summarize practices with respect to inventory management, being in questions B8-B11 of section B of the questionnaire. Inventory in schools includes among others stationary, food, and fuel. The researcher sort to determine year's percentage of unused inventory, percentage of inventory lacking, models for determining quantity of inventory required and provisions for uncertainty and safety stocks.

4.3.1 Year's Percentage of Unused Inventory

The researcher wished to establish the percentage of inventory not used in a year carried forward to the following financial year. The findings are recorded in table 4.22below.
Table 4.22 Percentage of Unused Inventory in a Year

<table>
<thead>
<tr>
<th>Value label</th>
<th>Provincial</th>
<th>District</th>
<th>Private</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 10%</td>
<td>1</td>
<td>14</td>
<td>1</td>
<td>16</td>
<td>64</td>
</tr>
<tr>
<td>Less than 20%</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>Less than 30%</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>5</td>
<td>20</td>
</tr>
<tr>
<td>Any other</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>17</td>
<td>5</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

The researcher found out that district schools (56%) had little, less than 10% of inventory unused at the year. District schools were also leading with 44% of inventory lacking as shown in table 4.22.

4.3.2 Percentage of Inventory Lacking

To establish percentage of inventory which lacks in a year the respondents’ response is tabulated in table 4.23.

Table 4.23 Inventory Percentage Lacking in a Year

<table>
<thead>
<tr>
<th>Value label</th>
<th>Provincial</th>
<th>District</th>
<th>Private</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 10%</td>
<td>1</td>
<td>11</td>
<td>1</td>
<td>1</td>
<td>42</td>
</tr>
<tr>
<td>Less 20%</td>
<td>1</td>
<td>5</td>
<td>2</td>
<td>2</td>
<td>32</td>
</tr>
<tr>
<td>Less than 30%</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>12</td>
</tr>
<tr>
<td>Any other</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>17</td>
<td>17</td>
<td>5</td>
<td>100</td>
</tr>
</tbody>
</table>
Private schools were leading with inventory lacking favorably that is, their lack of inventory and level of unused stock is evenly spread. Provincial schools lead in unused stock at the end of the year.

4.3.3 Models for Determining Quantity of Inventory Required

Models for determining quantity of inventory required was established as shown in table 4.24 below. The table indicates the criterion used in determining how much inventory is needed.

Table 4.24 How Inventory Needed is Determined.

<table>
<thead>
<tr>
<th>Value label</th>
<th>Provincial</th>
<th>District</th>
<th>Private</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchasing when need arises</td>
<td>1</td>
<td>14</td>
<td>2</td>
<td>17</td>
<td>68</td>
</tr>
<tr>
<td>Purchasing based on past experience</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>5</td>
<td>20</td>
</tr>
<tr>
<td>Purchasing by use of inventory models</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>No criteria</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>8</td>
<td>32</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>17</td>
<td>5</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

It was realized that there was no school which employed any of the inventory models as most schools 68% made their purchases only when need arises. It was also noted that 20% of the schools purchase basing on past experience and 32% had no criteria on purchases.
4.3.4 Provisions for Uncertainty and Safety Stocks

The researcher sort to find out if schools provided for stock uncertainties and whether there were provisions for safety stocks. The findings were tabulated as in table 4.25 below.

Table 2.25 Catering for Uncertainty and Safety Stocks

<table>
<thead>
<tr>
<th>Value label</th>
<th>Provincial</th>
<th>District</th>
<th>Private</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>3</td>
<td>13</td>
<td>5</td>
<td>21</td>
<td>84</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>17</td>
<td>5</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

It can be deduced from table 2.25 that all categories of schools provided for uncertainty and safety stocks, 84% catered for uncertainties and safety stocks and only 16% did not cater for uncertainty and safety stocks.

4.4.0 RECEIVABLES MANAGEMENT

Tables 4.26 and 4.27 summarize practices used in accounts receivable. Questions in the questionnaire covering this area include questions A4, A5, A7, B12 and B13.

