

**AN ASSESSMENT OF THE EFFECT OF FINANCIAL REPORTING ON
FINANCIAL MANAGEMENT IN PUBLIC SECONDARY SCHOOLS IN BONDO
SUB-COUNTY, SIAYA COUNTY, KENYA**

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ABSTRACT

Financial reporting is a financial management practice whose aim is to communicate financial decisions made by management to stakeholders. Reporting therefore serves as a proof that decisions that were made were in the best interest of an institution and thus ensures effective financial management. This study therefore sought to assess the effect of financial reporting on financial management in public secondary schools. The main objectives of the research were: To examine the status of financial reporting by public secondary schools and effect on financial management, to find out the forums and avenues in which financial reports are tabled and to establish strategies that can be used to enhance effective financial reporting by public secondary schools. The research was guided by the agency theory of financial reporting which postulates that the propensity to report use of funds will lead to effective financial management. The purpose of the study was to bring to the attention of school managers, policy makers the significance of financial reporting. The literature review explored the theoretical and empirical findings on effect of financial reporting on financial management. The research was conducted in Bondo Sub-County, Siaya County and obtained data from seven principals of public secondary schools in Bondo sub-county, seven chairpersons of Boards of Management, 13 Creditors and 298 Parents. Cluster sampling was used to obtain the principals and Boards of Management chairpersons while systematic sampling was used to obtain the parents and random sampling for creditors. The research employed a descriptive research methodology that incorporated a survey design. Data from sampled respondents was obtained using questionnaires and interview guides. The instruments were piloted then administered. The data obtained was coded and entered into Statistical Package for Social Sciences (SPSS) software version 20 for analysis. Data was analysed using descriptive statistics of frequency tables and percentages. Analysed data was presented using graphs and charts. The findings of the research indicated that 57% of schools that adequately carried out financial reporting had effective financial management compared to 12% of schools that have financial management issues which do not adequately report usage of their finances. The findings also indicated that financial reporting in most public secondary school was below average and this affected effective financial management. The researcher therefore concluded that that when financial reporting is done as per the indicators, financial management will be deemed to be effective and if the indicators are absent then financial management will be deemed to be ineffective. These findings will be used by policy makers to improve on policies that guide financial reporting by public secondary schools in Kenya and also act as a wakeup call to school financial managers to adequately carry out financial reporting in order to improve financial management.