4.4.1 Mode of Receiving Receivables

The respondents were asked to pick the mode of receiving receivables from; through the bank, by cash, or by cash and bank. Table 4.26 shows the results on the modes of receiving receivables.
Table 4.26 Mode of Receiving Receivables

<table>
<thead>
<tr>
<th>Value label</th>
<th>Provincial</th>
<th>District</th>
<th>Private</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Through bank only</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>By cash only</td>
<td>0</td>
<td>7</td>
<td>0</td>
<td>7</td>
<td>28</td>
</tr>
<tr>
<td>By cash and Bank</td>
<td>2</td>
<td>10</td>
<td>4</td>
<td>16</td>
<td>64</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>17</td>
<td>5</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

It can be noted from the above table that mode of receiving receivables preferred was by cash and bank, which consists 64%.

4.4.2 Duration of Receiving Receivables

Respondents were asked to state duration taken for them to receive their receivables.

Table 4.27 below shows the findings on duration of receiving receivables.

Table 4.27 Duration of Receiving Receivables

<table>
<thead>
<tr>
<th>Value label</th>
<th>Provincial</th>
<th>District</th>
<th>Private</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 30 days</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Between 30-60 days</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>Between 60-90 days</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>6</td>
<td>24</td>
</tr>
<tr>
<td>More than 90 days</td>
<td>1</td>
<td>14</td>
<td>0</td>
<td>15</td>
<td>60</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>17</td>
<td>5</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>
From table 4.27 it was noted that private schools lead with the duration of receiving their receivables for less than 90 days followed by provincial schools 66% receiving their receivables within 90 days. It was further established that 70% (14) of district schools paid their creditors after three months and only 23% of these district schools paid their creditors between 60 and 90 days.

4.5.0 ACCOUNTS RECEIVABLES MANAGEMENT

Question B14-B16 in the questionnaire gives practices of accounts as portrayed in tables 4.28 and 4.29.

4.5.1 Duration for Paying Creditors

On paying creditors the researcher wished to establish how long it takes for respondents to pay their creditors, the researcher tabulated the finding as shown in table 4.28.

<table>
<thead>
<tr>
<th>Value label</th>
<th>Provincial</th>
<th>District</th>
<th>Private</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 30 days</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>Between 30-60 days</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td>Between 60-90 days</td>
<td>1</td>
<td>4</td>
<td>2</td>
<td>7</td>
<td>28</td>
</tr>
<tr>
<td>More than 90 days</td>
<td>0</td>
<td>12</td>
<td>0</td>
<td>12</td>
<td>36</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>17</td>
<td>5</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

From table 4.26 it can be realized that provincial and private schools led with 100% (3) of provincial schools and 100 % (5) of private schools pay their creditors for a period of
less than 90 days. More than 66% of district schools paid their credits after 90 days that is, more than three months as can be seen in table 4.28.

4.5.2 Mode of Paying Creditors

A greater percentage pay their credits using cash and bank or through bank only, that is, 100% of provincial and private schools use either bank only or cash and bank.

Mode of paying creditors is as shown in table 4.29 below.

Table 4.29 Mode of Paying Creditors

<table>
<thead>
<tr>
<th>Value label</th>
<th>Provincial</th>
<th>District</th>
<th>Private</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Through bank only</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>By cash only</td>
<td>0</td>
<td>7</td>
<td>0</td>
<td>7</td>
<td>28</td>
</tr>
<tr>
<td>By cash and Bank</td>
<td>2</td>
<td>10</td>
<td>4</td>
<td>16</td>
<td>64</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>17</td>
<td>5</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

It can be noted from the above table that mode of paying creditors constituted mainly by cash and bank combined which had 64%. Cash only constituted 28% and only 8% was for through bank only.

4.5.3 Inducements for Paying Creditors in Good Time

The researcher wished to find out what induced respondents to pay their creditors in good time. Table 4.30 shows incentives suggested by the respondents, which induce them to pay their creditors in time.
Table 4.30 What Induces To Pay Creditors in Good Time

<table>
<thead>
<tr>
<th>Value label</th>
<th>Provincial</th>
<th>District</th>
<th>Private</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discounts</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>Reduced Prices</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>5</td>
<td>20</td>
</tr>
<tr>
<td>After sale services</td>
<td>2</td>
<td>5</td>
<td>0</td>
<td>7</td>
<td>28</td>
</tr>
<tr>
<td>When cash is available</td>
<td>0</td>
<td>11</td>
<td>0</td>
<td>11</td>
<td>44</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>17</td>
<td>5</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

About 60% (3) of the private schools are induced by discounts to pay their creditors by discounts. The remaining 40% of private schools are induced by reduced prices to pay their creditors in time.

About 33% of provincial schools are induced by prices and remaining 67% are induced by after sale services to pay their creditors in good time.

Over 64% (11) district schools pay their credits only when cash is available in excess, while 30% (5) of the district schools pay their creditors because of after sale services being an inducement.
CHAPTER FIVE

SUMMARY AND CONCLUSIONS

5.0 Introduction
This chapter summarizes the findings of the study in relation to the objectives of the study. It further gives conclusions as derived from the study and recommendation for further research.

5.1 Summary and Conclusion
The aim of the study was to determine working capital management practices in secondary schools of Sameta, Division, Gucha District. The management practices researched included; cash inventory, account receivables and accounts payables.

5.1.1 Cash Management
The following practices were present in respect of cash management;

i) there was little investment of idle cash

ii) there were policies on cash disbursement and cash collections. Cash disbursement is done by writing demand letters, sending students home, summoning parents to schools and making telephone calls. In cash disbursement, schools use drafts and releasing cheques not immediately drawn.

iii) major sources of cash for schools were fees. Other sources are bursaries and donations from well wishers.
iv) there are valid reasons for holding cash as per the findings of the study. This includes precautionary motive reasons, speculative motive reasons and transaction motive reasons.

5.1.2 Accounts Receivables

There were varied ways of receiving accounts receivables including;

i) through the bank

ii) by cash and

iv) by both cash and bank.

There were many varying procedures used to remind students of their overdue fees these includes; writing demand letters, making telephone calls, summoning parents to school and sending students home for fees.

5.1.3 Inventory Management

All schools were not using inventory models due to probably lack of knowledge. There was no clear inventory policy on acquisition. This may lead to fraud in the inventory acquisition and pricing.

5.1.4 Accounts Payables

There was no clear policy on credit period as schools had varying credit periods. Most schools especially government schools did not take advantage of discounts and reduced prices. This may be due to cash inflows varying from time to time. Large numbers of
iv) there are valid reasons for holding cash as per the findings of the study. This includes precautionary motive reasons, speculative motive reasons and transaction motive reasons.

5.1.2 Accounts Receivables

There were varied ways of receiving accounts receivables including;

i) through the bank
ii) by cash and
iv) by both cash and bank.

There were many varying procedures used to remind students of their overdue fees these includes; writing demand letters, making telephone calls, summoning parents to school and sending students home for fees.

5.1.3. Inventory Management

All schools were not using inventory models due to probably lack of knowledge. There was no clear inventory policy on acquisition. This may lead to fraud in the inventory acquisition and pricing.

5.1.4 Accounts Payables

There was no clear policy on credit period as schools had varying credit periods. Most schools especially government schools did not take advantage of discounts and reduced prices. This may be due to cash inflows varying from time to time. Large numbers of
schools except private schools did not take loans. This may be attributed to lack of
government policy allowing for loan acquisition for these schools.

5.2 Conclusions

From the research it was found out that there seems to be lack of professionalism in some
areas of management. This is so because no head teacher was found to have had training
in financial management prior to being a head. This calls for the government to train head
teachers before giving them headships roles, because education sector takes a large
portion of the government budget.

5.3 Recommendation

Research needs to be done to determine the relationship between the training of the
school head and board members with the prevailing working capital management
practices.

Similar studies are recommended, to be done in other divisions, districts and
provinces to find out whether these results still old for them.
REFERENCES

Alomba, S.K 2003 *Factors that influence financial management in secondary schools in Migori District*. M. Ed Thesis Kenyatta Universit


APPENDICES

APPENDIX 1:

LETTER TO THE HEAD TEACHER

I am happy to be identified with your school to enable me conduct an academic research entitled working capital management practices in Sameta Division, Gucha District Secondary Schools.

I kindly request you to complete all parts of this questionnaire. I will uphold the ethics of the research by treating all information given as highly confidential and only meant for research purpose.

The research is about, working capital management practices in Sameta Division Gucha District Secondary schools.

While filling the questionnaire please omit the name of your school as well as your own.

I thank you most sincerely,

Yours faithfully

__________________________

KABURI SIMEON N.
APPENDIX 2:

QUESTIONNAIRE

This questionnaire is given to the head teachers only. The information gathered from these forms will be strictly treated as confidential, and only meant for the purpose of this study.

You are requested to be as sincere and honest as possible while giving out the information.

SECTION A

Brief overview of the School

A1. Fill in the blank spaces;

i) Which year was the school started..............................

ii) Tick the status of the school when it was started;

a) Maintained government secondary school ( )

b) Assisted government school ( )

c) Un assisted / Harambee secondary school ( )

d) Missionary secondary school ( )

e) Private secondary school ( )

iii) Currently, what is the status of the school

a) District Day secondary school

b) Provincial day secondary school

c) District Boarding secondary school

d) Provincial boarding secondary school

e) Private boarding secondary school
f) Private day secondary school

g) Any other specify ........................................

A2. a) What was the fees structure for the year 2005

   Ksh.......................... Boarders
   Ksh..........................Day scholars

b) How would you rate the school financial position in the year 2005

   Not good (       )
   Good (       )
   Very good (       )
   Excellent (       )

A3. a) What was the total number of students at the end of the year 2005 .................

   b) Indicate the number of boarders in the year 2005 .........................

A4. a) Does your school benefit from any financial support or sponsorship apart from school fees collection and bursary allocation?

   Yes .................................

   No .................................

   If yes state the source ........................................

A5. Among the items listed below tick all that which your school provides to students without extra levy.

   i) Mattress

   ii) Exercise books

   iii) Text books

   iv) Desks and chairs
iv) Games kit

v) Others Specify ..................................................

A6 Indicate approximate amount to the nearest one thousand of bursary that your school received from the government in the last five years


A7. i) Indicate the number of TSC teachers that were on duty at the end of year 2005.

ii) How would you rate staffing at the end of year 2005?

   Understaffed (   )

   Staffed (   )

   Overstaffed (   )

iii) How would you rate your schoolbook keeping records?

   Incomplete (   )

   Complete records (   )

   Very comprehensive records (   )

A8. Of the total fees what percentage remains unpaid ............... 

Section B

This section needs to find out the experience of the head teacher.

B1 a) How many years have you been a head teacher .....................

    b) How many years have been in the present station ..................

B2 a) Prior to appointment as a head teacher had you done any course in financial management? Yes(   ) No(   )

    b) If yes indicate the course ........................................
B3. Have you attended any in service course in financial management?

Yes ( ) No ( )

If yes state the course attended ............................................

B4. How often are your accounts audited ......................... By whom ......................

B5. Do you delegate management of school finances to any other person(s) in school?

Yes ( ) No ( ) If yes, what do you delegate .....................

B6. What are the most difficult tasks in financial management of your school?

.................................................................

B7. State ways, in which you can be helped to improve you in financial management skills .............................

Section C

This section will try to find out more information about the personnel involved in the accounts department.

C1. a) What is the total number of employees in service in the year 2004 .................

b) Specify total males .................. Total females ..................

c) Specify the approximate total wage bill in year 2004 ......................

C2. Use the number specifications shown below to answer question 2(a)

Degree(1) A level(2)
KCE/KCSE (3) KICE (4)
CPE/KCPE (5) any other (6)

C2 a) Use the above numbers to indicate the right level of education for each of your staff non-teaching listed below.
### C2b) The researcher could like to identify the level of professional training of your school non-teaching staff.

<table>
<thead>
<tr>
<th>Graduate</th>
<th>(1)</th>
<th>Diploma</th>
<th>(2)</th>
<th>Certificate</th>
<th>(4)</th>
<th>Others</th>
<th>(5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bursar</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cook</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts clerk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Watchman</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office secretary</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Store keeper</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Typist</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grounds man</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Section D

This section will find out school working capital management practices.

**D1.** Tick average percentage of fees not paid in a year

- 10% ( )
- 20% ( )
- 30% ( )
- 40% ( )
- Over 50% ( )

**D2.** How do you cater for unpaid fees? (Tick for those that apply to your school)

- a) Write demand letters
- b) Make telephone calls
- c) Summon parents to schools
- d) Send students home for fees
- e) Any other specify, specify

**D3.** Tick the reason(s why you hold cash in the school
a) Precautionary motive
b) Speculative motive
c) Transaction motive
d) Any other motive specify

D4. How do you accelerate cash collection from students?

a) Use concentration banking
b) Use of airmails
c) Use of lockboxes
d) Use of special delivery services
e) Any other way specify

D5. Tick those that apply to your school in terms of cash disbursements

a) Use of drafts
b) Releasing of cheques which are immediately withdrawn
c) Maintaining separate accounts for payroll disbursements
d) Any other specify

D6. How do you optimize cash availability on school

a) Accelerate cash collections as much as possible
b) Delaying payments as long as is realistically possible
c) Any other specify

D7. Considering the last five years how many years have you had a cash deficit

What do you do in the event of cash deficit?

a) Borrow from banks
b) Buy goods and services on credit
c) Assume until the following financial period
d) Any other specify ..................................

D8. What do you do with cash surplus?
   a) Invest the cash in income generating activities
   b) Leave the money in the account until the following financial period
   c) Buy missing school fixed assets
   d) Any other specify ..................................

D9. What percentage of inventory that remains unused?
   a) Less than 10%
   b) Less than 20%
   c) Less than 30%
   d) Any other specify .....................

D10. What percentage of inventory that lacks
   a) Less than 10%
   b) Less than 20%
   c) Less than 30%
   d) Any other specify .....................

D11. How do you determine amount of inventory needed in the school
   a) Purchase is done only when need arises
   b) Purchasing basing on past enrollment
   c) By use of inventory models
   d) Any other specify ..................................

D12. Do you cater for uncertainty and safety stocks? Yes( ) No( )
D13. In which of the following ways do you receive cash. In each case state percentage of fees received.

a) Through the Bank ..................

b) By cash ..................

c) Any other specifies ..................

D14. How long does it take you to receive fees and any other receivables

a) 30 days or less ( )

b) Between 30 and 60 days ( )

c) Between 60 and 90 days ( )

d) Any other specify ..................

D15. How do you pay your creditors

a) Through the bank ( )

b) By cash ( )

c) Through an agent ( )

d) Any other specify ( )

D16. What induces you to pay your creditors in good time

a) Discounts ( )

b) Reduced prices ( )

c) After sale services ( )

d) Any other specify ..................
Appendix 3:

Budget Estimates

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<th>TOTAL</th>
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**Total** 62800
## Appendix 4

### Research project work plan year 2006

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- Week 1: Plan and formulation of research concept
- Week 2: Completion of research proposal
- Week 3: Consultation with supervisor on draft proposal/research project
- Week 4: Presentation of the final research proposal
- Week 5: Data collection
- Week 6: Research project writing
- Week 7: Presentation of the final research project
APPENDIX 5

LIST OF SECONDARY SCHOOLS IN SAMETA DIVISION, GUCHA DISTRICT

1. Nyamagwa Boys
2. Sameta Boys
3. Boitang’are
4. Nyamagwa Girls
5. Bishop Mugendi Nyakegogi
6. Nyabonge
7. Gesure
8. Kiong’ongi
9. Nyagiki
10. St. Dominic Rusinga
11. Riakemoni
12. Nyaguku
13. St. Peter’s Rianyachuba
14. Sameta P.A.G
15. Riobara
16. Rianchore
17. Kenyororo
18. Sapo
19. Nyagancha
20. Getenga
21. Kenyerere
22. Mogoroka
23. Gekongo
24. St. Clement Gucha
25. Riamogunde